Journal of
Leadership, Accountability and Ethics

North American Business Press
Atlanta – Seattle – South Florida - Toronto

Journal of Leadership, Accountability and Ethics

Dr. Charles Terry,
Editor

Dr. David Smith,
Editor-In-Chief

NORTH AMERICAN BUSINESS PRESS
EDITORIAL ADVISORY BOARD

Dr. Andy Bertsch - MINOT STATE UNIVERSITY
Dr. Jacob Bikker - UTRECHT UNIVERSITY, NETHERLANDS
Dr. Bill Bommer - CALIFORNIA STATE UNIVERSITY, FRESNO
Dr. Michael Bond - UNIVERSITY OF ARIZONA
Dr. Charles Butler - COLORADO STATE UNIVERSITY
Dr. Jon Carrick - STETSON UNIVERSITY
Dr. Mondher Cherif - REIMS, FRANCE
Dr. Daniel Condon - DOMINICAN UNIVERSITY, CHICAGO
Dr. Bahram Dadgostar - LAKEHEAD UNIVERSITY, CANADA
Dr. Deborah Erdos-Knapp - KENT STATE UNIVERSITY
Dr. Bruce Forster - UNIVERSITY OF NEBRASKA, KEARNEY
Dr. Nancy Furlow - MARYMOUNT UNIVERSITY
Dr. Mark Gershon - TEMPLE UNIVERSITY
Dr. Philippe Gregoire - UNIVERSITY OF LAVAL, CANADA
Dr. Donald Grunewald - IONA COLLEGE
Dr. Samanthala Hettihewa - UNIVERSITY OF BALLARAT, AUSTRALIA
Dr. Russell Kashian - UNIVERSITY OF WISCONSIN, WHITEWATER
Dr. Jeffrey Kennedy - PALM BEACH ATLANTIC UNIVERSITY
Dr. Jerry Knutson - AG EDWARDS
Dr. Dean Koutramanis - UNIVERSITY OF TAMPA
Dr. Malek Lashgari - UNIVERSITY OF HARTFORD
Dr. Priscilla Liang - CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS
Dr. Tony Matias - MATIAS AND ASSOCIATES
Dr. Patti Meglich - UNIVERSITY OF NEBRASKA, OMAHA
Dr. Robert Metts - UNIVERSITY OF NEVADA, RENO
Dr. Adil Mouhammed - UNIVERSITY OF ILLINOIS, SPRINGFIELD
Dr. Roy Pearson - COLLEGE OF WILLIAM AND MARY
Dr. Sergiy Rakhmayil - RYERSON UNIVERSITY, CANADA
Dr. Robert Scherer - CLEVELAND STATE UNIVERSITY
Dr. Ira Sohn - MONTCLAIR STATE UNIVERSITY
Dr. Reginal Sheppard - UNIVERSITY OF NEW BRUNSWICK, CANADA
Dr. Carlos Spaht - LOUISIANA STATE UNIVERSITY, SHREVEPORT
Dr. Ken Thorpe - EMORY UNIVERSITY
Dr. Robert Tian - MEDIALLE COLLEGE
Dr. Calin Valsan - BISHOP'S UNIVERSITY, CANADA
Dr. Anne Walsh - LA SALLE UNIVERSITY
Dr. Thomas Verney - SHIPPENSBURG STATE UNIVERSITY
Dr. Christopher Wright - UNIVERSITY OF ADELAIDE, AUSTRALIA

Volume – 10(1)
ISSN 1913-8059

Authors have granted copyright consent to allow that copies of their article may be made for personal or internal use. This does not extend to other kinds of copying, such as copying for general distribution, for advertising or promotional purposes, for creating new collective works, or for resale. Any consent for republication, other than noted, must be granted through the publisher:

North American Business Press, Inc.
Atlanta - Seattle – South Florida - Toronto

©Journal of Leadership, Accountability and Ethics 2013

For submission, subscription or copyright information, contact the editor at:

jlae@na-businesspress.com or
customerservice@na-businesspress.com

Subscription Price: US$ 350 per year

Our journals are indexed by UMI-Proquest-ABI Inform, EBSCOHost, GoogleScholar, and listed with Cabell's Directory of Periodicals, Ulrich's Listing of Periodicals, Bowkers Publishing Resources, the Library of Congress, the National Library of Canada, and Australia's Department of Education Science and Training. Furthermore, our journals have been used to support the Academically Qualified (AQ) faculty classification by all recognized business school accrediting bodies.

This Issue

Tom Brokaw's book is a focus on today's problems and challenges that face students, families, veterans, workers, and persons of all business. He emphasizes the importance of citizens taking the social responsibility of preparing a future for their children and grandchildren who deserve the same opportunities as he and his readers had in their youth. He asks that Americans re-enlist as citizens, work together to think of bold and innovative ideas, and be proactive in implementing solutions. Brokaw supports his opinions with actual stories of individuals who are actively involved in making America a better place.

Countering the ethical crisis in business by creating organizations with cultures of character is the challenge faced by business leaders desiring to regain the respect and confidence of the public. This article describes organizations with cultures of character and outlines steps leaders can take to craft them. How business educators can help organizational leaders take these steps by providing professional development workshops is then explored. Finally, two example workshops the author has developed and taught are presented to stimulate discussion of lessons learned plus suggestions to other business educators who wish to create and offer similar programs.

In this paper the nature of knowledge, the purpose of knowledge in regards to leadership, the means of acquisition of knowledge, and the application of knowledge will be discussed. It is evident that the discipline of philosophy is ever changing. There is always room for growth and change as the quest for knowledge is explored. It appears that there are no specific right-or-wrong answers when it comes to philosophy; rather, the importance of the study of philosophy seems to lie in the philosophies themselves. Studying the many different approaches to philosophy can be very beneficial to 21st century scholars who understand and apply the ideas of the various philosophers to learning situations they face in their daily endeavors. It is helpful to review the many divisions of philosophy from the traditional through the modern period, since philosophy is a living model that is never outdated or obsolete.

The current business environment is a difficult time for small one unit banks. Government regulators are encouraging small banks to merge into large chains of banks. The government is also subsidizing and providing regulatory support to large too-big-to-fail banks. The new President of the Greenforest Bank must prepare a plan for the future. Can a small independent bank with only one office survive in a high income borough in metropolitan New Jersey in the current environment? If so, a plan to increase profitability despite the current recession must be adopted by the bank. The President must make recommendations to her board after considering other options- merge the bank into a bank chain, seek additional capital through selling new shares of common or convertible preferred stock or develop, creative new ways of working with other small banks to use shared services to reduce costs.

Effective corporate ethical codes must be communicated in organizations and assimilated into their cultures. When they exist as separate entities outside the culture or are communicated ineffectively, they can fail to function as key strategic documents. The ethical code from Lehman Brothers investment bank was analyzed using two different methodologies. Results showed the code was clear in communicating facts and information, but was not strong in transformational and visionary aspects that might assist company during a crisis. The study revealed that the culture at Lehman was not tied to the code and it did not play a significant role in the organization.

Business sustainability is all about serving the needs of one's customers, clients, and stakeholders across the globe in a socially responsible and, thus, concomitantly an economic efficacious manner. Business is expected to achieve its core economic value in conformity with the values of morality and legality. That is, business must act in a profitable, legal, and moral manner. Today, moreover, above and beyond the responsibility to act legally and morally in the pursuit of profit is the notion of social responsibility, which typically is called "corporate social responsibility" (CSR). The law defines legal accountability; ethics determines moral accountability, but ascertaining the definition, nature, extent of, and rationales for the value of social responsibility emerges as an even more challenging task. This article provides a philosophical as well as practical review of social responsibility by explaining and illustrating the concept of social responsibility in the global business environment through a business sustainability continuum. Suggestions and recommendations for business leaders, managers, and their organizations are provided to achieve success in a legal, moral, and socially responsible manner.

A broad range of stakeholders is focusing on corporate sustainability, yet little is known about how individual firms respond to these institutional pressures. In this paper, institutional theory is integrated with theories of organizational learning to understand how firms shape their response through sustainability initiatives. In a case study approach, we find that organizations create diverse responses through two primary strategies: manipulation and acquiescence. Sustainability initiatives were found to entail a simultaneous process of exploring new possibilities while exploiting existing capabilities, and to be facilitated through top management support, an open approach to surfacing initiatives, and intra- and inter-organizational alliances.

This conceptual paper explores the influence (socially, organizationally, and within teams) of context on team effectiveness models and the role of consultant identity. As a result, this paper introduces a new model to explain team effectiveness and, by way of example, considers the influence of context on both the role of consultants (their identity) and the change intervention method chosen.

GUIDELINES FOR SUBMISSION

Journal of Leadership, Accountability and Ethics
(JLAE)

Domain Statement

The *Journal of Leadership, Accountability and Ethics* is dedicated to the advancement and dissemination of business and management knowledge by publishing, through a blind, refereed process, ongoing results of research in accordance with international scientific or scholarly standards. Articles are written by business leaders, policy analysts and active researchers for an audience of specialists, practitioners and students. Articles of regional interest are welcome, especially those dealing with lessons that may be applied in other regions around the world. Research addressing any of the business functions is encouraged as well as those from the non-profit and governmental sectors.

Focus of the articles should be on applications and implications of management, leadership, ethics, and governance. Theoretical articles are welcome as long as there is an applied nature, which is in keeping with the North American Business Press mandate.

Objectives

- Generate an exchange of ideas between scholars, practitioners and industry specialists
- Enhance the development of the management and leadership disciplines
- Acknowledge and disseminate achievement in best business practice and innovative approaches to management, leadership and governance
- Provide an additional outlet for scholars and experts to contribute their ongoing work in the area of management, leadership and ethics

Submission Format

Articles should be submitted following the American Psychological Association format. Articles should not be more than 30 double-spaced, typed pages in length including all figures, graphs, references, and appendices. Submit two hard copies of manuscript along with a disk typed in MS-Word (preferably).

Make main sections and subsections easily identifiable by inserting appropriate headings and sub-headings. Type all first-level headings flush with the left margin, bold and capitalized. Second-level headings are also typed flush with the left margin but should only be bold. Third-level headings, if any, should also be flush with the left margin and italicized.

Include a title page with manuscript which includes the full names, affiliations, address, phone, fax, and e-mail addresses of all authors and identifies one person as the Primary Contact. Put the submission date on the bottom of the title page. On a separate sheet, include the title and an abstract of 100 words or less. Do not include authors' names on this sheet. A final page, "About the authors," should include a brief biographical sketch of 100 words or less on each author. Include current place of employment and degrees held.

References must be written in APA style. It is the responsibility of the author(s) to ensure that the paper is thoroughly and accurately reviewed for spelling, grammar and referencing.

Review Procedure

Authors will receive an acknowledgement by e-mail including a reference number shortly after receipt of the manuscript. All manuscripts within the general domain of the journal will be sent for at least two reviews, using a double blind format, from members of our Editorial Board or their designated reviewers. In the majority of cases, authors will be notified within 60 days of the result of the review. If reviewers recommend changes, authors will receive a copy of the reviews and a timetable for submitting revisions. Papers and disks will not be returned to authors.

Accepted Manuscripts

When a manuscript is accepted for publication, author(s) must provide format-ready copy of the manuscripts including all graphs, charts, and tables. Specific formatting instructions will be provided to accepted authors along with copyright information. Each author will receive two copies of the issue in which his or her article is published without charge. All articles printed by *JLAE* are copyright protected by the *Journal*. Permission requests for reprints should be addressed to the Editor. Questions and submissions should be addressed to:

North American Business Press
301 Clematis Street #3000
West Palm Beach, Florida 33401
jlae@na-businesspress.com
866-624-2458

Book Review
The Time of Our Lives—A Conversation About America

Brenda Hayden Sheets
Murray State University

Tom Brokaw's book is a focus on today's problems and challenges that face students, families, veterans, workers, and persons of all business. He emphasizes the importance of citizens taking the social responsibility of preparing a future for their children and grandchildren who deserve the same opportunities as he and his readers had in their youth. He asks that Americans re-enlist as citizens, work together to think of bold and innovative ideas, and be proactive in implementing solutions. Brokaw supports his opinions with actual stories of individuals who are actively involved in making America a better place.

"What has happened to us?" "Have we lost our way? "Will our children and grandchildren have better lives than us?"(pp. ix- x). Hearing these dispirited questions throughout the country, Brokaw said it was time for a conversation about the problems facing Americans and there is a dire need to implement bold and proactive solutions to address the issues.

Brokaw's first strength is demonstrated through his discussion on education. With more than 40 million Americans being illiterate, more than 10 percent of college students taking remedial reading, and American teens ranking 25th in math, 14th in reading, and 17th in science among 34 countries, he emphasizes education reform is a national imperative.

Brokaw believes a partial solution to enhance student education performance is the implementation of public-private partnerships whose focus is to invest funds designed to improve student learning. He supports this solution by noting several partnerships that have made significant contributions. Jim Barksdale, former CEO of Netscape, funded Barksdale Reading Institute that improved teaching strategies in Mississippi schools. Philanthropist Tom Cousins transformed a drug-infested neighborhood to one with a modern charter school where students rose to score above the state's academic standards. Principal Anthony Smith led an inner-city school out of a state of emergency. He partnered with Jack Cassidy, CEO of Cincinnati Bell, and together they promoted the revitalization of students to a higher academic level. Geoffrey Canada, President of the Harlem Children's Zone, was effective in supervising 100s of educational programs that strengthened youngsters in succeeding beyond their neighborhoods.

Brokaw also addresses the high education costs, particularly in state colleges. He explains these institutions often duplicate their resources, resulting in inefficient use of goods and services. He logically argues that state budgets and the population could be better served by consolidating administrative costs and higher education resources on a regional rather than state-by-state basis" (p. 62).

Another aspect of education Brokaw discussed in much detail is the community college. He notes they are not only affordable but offer a fundamental curriculum from which students can gain a well-grounded education. He emphasizes that many community colleges are working with modern manufacturers who assist in designing curricula based on sophisticated technical skills training and problem-solving coursework. This form of technical education effectively prepares qualified students to become potential employee candidates for high-powered manufacturer positions. To illustrate a quality example, Brokaw showcases Gateway Community and Technical College and the highly technical manufacturing plant--MAG Industrial Automation Systems, as one of the successful partnerships between education and manufacturing.

Another strength of Brokaw's book is his summation of the economic woes among Americans that was acquired through research and interviews. He provides examples of how many individuals have lived beyond their means—buying large homes and new cars, taking long weekend vacations, and filling their homes with expensive gadgetry. He points to the collision between the 2008 Recession and (1) Americans' spending frenzy, (2) the nine million who lost their jobs, and (3) banks that repossessed more than 1 million homes. Brokaw shares stories of typical families, including those of his daughters, who realize they must reduce expenses and live with fewer comforts. In the words of a couple who lost most everything, "We've learned a very hard lesson. We as a nation were living much too hard, much too big. We [must] get back to basics" (p. 117).

Another of Brokaw's strengths is illustrated through his detailed overview of health care costs. He warns the "American middle class … will be in a constant state of financial stress and anxiety" (p. 218) if there is no reform. He repeats a common theme that states must balance their budgets, refrain from irresponsible spending, and implement public-private partnerships. One of the partnerships Brokaw conveys is an Australian company and a Spanish company who partnered with Indiana to operate a toll road stretching over 157 miles into the Chicago area. This teamwork allowed the state a gain of $3 billion over a 75-year life span. Similar projects, he notes, are underway in Colorado, Virginia, and Texas, all of whose gains can support health care expenditures.

Brokaw's strength of writing in reference to the American war veterans and their families is also well demonstrated candidly and compassionately. He writes, "It is fundamentally unfair to expect a small percentage of our population, drawn largely from the middle and working class or poor, to carry the burden and pay the price of fighting wars that are always initiated in the 'national interest'" (p. 130). His solution is that Americans enlist to help the veterans. He relays a story of Corey Briest, a son and a husband with two children from Brokaw's hometown of Yankton, South Dakota. When a warrior in Baghdad, Corey had been hit by an IED, leaving him with Traumatic Brain Injury. His wife was able to find a private facility in Southern California that provided the needed therapy and rehabilitation for him. Once he was released, South Dakota building contractors raised money that they used to build a new home for Corey and his family. The home contained accommodations, including an elevator and handrails which helped with his mobility. Brokaw also noted that many of Corey's buddies volunteered to take him to Emergency Management Training sessions where he had been an employee prior to his service in Iraq. Brokaw says Corey is making good progress.

Brokaw shares another interesting example in the person of Lieutenant Greitens, a Navy Seal, an honors student at Duke University, and a PHD at Oxford University, who established a veterans program called The Mission Continues, a 501(c)(3) with his friend Kenneth Harris. It is a 14-week fellowship program in which wounded veterans volunteer to serve in charitable organizations and other areas of need. These individuals, many of whom feel they can never contribute to the good of society, receive cost of living expenses and a reason to continue their life. By 2010, there were more than 400 veterans who had experienced the program.

Due to the program, a 14-year veteran named Phillip Sturgeon who had suffered from post traumatic stress disorder found new value in life. Brokaw skillfully brings the reader very close to the story as he continued to write that Sturgeon trained a Labrador puppy to be a service dog to assist those in wheelchairs. He had named the pup "L.T." for "Lieutenant." He said, "L.T. gives me purpose. He helps me deal with anxiety every day" (p. 167)…It gives "me something to look forward to and it was a huge relief because it brought my whole family back together" (p. 168). A few days later, Brokaw heard that Sturgeon was going blind and would no longer be able to train dogs. Brokaw thought, "My God, …how much does one family have to go through? How many Phil Sturgeons are out there, in small towns, second- or third-generation military vets so disabled?" (p. 168).

In the final chapter, Brokaw relates the "September of [His] Years", to Frank Sinatra's "It Was a Very Good Year":

But now the days grow short;
I'm in the autumn of the year
And now I think of my life as vintage wine,
From fine old kegs,
From the brim to the dregs,
And it poured sweet and clear.
It was a very good year (p. 253).

Brokaw writes his life's objectives to which many readers also aspire: "To make the most of the time remaining and to get through the autumn with grace, compassion, and always a commitment to leaving the world a little better place for family and everyone" (p. 253)—a model that senior readers can emulate.

Finally, Brokaw uses the storytelling technique that promote his message of Americans' need to work together to solve problems. He notes that he has shared the following true story with his granddaughters. A summary is as follows: Tom was overlooking the Boulder River which happened to be close to flood stage. He noticed a small herd of elks struggling to cross the rushing waters. All the elk were eventually able to cross except for a young elk that fell and was swept a short way downstream. He observed that as the young elk attempted to join the herd, he fell again and was washed farther downstream. Brokaw then saw the young elk's mother rescuing her young elk and guiding her calf to a crossing area of the river where they rejoined the herd.

Brokaw as a wise teacher uses this message to explain that as neighbors are faced with problems, they can feel lost and stranded with no one to help, [similar to the fears of the young elk]. Yet, Americans, similar to the mother elk, can reach out to lend a hand to others and solve problems

The book is an excellent read of today's American pulse with no weaknesses noted. It is highly recommended as a supplemental reading for students of business or social sciences, as well as a read of interest for laypersons interested in social responsibility. Everyone can benefit from the close-up look of problems facing Americans from all walks of life and the possible solutions that can be implemented with the spirit of citizens uniting to make life better. The book awakens the reader from a do-nothing state of complacency and propels him or her into an infectious longing to get involved, to solve problems, and to get all of us back on the right track. Mr. Brokaw, thank you for engaging us!

REFERENCES

Since this is a book review, there are no references. Below is information about the features of the reviewed book:

Title:	The Time of Our Lives—A Conversation About America
Author:	Tom Brokaw
ISBN:	978-1-4000-6458-8
Cost:	$26.00
Publisher:	Random House, Inc.
Edition:	First
Date Published:	2011
Pages:	291

Empowering Leaders to Craft Organizational Cultures of Character: Conceptual Framework and Examples

William I. Sauser, Jr.
Auburn University

Countering the ethical crisis in business by creating organizations with cultures of character is the challenge faced by business leaders desiring to regain the respect and confidence of the public. This article describes organizations with cultures of character and outlines steps leaders can take to craft them. How business educators can help organizational leaders take these steps by providing professional development workshops is then explored. Finally, two example workshops the author has developed and taught are presented to stimulate discussion of lessons learned plus suggestions to other business educators who wish to create and offer similar programs.

INTRODUCTION

> Stories of business corruption and of greed and wrongdoing in high places have always fascinated the popular press, and media interest in business ethics has never been higher. But one should not be misled by the headlines and news reports. Not all moral issues in business involve giant corporations and their well-heeled executives, and few cases of business ethics are widely publicized. The vast majority of them involve the mundane, uncelebrated moral challenges that working men and women meet daily. (Shaw & Barry, 2010, p. 4)

The ethical crisis in business is very real (Quattro & Sims, 2008; Shaw & Barry, 2010; Stanwick & Stanwick, 2009). Countering this crisis by creating organizations with cultures of character is the challenge business leaders face if the respect and confidence of the public is to be regained (Sauser, 2008a). Organizations with cultures of character not only *comply* with legal and ethical standards, they also *internalize* them from top to bottom such that every member of the organization becomes a guardian of integrity. A culture of character is built through purposive action. Its leaders possess strong moral fiber and seek to appoint, develop, and reward others like them throughout the organization. They work hard every day to infuse character into the organization through their decisions and their interactions with others. They seek to mentor and develop the next generation of leaders so the integrity of the organizations they have served will continue into the future.

How can business educators assist in empowering leaders to craft cultures of character within the organizations they lead? Furthermore, how can business educators enable people to understand, appreciate, and contribute to the establishment of such cultures in the organizations which employ them? This article (a) defines organizations with cultures of character and distinguishes them from organizations with cultures of defiance, compliance, and neglect, (b) describes the steps organizational leaders can take to craft cultures of character, (c) explores the role of business educators in empowering organizational leaders to take these steps through the provision of professional development workshops, (d) outlines the characteristics of effective business ethics education programs as revealed in the existing literature, (e) provides two examples of successful workshops that illustrate these concepts, (f) discusses lessons learned during these experiences, and (g) provides suggestions to other business educators who wish to create and offer similar programs.

CONCEPTUAL FRAMEWORK

> Although it is clear that culture is not the sole determinant of what happens in organizations, it is an important influence on what they accomplish…and how. The internal culture has the potential to shape attitudes, reinforce beliefs, direct behavior, and establish performance expectations and the motivation to fulfill them. (Schermerhorn, 2005, p. 96)

Organizational Cultures and Character

According to Trevino and Nelson (2004), "'Culture' has become a common way of thinking about and describing an organization's internal world—a way of differentiating one organization's 'personality' from another" (p. 225). Schermerhorn (2005) defines *organizational culture* as "the system of shared beliefs and values that develops within an organization and guides the behavior of its members" (p. G-12). "Whenever someone, for example, speaks of 'the way we do things around here,' they are talking about the culture," says Schermerhorn (2005, p. 96). Using such important components of culture as core values, stories, heroes, symbols, rites, and rituals, ethical leaders must influence the organization and its members to incorporate and exhibit desirable virtues and behaviors.

Sauser (2008a) has distinguished among four types of organizational culture with respect to their stance toward ethical behavior in business. This classification scheme, modeled in part on Schermerhorn's (2005, pp. 75-76) typology of strategies for corporate responsibility, holds that there are four basic types of organizational culture with respect to moral thought and action in business. They are *defiance, compliance, neglect*, and *character.*

An organization displaying a *culture of defiance* would be expected to exhibit behaviors aligned with Schermerhorn's (2005, pp. 75-76) *obstructionist* strategy of corporate social responsibility. More bluntly, this organization would be likely to scorn the law and other ethical standards and seek to resist or defy them wherever possible. 'Bending' the law, cutting ethical corners, breaking the law when the likelihood of detection is perceived to be low (or reward for breaking the law is gauged to be high enough to risk the consequences), and other such tactics would be rewarded and encouraged in this type of culture. Top management would model the way with questionable behaviors and messages indicating that defiance of the law is acceptable when necessary to meet or exceed economic goals. 'Achieve economic success at any cost; just don't get caught' would be the theme of an organization embracing a culture of defiance. Denial of guilt would be expected if illegal or unethical behaviors of members of such an organization were detected and made public.

The organization characterized by a *culture of compliance* would be expected to exhibit behaviors associated with the *defensive* and *accommodative* strategies of corporate social responsibility (Schermerhorn, 2005, pp. 75-76). Their leaders and members may not *agree* with the legal and ethical standards they are forced to operate within, but they would take actions designed to meet (at least minimally) their legal and ethical obligations. In fact, this is an important distinction between *compliant* organizations and those with *character* as defined below. In psychological terms, compliance means yielding to standards one does not necessarily accept (McGuire, 1969, p. 190). It is only when one *internalizes* (accepts and incorporates within one's value system) the principles underlying 'the letter of the law' that c*haracter* can be inferred as the underlying cause of behavior aligned with laws and ethical standards. In other words, *compliance* infers a grudging sort of acceptance of laws and ethics, not a true incorporation of the ‘spirit’ of those standards within one’s individual personality or corporate culture (Krech, Crutchfield, & Ballachey, 1962).

The *culture of neglect* is all too often a tragic case. The leaders of the organization may be seeking to follow Schermerhorn’s (2005, pp. 75-76) strategy of *accommodation* or even *proaction*, but one or more flaws in the culture lead to a failure to achieve the goals of this strategy. Such shortcomings might include a failure to know or understand the laws and ethical codes regulating the business, a failure adequately to communicate those standards, a failure to detect and/or punish wrongdoers within the firm, or even a certain blindness within the culture that leads to unintentional moral failure. While leaders of cultures of character are constantly vigilant to detect and correct ethical shortcomings on the part of themselves or their employees, leaders of cultures of neglect fail in their responsibility of due diligence. The consequences of this failure of diligence can be as devastating as the consequences of the deliberate defiance of the law taken by organizations with cultures of the first type.

The final of the four types of organizational culture in Sauser’s (2008a) taxonomy is the *culture of character.* This is the organizational culture whose leaders and members, according to Sims (2005), …are truly committed to ethical conduct [and] make ethical behavior a fundamental component of their every action. They put a stake in the ground, explicitly stating what the organization intends and expects. Value statements and codes of ethical conduct are used as a benchmark for judging both organizational policies and every individual’s conduct. They do not forget that trust, integrity, and fairness do matter, and they are crucial to [everyone] in the organization. (p. 396)

Here is an important statement made by Carl Skoogland, the former ethics director of Texas Instruments, in a speech he made on October 16, 2003: “Ethical managers must *know* what’s right, *value* what’s right, and *do* what’s right” (Skoogland, 2003, emphasis in original). These three key principles are essential in the practical and successful management of ethics at the organizational level. With respect to Skoogland’s three key principles, leaders and members of *cultures of defiance* may (or may not) know what’s right, but they certainly neither value what’s right nor do what’s right. Leaders of *cultures of compliance*, from this same perspective, know what’s right and even do what’s right, but do not really value what’s right. Consequently, members of these organizations may be tempted to bend or break the rules when opportunities occur, and may even be surreptitiously rewarded by their supervisors and peers for doing so. In *cultures of neglect*, there may be a conscious effort to know what’s right, value what’s right, and do what’s right, but—through some (often unconscious) flaw in the culture—this effort flags through lack of diligence, resulting in a breach of moral standards. Finally, in *cultures of character*, positive moral values are ingrained throughout the organization such that all of its members strive without fail to know what’s right, value what’s right, and do what’s right.

Elements of a Culture of Character

A ‘culture of character’ thus is the type of organizational culture in which positive ethical values are ingrained throughout the organization such that all its members strive without fail to know what’s right, value what’s right, and do what’s right. Turknett and Turknett (2002) provide this definition of a company with character: “Like people with character, they get results, but they do it with integrity and a respect for people. Like people with character, companies with character are able to balance *accountability* and *courage* with *humility* and *respect* (p. 2, emphasis in original).

Organizations with character not only *comply* with legal and ethical standards, they also *internalize* them from top to bottom such that every member of the firm becomes a guardian of integrity. In fact, this is the characteristic that distinguishes between the two cultures. In a culture of compliance, members of the organization seek to live by the ‘letter of the law,’ but do not take to heart the ‘spirit of the law.’ In a culture of character, what is right, what is legal, what is good, what is ethical is ingrained in the fabric of the organization. Ethicality is valued in the culture of character, and every member of the organization seeks to live by that key value.

How can its leaders establish an organizational culture of character? Many authors (e.g., Aguilar, 1994; Sauser, 2010; Sauser & Sims, 2007; Sims, 2005) have offered helpful guidance. However, Perkins and Van Valkenburg (2004) are insistent that the creation of values-based organizations must begin at the top. Cultures of character are built by leaders of character. Leaders of organizations with cultures of character should possess wisdom and knowledge, courage, humanity, justice, temperance, and transcendence (Peterson & Seligman, 2004). Furthermore, they should devote considerable time and effort to modeling these virtues through their day-to-day interactions with the organization's employees and other stakeholders. They must seek out subordinates who also have these values, then work to shape and reinforce them throughout the organization such that these virtues come to define the organization. When organizational character becomes self-sustaining such that it transcends the leader's term at the helm, then a culture of character is well on its way to institutionalization. Cultures of character are established by persons of character who pass their values on to succeeding generations of leaders and employees. This truly is the key—and the test—of character-building within the organization.

Crafting a Culture of Character

Leaders who wish to take proactive measures to establish and maintain a corporate culture of character are advised to take the following steps:

1) Adopt a code of ethics—one that everyone in the organization understands.
2) Provide ethics training—show how the code of ethics applies in everyday situations encountered by members of the organization.
3) Hire and promote ethical people—let all employees know that ethical behavior and decision-making is an important criterion for advancement in the organization.
4) Correct unethical behavior—use progressive discipline immediately to correct any breach of the organization's code of ethics.
5) Take a proactive strategy—don't wait until an ethical breach occurs, instead, take preventive actions to avoid problems.
6) Conduct a social audit—invite external reviewers to examine the organization's policies and procedures, just like financial auditors examine the books.
7) Protect whistle blowers—do not allow them to be subjected to harassment or retaliation.
8) Empower the guardians of integrity—enable every member of the organization to take positive action to demonstrate a commitment to ethics.

The leader's chief task with respect to establishing a culture of character is to lead by example and to empower *every member* of the organization to take personal action that demonstrates the firm's commitment to ethics in its relationships with suppliers, customers, employees, and shareholders. The leader should serve as an ethical exemplar and mentor to others in the organization. The leader must take proactive steps to turn each employee of the organization, no matter what may be that individual's position in the organizational hierarchy, into a protector of the organization's integrity. When maliciousness and indifference are replaced with a culture of integrity, honesty, and ethicality, the organization will reap long-term benefits from all quarters. This is the culture of character.

Training Programs to Build a Culture of Character

As emphasized above, an important step in building a corporate culture of character is providing meaningful ethics training programs for all employees within the organization. While such programs can be led by a variety of professionals, this seems to be a natural role for business ethics professors. How should such programs be structured, and how can employees become meaningfully engaged in program development and delivery? What kinds of programs foster strong employee participation and lead to meaningful learning and implementation of ideas? This portion of the article is intended to stimulate further discussion of these important questions. Research relating to elements of an effective ethics training program is here reviewed before two case studies—intended to extend this research—are presented.

The idea that ethics training is an important component of any corporate effort to instill morality into the fabric of its being—and ethicality into its day-to-day operations—is not new, of course. In 1979, Purcell and Weber presented the concept of 'institutionalizing ethics' straightforwardly as "getting ethics formally and explicitly into daily life" (p. 6). Sims (1991) counseled those who seek to institutionalize business ethics into corporate culture to consider a number of actions, including: "Develop a systematic training program (with input from employees at *all* levels of the organization) for all employees explicitly concerned with ethical principles and with relevant cases" (p. 504). Research results on a national sample of 313 business professionals employed in the United States, summarized by Valentine and Fleischman (2004), "provide significant statistical support for the notion that businesspersons employed in organizations that have formalized ethics programs have more positive perceptions of their companies' ethical context than do individuals employed in organizations that do not" (p. 381). In terms of economic incentive, LeClair and Ferrell (2000) credit—at least in part—the 'due diligence' standard of the 1991 United States Sentencing Guidelines for Organizations for turning the ethics training and consulting business into a billion dollar industry.

Providing ethics training is widely touted nowadays by experts as a key component in any effective corporate ethics program (Ferrell, Fraedrich, & Ferrell, 2011, pp. 228-230; Knapp, 2011; Trevino & Nelson, 2004, pp. 296-299). Sauser (2008b) found that conducting ongoing training and education programs with respect to business ethics is a 'best practice' recommended (or mandated) by key legal standards for businesses across the world, and Weber (2007) commented, "Formal business ethics training, often mandatory, is now common in companies around the globe" (p. 61).

While the number of ethics training programs offered by industry has increased exponentially over the past 20 years, research on the effectiveness of these programs is still in its infancy (Delaney & Sockell, 1992). The effectiveness of corporate ethics training has largely been inferred from studies of similar programs offered to business students in the classroom. Early reviews (e.g., Murphy & Boatwright, 1994; Weber, 1990) of the effectiveness of undergraduate and graduate classroom experiences in business ethics have been mixed, yet evidence is accruing that such educational experiences can raise students' ethical awareness and sensitivity (Balotsky & Steingard, 2006; Murphy & Boatwright, 1994) and level of ethical reasoning (Singer, Arora, & Roselli, 2004), if not their ethical attitudes (Jewe, 2008).

In an effort to determine if company ethics training programs make a positive difference, Delaney and Sockell (1992) conducted a survey of over 1000 Columbia University Graduate School of Business alumni from the classes of 1953 through 1987. Their conclusion: "The results suggest that ethics training in firms has a positive effect. At a minimum, respondents exposed to ethics programs perceive that their firm treats moral dilemmas in a more sensitive way, and this may aid them in choosing what to do when they are faced with ethical dilemmas" (p. 719).

The results of a recent meta-analytic investigation of 25 business ethics instructional programs conducted by business schools and corporations are not as sanguine. "Overall, results indicate that business ethics instructional programs have a minimal impact on increasing outcomes related to ethical perceptions, behavior, or awareness" (Waples, Antes, Murphy, Connelly, & Mumford, 2009, p. 133). "However," Waples et al. continue, "specific criteria, content, and methodological moderators of effectiveness shed light on potential recommendations for improving business ethics instruction" (2009, p. 133). Based on the results of their meta-analysis, Waples et al. provide the following suggestions for enhancing the effectiveness of corporate ethics training programs: "Standardized programs are best—potentially workshops and seminars. Organizational support and a developmental focus may also enhance learning outcomes. Shorter instructional periods appear to produce the best results. Case-based learning is most effective, along with a variety of additional learning activities" (p. 146). The two examples of ethics workshops described in Section III of this article embrace the suggestions of Waples et al. (2009). They also build on ideas drawn from the remaining sections of this literature review.

Structural Components of Effective Business Ethics Training Programs

Purposes

Knapp (2011, pp. 235-236) provides a comprehensive list of reasons often cited by employers as the primary purposes of ethics educational programs in business settings. He says the programs typically offered in industry are designed to:

- Comply with United States Sentencing Commission Guidelines and other compliance requirements
- Prevent illegal or undesirable conduct, thereby reducing risk
- Establish values and expectations of right conduct
- Familiarize employees with sources of guidance and relevant policies, such as a code of conduct
- Demonstrate the employer's commitment to its values and policies
- Sensitize employees to potential pitfalls before they encounter them in practice
- Heighten awareness of wrongdoing when it occurs in the workplace, thus making it more likely misconduct will be reported
- Develop critical thinking and moral reasoning skills
- Provide language and build competency for sustaining a workplace dialogue on conduct
- Establish clear performance standards for employee evaluation, rewards and disciplinary action
- Strengthen workplace trust and morale, as the best training is shown to reinforce shared values and equitable expectations
- Improve relationships with customers, suppliers, communities and other constituencies by ensuring that employees understand what contributes to, or detracts from, company reputation.

Goals

What should be the goals of an ethics training program for employees? LeClair and Ferrell (2000) provide a straightforward answer to this important question: "An effective program is organization-specific and takes advantage of self-regulatory incentives by developing ethical standards and appropriate communications, controls, and training to ensure employees and other agents understand and abide by these expectations" (p. 313). Kirrane (1990) argues that ethics training should (a) identify situations where ethical decision making is involved, (b) lead to a greater understanding of the culture and values of the organization, and (c) evaluate the impact of ethical decisions on the organization's well-being. Valentine and Fleischman (2004) suggest, "Such training should ideally teach individuals the ethical requirements of the organization, as well as how to recognize and react to common ethical problems experienced in the workplace" (p. 382).

Contents

What should an ethics program for employees contain? Contents should flow directly from the goals of the program, of course. Ferrell et al. (2011) provide a comprehensive menu from which to select relevant content: "Training can educate employees about the firm's policies and expectations, relevant laws and regulations, and general social standards. Training programs can make employees aware of available resources, support systems, and designated personnel who can assist them with ethical and legal advice. They can also empower employees to ask tough questions and make ethical decisions (p. 228).

Weber (2007) conducted a thorough review of learning theory to glean some insights to guide designers of ethics training programs. His summary suggestions include: (1) Combine pedagogical approaches and use flexible physical settings to take into consideration various learning styles. (2) Leverage organizational influences, such as a statement of values and acceptable patterns of behavior within the organization. (3) Use group discussions, particularly among individuals at different levels of cognitive moral development. (4) Discuss real life situations, including business cases. (5) Integrate stakeholder analysis by considering viewpoints of stockholders, managers, peers, other employees, suppliers, customers, family, friends, industry groups, host communities, and other parties. (9) Assign participants an active role in designing the program. (10) Use inductive learning (learning by example).

Methods

With respect to training methods, LeClaire and Ferrell (2000) provide a strong case for the perspective that experiential training—including behavioral simulation—is a highly effective approach to ethics training. Knapp (2011) comments favorably about the benefits of experiential training: "Interactive training need not be dull conversation about law and regulation. After all, ethics encompasses some of the liveliest issues that live and breathe within organizations. The best approaches encourage spirited dialog and use creative methods, such as role-play, that can even be entertaining" (pp. 239-240). From a pragmatic standpoint, Aguilar (1994) offers two important suggestions: (1) make certain any training materials and cases are clearly relevant to the audience, and (2) be sure all participants "are given ample opportunity to ask questions, challenge assertions, and generally to engage actively in the learning process" (p. 104).

Providers

Who is best suited to provide training in business ethics? Answers to this question vary widely, and are dependent on the purposes of the program, its content, and the skills of the personnel available to provide the training. Possible trainers include moral philosophers, religious leaders, prominent citizens who have a stellar reputation for ethics, members of the organization's training staff, ethics officers, senior consultants, and company officers and senior executives. Lattal and Clark (2005) endorse the idea of using company managers as trainers, with the following caveat: "Depending on your role in the organization, it may be appropriate for you to conduct such workshops yourself after receiving training that would contribute to your own moral sensitivity and professional development" (p. 341).

No matter who is selected to lead the training, Weber (2007) believes—based on his review of relevant research in learning theory—there are some desirable traits that characterize effective trainers. He states, "Better facilitators" are effective at:

> (1) Encouraging participants to analyze and modify their views as a result of insights gained from others in group discussions; (2) Encouraging participant critical thinking and inquiry skills…; (3) Supporting development of participant self-confidence by encouraging small participant groups to be independent in managing their discussions and in arriving at conclusions, while simultaneously encouraging individual creativity; and (4) Establishing a timetable and stages along the inductive learning process, including a planned close and logical wrap-up, where participants are encouraged to help evaluate their own progress toward learning goals. (p. 66)

Business Ethics Faculty as Providers of Ethics Training

While meaningful ethics training programs for all employees within the organization can be led by a variety of professionals, this seems to be a natural role for business ethics professors, who typically possess the various skills described above by Weber (2007). Through the use of experiential and reflective learning (Sims & Sauser, 2011), business ethics professors can likely provide considerable value to employees and business leaders alike as those audiences seek to learn more about ethical behavior in business organizations. The present author has been involved in the process of providing ethics training to organizations in the public, private, and voluntary sectors for more than two decades. The next section of this article describes two specific examples of training programs the author has offered over the years and discusses each in terms of purpose, approach, and methodology. These two examples illustrate the conceptual framework described above being put into action.

EXAMPLES

> While it is inarguable that an ethical workforce depends largely on good hiring, research and our own experience tell us that adults can continue to develop ethical competencies throughout their lifetimes. They can learn from their own mistakes and successes, from the examples and advice of others, and from training where they practice recognizing, analyzing and resolving ethical problems. (Knapp, 2011, p. 232)

A Professional Ethics Program for Municipal Employees

This first example describes an ethics training program developed about a decade ago for the City of Auburn, a thriving community of approximately 54,000 residents located in east central Alabama, USA. The City employs over 800 persons working in 13 departments. The City conducts a Citizen Survey every year to gauge citizen satisfaction with City services; the satisfaction figures remain uniformly high every year (thanks to the good work of the City's employees).

This ethics training program grew from a conversation between the author and the City's Human Resources (HR) Director. The HR director wanted to establish a short (two-hour) workshop on professional ethics that would be suitable for all City employees. The City has a good reputation for ethics and professionalism; the workshop was designed to maintain this reputation and build on it, *not* because there were any ethical problems the City was facing. The HR director was aware of the author's workshop facilitation skills and interest in professional ethics, and invited him to partner with the City to develop and lead a series of workshops that would enable as many as possible of the City's employees to participate.

A steering committee for the workshop was appointed representing senior employees from throughout the City. The author presented to this steering committee some introductory materials and sought their advice regarding relevant issues, examples, and methods that would appeal to the City's employees. Significantly, the members of the steering committee were asked to provide written examples of ethics issues they had faced, heard about, or observed during their career; these examples were then turned into a series of anonymous mini-case materials used in the workshop. (All of the copyrighted training materials for this and the second example may be found in Sauser, 2011). A 25-item City of Auburn Ethics Quiz was also prepared using items drawn directly from the City's personnel policy manual. To date over 600 City of Auburn employees have participated in this workshop, including the City Manager and all City department heads. It was most recently offered on 23 August 2011.

Each workshop session includes approximately 30 participants widely representative of the City's workforce in terms of age, gender, racial-ethnic identity, and departmental assignment. The participants are seated at small tables in a City training room designed to maximize participant interaction. The HR director or a member of his staff introduces each workshop, explaining to the participants that the workshop was designed with input from a representative committee of City employees. The author begins the workshop by soliciting discussion using a series of questions regarding the nature of professional ethics. Is 'ethics in public service' an oxymoron? Does 'professional ethics' represent an (impossible?) ideal, or perhaps a manifestation of a person's value system, or even a way of life? Is ethics something one can learn? How does each person's life experience influence his or her approach to professional ethics? These questions are explored in a manner that encourages participant expression of multiple perspectives, thus setting a tone of openness for later discussion.

Attention then shifts to an examination of various guidelines for professional behavior, including moral codes; professional association standards; the law; City policy, rules and regulations; societal norms; and personal values and beliefs. Three key ideas are then presented; they are described as the major 'takeaways' from the workshop: (1) Never use your public position for private gain. (2) Remember—the citizens are your employers, and they are always watching. (3) The perception of wrongdoing can be as damaging as actual wrongdoing. At this point the concept of 'an ethical challenge' is presented: An *ethical challenge* is defined as 'a situation with a potential course of action that, although offering potential personal benefit or gain, is also unethical in that it violates one or more of the standards for behavior we have just discussed.' A list of examples of typical ethical challenges is then presented, and specific actions relevant to the jobs represented among the participants are discussed. (For example, mixing 'dark water' with 'clear water' would be an example of the provision of an unsafe service by employees in Water Resource Management, as they readily recognize and point out.)

Attention then focuses on a brief discussion of unethical requests bosses sometimes make of subordinates—and how to handle them—followed by examples of rationalizations for unethical behavior—and how to identify and avoid them. After a short break the larger group is broken into small groups of five or six persons, and each group is assigned one of the mini-case scenarios mentioned above, with instructions to read and discuss the scenario, identify the ethical issues involved, and decide what action would be appropriate to take. The results of the small group discussions are then shared with the larger group, and all participants are encouraged to join into the discussion. Alternative solutions are examined and the group typically reaches a clear consensus on how to handle the situation. (This allows group norms to be solidified.) During the discussion the author might change a fact or two about the scenario, and the participants are invited to describe how a change in facts might change the group-accepted normative response. Free discussion is encouraged during this portion of the workshop, and ideas flow readily from the group members.

When this discussion is concluded (and it typically takes a deliberate effort to close this lively discussion), a checklist for making ethical decisions, a list of double-check considerations, and suggestions for establishing a strong ethical culture are presented and discussed. The purpose of this discussion is to provide some tools to the workshop participants they can use when making their own ethical decisions. At this point in the workshop the City of Auburn Ethics Quiz is discussed as a group. While the answers to many of the questions on this quiz are obvious (thus reinforcing City policy), several of them—different items among different groups—engender considerable discussion. Alternative responses are presented and defended, and City policies are read and interpreted for the group. This helps participants realize that not all cases are 'black and white,' and that standards of reasonable judgment must prevail. The workshop ends with a restatement of the 'three key ideas' mentioned above, plus an admonition to 'walk the talk' by exhibiting professionalism no matter what one's role within the City.

A Professional Ethics Program for University Administrative/Professional Employees

This second example shares some characteristics with the municipal program described above (on which it was based), but also has some unique features of its own. It grew from a conversation between the author and the Director of Human Resource Development (HRD) at Auburn University (located in Auburn, Alabama, USA). Auburn University offers a catalog of no-cost HRD programs to its employees every year so they may continue to grow professionally. The HRD director was aware of the author's work with the City of Auburn and asked if a workshop on professional ethics suitable for University employees might also be developed. The resulting three-hour workshop is now offered almost every semester; it was most recently offered on 10 November 2011. The workshop is offered in a well-appointed training room near the University campus. The classes are typically smaller than those for the municipal workshop; the University workshop draws about eight to a dozen participants per offering, which allows more individual attention to each participant's concerns and also promotes more interactive discussion among the group. While an occasional faculty member or staff member (hourly employee) participates in this course, it was designed primarily for the University's Administrative/Professional employees.

This workshop is opened by exhibiting a list of private sector firms that have made news headlines by taking part in unethical activities; participants are then asked to create a list of similar examples from the field of higher education—and they are readily able to do so! The 'three key ideas' are then broached for discussion (note that Auburn University is a public institution): (1) Never use your university position for private gain. (2) Remember—the citizens are your employers, and they are always watching. (3) The perception of wrongdoing can be as damaging as actual wrongdoing. The guided discussion then shifts to the nature of ethical behavior and the standards that define ethical behavior for University administrators and professionals. The concept of an 'ethical challenge' is then defined, and a list of examples is displayed and discussed in the context of higher education; participants are invited to provide specific examples of each type of challenge (e.g., 'playing favorites,' 'violating confidentiality,' 'participating in a cover-up').

The workshop participants are then asked to form small groups (of five or six persons) and given the following assignment: "Share with your group members some ethical concerns/dilemmas you have faced. As a group, write a brief description of one or two ethical dilemmas your group would like discussed." Participants are counseled not to 'name names' or violate any confidences; the purpose of this exercise is not to accuse members of the University community of wrong-doing, but rather to provide some 'real life' examples for the (same) groups to consider during a later exercise in the workshop. The author has learned from experience over the years that many of the participants who sign up for this workshop have ethical concerns they are eager to discuss with peers, and this portion of the workshop gives them the opportunity to address their concerns directly. Follow-up discussion with participants indicates these small group discussions are vigorous and stimulating to all involved, and every group has succeeded in identifying some meaningful issues for later discussion.

Following a short break the workshop reconvenes with an exposition on individual and organizational factors that affect the incidence of unethical behavior in any organization. Also presented is a list of ‘questionable things bosses say to subordinates’; these double-messages at best create doubt and at worst appear to endorse unethical actions on the part of employees. Supervisors are urged not to make such statements; employees are cautioned to seek clarity from any supervisor giving them such instructions. They are advised to make *certain* the supervisor is not asking for unethical action to be undertaken.

At this point in the workshop the participants are exhorted to show ethical leadership at the University by ‘walking the talk.’ Next an AU Ethics Quiz based on the University’s *Administrative & Professional Handbook* is administered individually, then discussed as a group. As with the municipal employee workshop described above, this portion of the University workshop typically engenders lively discussion, particularly when ‘what if?’ questions are posed by the author and other workshop participants. Again, this exercise reinforces group norms and University policies in a fun, engaging manner.

Attention then turns to a unique exercise particular to this group: a line-by-line discussion of *The Auburn Creed* (which may be accessed on the web at www.auburn.edu/main/auburn_creed.html). This creed, written by Dr. George Petrie—eminent historian, beloved professor, dean of the academic faculty…*and Auburn’s first football coach* (Jernigan, 2007)—is not an official policy statement of the University, but rather an aspirational guide intended to raise the level of moral behavior exhibited by all ‘Auburn men and women.’ *The Auburn Creed* is found in many offices and public gathering places around the University and is known far and wide by ‘Auburn people.’ What follows next is an invitation for workshop participants to consider—in their original small groups—the following question: “How would Auburn men and women, using *The Auburn Creed* as their ethical guide, respond to the ethical issues we identified in our small group discussions?” This sobering assignment typically prompts much discussion on the part of the small group members, and leads to some innovative applications of *The Auburn Creed* to issues relevant in the life and work of the workshop participants. As a ‘wrap up’ comment, the author reminds the workshop participants of the ‘three key ideas,’ then concludes the three-hour session with an admonition to ‘Go walk the talk!’

LESSONS LEARNED

> “All experience is an arch to build upon.”—Henry Brooks Adams (Knowles, 2004, p. 2)

Having offered versions of these ethics training programs for professionals for most of the past decade, the author has learned some lessons along the way that are willingly shared with others who desire to rise to the challenge of empowering leaders to craft organizational cultures of character. These lessons are proffered as an effort to extend the suggestions made above on the basis of the literature review. Professors of business ethics are urged to consider the following ideas and to test them in their own programs of instruction, research, and practice:

- While face-to-face programs (like the two examples described above) may appear easy to deliver, it is very important to provide them in a highly professional manner. Mastering and using the facilitation skills described by Weber (2007) are essential when one is working with discerning professionals. Know how to manage time, foster meaningful group discussion that leads to shared insights, encourage critical thinking, and summarize important points gained through inductive learning. Be certain to explore multiple points of view, and allow positive group norms to become evident. Reinforce important organizational values (like those expressed in *The Auburn Creed*) whenever possible.

- To ensure relevance, use examples and materials that participants would encounter during the regular course of their work. Making use of an advisory committee of representative employees (as in the first example) is an excellent way to gather pertinent information and to test out ideas before they are brought up in the training environment.
- Mini-cases like those used in the first example typically engender lively discussion and are often remembered by program participants and shared with their peers. It is important to select case examples carefully, edit them for anonymity, and make certain they are discussed thoroughly from multiple perspectives. When there is disagreement within the group on how best to handle a case example, discover the reasons for this disagreement, explore them for insights, and see if a group consensus emerges over time. This is when many seasoned group participants with high levels of moral reasoning have (and take!) the opportunity to provide leadership to the group, thus setting a good example for others to follow.
- The 'ethics quizzes' used in the first and second examples have proven over time to be excellent tools for stimulating discussion and maintaining participant engagement. It takes time to review policies and create meaningful 'ethics quizzes,' but the resulting inductive learning makes the effort worthwhile. Employees are able to 'refresh their memory' about organizational policies (and, for some, to encounter them for the first time!) and see how the 'black and white' language of many policies needs to be tempered by interpretation and judgment.
- Having a cross-section of employees from the various functional divisions of the organization has proven very effective in the professional training programs the author has offered. Employees get to see things from others' points of view, and to gain a better understanding of the ethical issues encountered across the organization. Having top and middle managers participating in these programs alongside the 'rank and file' sets a good example, demonstrating that this material is important enough to be considered by persons at all levels of the organization. It has been the author's experience that the presence of members of the organization's leadership team rarely stifles discussion; in fact, it often leads to a higher quality discussion of important ethical issues and provides an opportunity for leaders to set a high ethical tone for the organization.

A major underlying purpose of this article has been to stimulate discussion among business ethics professors, business leaders, and other interested persons about moral issues in business and ways to improve ethicality in business operations. What are the 'best practices' for teaching business ethics to professionals? To what extent does past experience and research provide useful guidance in designing effective training programs and courses? Are mini-cases and 'ethics quizzes' like those described herein truly useful devices for business ethics training? Who is best qualified to lead training programs in business ethics, and what skills are essential for effective workshop leadership? Is there an important role for business ethics professors beyond the classroom? Are programs like these truly effective in establishing *cultures of character?* Case studies like the two presented herein, in combination with the evidence accruing from empirical studies of corporate ethics training programs, has provided a solid base upon which to build. *Let the discussion begin!*

REFERENCES

Aguilar, F.J. (1994). *Managing Corporate Ethics: Learning from America's Ethical Companies How to Supercharge Business Performance.* New York: Oxford University Press.

Balotsky, E.R., & Steingard, D.S. (2006). How Teaching Business Ethics Makes a Difference: Findings from an Ethical Learning Model. *Journal of Business Ethics Education,* 3, 5-34.

Delaney, J.T., & Sockell, D. (1992). Do Company Ethics Training Programs Make a Difference? An empirical analysis. *Journal of Business Ethics,* 11, (9), 719-727.

Ferrell, O.C., Fraedrich, J., & Ferrell, L. (2011). *Business Ethics: Ethical Decision Making and Cases* (8th ed.). Mason, OH: South-Western Cengage Learning.

Jernigan, M. (2007). *Auburn Man: The Life & Times of George Petrie.* Montgomery, AL: The Donnell Group.

Jewe, R.D. (2008). Do Business Ethics Courses Work? The Effectiveness of Business Ethics Education: An Empirical Study. *Journal of Global Business Issues,* Spring, 1-6.

Kirrane, D.E. (1990). Managing Values: A Systematic Approach to Business Ethics. *Training and Development Journal,* November, 53-60.

Knapp, J.C. (2011). Rethinking Ethics Training: New Approaches to Enhance Effectiveness. In R.R. Sims & W.I. Sauser, Jr. (Eds.), *Experiences in Teaching Business Ethics* (pp. 231-245). Charlotte, NC: Information Age Publishing.

Knowles, E. (Ed.) (2004). *Oxford Dictionary of Quotations* (6th ed.). New York: Oxford University Press.

Krech, D., Crutchfield, R.S., & Ballachey, E.L. (1962). Culture. In D. Krech, R. S. Crutchfield, & E. L. Ballachey, *Individual in Society* (pp. 339-380). New York: McGraw-Hill.

Lattal, A.D., & Clark, R.W. (2005). *Ethics at Work.* Atlanta, GA: Performance Management Publications.

LeClair, D.T., & Ferrell, L. (2000). Innovation in Experiential Business Ethics Training. *Journal of Business Ethics,* 23, (3 Part 1), 313-322.

McGuire, W.J. (1969). The Nature of Attitudes and Attitude Change. In G. Lindzey & E. Aronson (Eds.), *The Handbook of Social Psychology: Vol. 3. The Individual in a Social Context* (2nd ed.) (pp. 136-314). Reading, MA: Addison-Wesley.

Murphy, P.R., & Boatright, J.R. (1994). Assessing the Effectiveness of Instruction in Business Ethics: A Longitudinal Analysis. *Journal of Education for Business,* 69, (6), 326-339.

Perkins, R.D., & Van Valkenburg, D. (2004). Ethical Leadership and the Board of Directors. *GoodBusiness,* 3, (1), pages unnumbered.

Peterson, C., & Seligman, M.E.P. (2004). *Character Strengths and Virtues: A Handbook and Classification.* New York: American Psychological Association/Oxford University.

Purcell, T.V., & Weber, J. (1979). *Institutionalizing Corporate Ethics: A Case History* [Special Study No. 71]. New York: The Presidents of the American Management Association.

Quatro, S. A., & Sims, R. R. (Eds.). (2008). *Executive Ethics: Ethical Dilemmas and Challenges for the C-Suite.* Charlotte, NC: Information Age Publishing.

Sauser, W.I., Jr. (2008a). Crafting a Culture of Character: The Role of the Executive Suite. In S. Quatro & R.R. Sims (Eds.), *Executive Ethics: Ethical Dilemmas and Challenges for the C-Suite* (pp. 1-17). Charlotte, NC: Information Age Publishing.

Sauser, W.I., Jr. (2008b). Regulating Ethics in Business: Review and Recommendations. *SAM Management in Practice,* 12, (4), 1-7.

Sauser, W.I., Jr. (2010). Creating an Ethical Culture in Local Government. In R.R. Sims (Ed.), *Change (Transformation) in Government Organizations* (pp. 53-70). Charlotte, NC: Information Age Publishing.

Sauser, W.I., Jr. (2011). Beyond the Classroom: Business Ethics Training Programs for Professionals. In R.R. Sims & W.I. Sauser, Jr. (Eds.), *Experiences in Teaching Business Ethics* (pp. 247-271). Charlotte, NC: Information Age Publishing.

Sauser, W.I., Jr., & Sims, R.R. (2007). Fostering an Ethical Culture for Business: The Role of HR Managers. In R.R. Sims (Ed.), *Human Resource Management: Contemporary Issues, Challenges and Opportunities* (pp. 253-285). Charlotte, NC: Information Age Publishing.

Schermerhorn, J.R., Jr. (2005). *Management* (8th ed.). New York: Wiley.

Shaw, W.H., & Barry, V. (2010). *Moral Issues in Business*. Belmont, CA: Wadsworth Cengage Learning.

Sims, R.R. (1991). The Institutionalization of Organizational Ethics. *Journal of Business Ethics,* 10, (7), 493-506.

Sims, R.R. (2005). Restoring Ethics Consciousness to Organizations and the Workplace: Every Contemporary Leader's Challenge. In R.R. Sims & S.A. Quatro (Eds.), *Leadership: Succeeding in the Private, Public, and Not-for-Profit Sectors* (pp. 386-407). Armonk, NY: M. E. Sharpe.

Sims, R.R., & Sauser, W. I., Jr. (2011). Reflection Through Debriefing in Teaching Business Ethics: Completing the Learning Process in Experiential Learning Exercises. In R.R. Sims & W.I. Sauser, Jr. (Eds.), *Experiences in Teaching Business Ethics* (pp. 171-203). Charlotte, NC: Information Age Publishing.

Singer, J., Arora, R., & Roselli, M. (2004). Teaching Ethical Decision-Making to Students of Small Business. *Journal of Business and Entrepreneurship*, 16, (1), 17-28.

Skoogland, C. (2003, October 16). *Establishing an Ethical Organization*. Plenary address presented at the Conference on Ethics and Social Responsibility in Engineering and Technology, New Orleans, LA.

Stanwick, P.A., & Stanwick, S. D. (2009). *Understanding Business Ethics.* Upper Saddle River, NJ: Pearson Prentice Hall.

Trevino, L.K., & Nelson, K.A. (2004). *Managing Business Ethics: Straight Talk About How to Do It Right* (3rd ed.). New York: Wiley.

Turknett, R., & Turknett, L. (2002). Three Essentials for Rebuilding Trust: Code, Character and Conversation. *GoodBusiness,* 1, (2), pages unnumbered.

Valentine, S., & Fleischman, G. (2004). Ethics Training and Businesspersons' Perceptions of Organizational Ethics. *Journal of Business Ethics,* 52, (4), 381-390.

Waples, E.P., Antes, A.L., Murphy, S.T., Connelly, S., & Mumford, M.D. (2009). A Meta-Analytic Investigation of Business Ethics Instruction. *Journal of Business Ethics,* 87, 133-151.

Weber, J. (1990). Measuring the Impact of Teaching Ethics to Future Managers: A Review, Assessment, and Recommendations. *Journal of Business Ethics,* 9, 23-42.

Weber, J.A. (2007). Business Ethics Training: Insights from Learning Theory. *Journal of Business Ethics,* 70, (1), 61-85.

Philosophy of Knowledge As Applied to Learning and Leadership

Eric A. Landis
Cumberland University

Judy Landis

In this paper the nature of knowledge, the purpose of knowledge in regards to leadership, the means of acquisition of knowledge, and the application of knowledge will be discussed. It is evident that the discipline of philosophy is ever changing. There is always room for growth and change as the quest for knowledge is explored. It appears that there are no specific right-or-wrong answers when it comes to philosophy; rather, the importance of the study of philosophy seems to lie in the philosophies themselves. Studying the many different approaches to philosophy can be very beneficial to 21st century scholars who understand and apply the ideas of the various philosophers to learning situations they face in their daily endeavors. It is helpful to review the many divisions of philosophy from the traditional through the modern period, since philosophy is a living model that is never outdated or obsolete.

NATURE OF KNOWLEDGE

When trying to form a personal philosophy of knowledge it is important to develop what constitutes "knowledge". There are many different approaches to knowledge. There are two differing yet complementary approaches to "knowledge" in Western philosophy:

> (1) "rationalism," which basically postulates that knowledge is obtained through deductive reasoning and (2) "empiricism," which is defined as sensory knowledge (Nonaka & Takeuchi, 1995).

Rationalism

Plato, a rationalist, believed that knowledge resides in the soul. He believed that knowledge comes from within, that knowledge is not taught. Plato believed that knowledge resides in our inner-self rather than in our senses. Plato claimed that philosophy begins in man's ability to wonder (Moser & Vander Nat, 1995). Plato's philosophy is metaphysical and worldly philosophy. Plato spoke of core rationalism known as *Platonic rationalism*.

Rene' Descartes, another rationalist, believed that all knowledge stems from the "truth". Descartes used a method called "radical doubt" in which he began to doubt everything that could possibly be doubted. He questioned everything severely until he believed he had uncovered the undisputed truth. This, he said, was the foundation for knowledge (Moser & Vander Nat, 1995). Descartes' contributions to the body of philosophical knowledge bring up another question which has been discussed throughout the years: "What is truth?"

For years philosophers have battled over whether truth actually exists. Those philosophers who believe truth exists believe that it is spiritual rather than physical. Those who reject truth find that the notion is an empty one. "Still the problem of truth exists and the position people take toward this question does have an importance on how they conduct their thinking and acting" (Ruggiero, 2001 p.23). Parents and others discuss from an early age what they perceive truth to be; however, as individuals grow older they formulate their own opinions about the way they view truth. Scholars realize that their perceptions of the world are imperfect. "How many times do people watch a football game on television and scream "Bad call" only to find moments later that they were wrong" (Ruggiero, 2001 p.25). Imperfect memory also distorts the view of the truth. Some people are easily influenced, so they can be tricked into creating a false truth. Others also create a truth on deficient information, and many times people build an inaccurate truth based on hearsay. People hear half-truths only to present them as facts and find out later that the information they are claiming to be true is actually incorrect (Ruggiero, 2001).

Some individuals claim that due to their parents' influence in early childhood, imperfect memories, and use of deficient information they are able to create some type of understanding, but it is not truth. The most reasonable definition of truth is "what is so about the facts in their exact arrangement and proportions" (Ruggiero, 2001 p.28). Since truth is so hard to discover it makes it hard to apply it to the discovery of "knowledge". Rationalism has had great bearing on modern concepts of truth in today's society.

Empiricism

The offsetting Western philosophy to "rationalism" is "empiricism". Aristotle was an empiricist who believed that knowledge is not completely an innate quality, but is also sensory in nature. Aristotle believed that people are part of one world and they are living right in the middle of it. The main dispute Aristotle had with Plato's philosophy was Plato believed that people are part of two separate worlds: the world of forms and the world of things. Aristotle questioned that if forms are the center of existence they cannot exist separately. If they are the cause of things, how can they exist in a different world? (Moser & Vander Nat, 1995).

David Hume was also a noted empiricist. Hume dealt with relations of ideas and matters of fact. This philosopher presented the principle of cause and effect. He believed sensory knowledge has a direct relation to experience (Moser & Vander Nat, 1995).

Emmanuel Kant was a "Constructivist". Kant felt that a person could hold moral and religious values that could not be justified on intellectual ground (Moser & Vander Nat, 1995). Kant believed that experiences are the basis of knowledge, but not the only source from which knowledge can be drawn (Nonaka &Takeuchi, 1995). Some instructors overlook the wide disparities in their students' life experiences, therefore failing to adjust their curriculum and presentation styles to achieve learning success for everyone.

Skepticism

Sextus Empiricus' approach to knowledge is known as "Skepticism". "Skepticism" involves the challenging of "Dogmatism". Dogmatists believe that their opinions are the absolute truth. "Sometimes groups will make bad decisions because of dogmatically held beliefs" (Lazara, 2002, p. 5). Dogmatic individuals are usually outspoken and use their forceful personalities to influence other members of a group. The skeptic advocates an opposite challenge to a belief that is being dogmatically presented during a learning situation. The idea of skepticism is to present a positive challenge during a discussion by presenting a probing question, contradictory statement, or alternative suggestion related in the form of a positive, not negative, incompatible claim. The term "group think" deals with the pressures that result from working in groups. (Lazara, 2002). Empiricus also presents the idea of a "challenger". The challenger's role in a group is to play the role of devil's advocate. The challenger's role is to continually raise doubts about the group's consensus views. The challenger is not solely interested in changing the views, but is mainly interested in making sure the goals of the group are justified (Lazara, 2002).

Pragmatism

The twentieth century presented the first truly American contribution to the history of philosophy by introducing "Pragmatism". Charles Peirce defined "Pragmatism" as "a method whose primary goal was the clarification of thought." Peirce believed that beliefs produced habits, and the way to distinguish between beliefs was to compare the habits they produced (Palmer, 1994, p.276). Pragmatism is a form of radical "empiricism". William James, another pragmatist, set about using pragmatism to resolve metaphysical and religious dilemmas. James felt that things had an effect on all other things. He felt that nothing could exist without affecting everything else around it. Regarding "truth" James stated, "Ideas which themselves are but parts of our experience become true just insofar as they help us get into satisfactory relations with other parts of our experiences…Truth in our ideas means their power to work" (Palmer, 1994, p.280).

PURPOSE OF KNOWLEDGE IN REGARDS TO LEADERSHIP

The purpose of knowledge resides in the useful application of knowledge. Scholars need to understand what knowledge is, to help them come closer to the "truth". There is a direct link between truth and leadership. Leadership is the ability to guide the efforts of groups of workers to achieve goals and objectives as outlined by their institution. Leaders in business environments motivate their employees to view setbacks with an optimistic explanatory style. That is, setbacks are situation-related rather than reflections of personal failures, and are temporary rather than permanent (Losoncy, 1995). Three ancient methods of discovering "knowledge" are "The Socratic Method", Aristotle's "Method of Explanation", and Sextus Empiricus' "Method of Opposition". "The Socratic Method" is a way of seeking the truth. This approach is a form of discourse wherein questions are posed to elicit answers which in turn are challenged by asking further questions" (Lazara, 2002 p.1). By continually asking questions, three things happen: (1) By having answers proven wrong, people come to an understanding that they don't know what they thought they did; (2) When people are aware of their ignorance they begin to realize that their answers must withstand intense review; (3) A better path to "truth" is cleared (Lazara, 2002). Aristotle's "Method of Explanation" looks at the causal explanation of the truth (Lazara, 2002). Sextus Empiricus' "Method of Opposition" challenges the beliefs of dogmatists who view their opinions as absolutely true" (Lazara, 2002).

Leaders must be able to influence people, and successful leaders must be able to change the attitudes and actions of others. To do so*,* they must be able to gain full support of group members, guiding them in ideas and decision-making. A good leader should motivate the group toward a certain outcome instead of forcing or manipulating the group. If the group members feel that they have been manipulated in any way, the power of the leader is diminished and decisions are compromised (Pickett, William, 2002*).* It is important that the group goal is perceived by members as the best possible solution and that the group as a whole supports the final solution. It is very important that a leader does not perceive himself/herself as a leader with a group of subordinates, but rather as a whole cohesive group with a common goal. Leaders who understand the purpose of knowledge can then apply that information to their leadership styles, thus becoming more effective in their leadership roles.

Acquisition of Knowledge

In the book entitled "The Minds Past" Michael Gazzaniga discusses how the mind acquires knowledge. According to Gazzaniga, event reconstruction begins with perception and ends in human reason (Gazzaniga, 1998). Infants are born with circuits that enable them to interpret the world. This is why it is important for children between the ages of three and eight to be subjected to many different types of information in order for these connections to reach the full capacity for growth and learning (Hotz, 1996). Each individual learns differently and will perceive the world in a different manner. Many students of brain development believe that the brain is mostly wired by the time one is born; however, studies at a molecular and cellular level believe the brain rewires itself through experience (Gazzaniga, 1998). According to Gazzaniga the brain does not constantly change to accommodate new experiences.

(Gazzaniga, 1998) it is largely a dynamic computing device that is largely rule driven. Gazzaniga states, "We are a finely honed machine that has amazing capacities for learning and inventiveness. Yet these capacities were not picked up at a local bookstore or developed from everyday experience. The abilities to learn and think come with our brains. The knowledge we acquire with these devices result from interactions with our culture. But the devices come with the brain, just as the brakes come with the car" (Gazzaniga, 1998 p.59). Gottfried Leibniz was a rationalist who made advances in symbolic logic. He also believed that we are not born with any innate abilities. Leibniz rationalized that we have too many thoughts, feelings, and ideas to ever believe that "knowing" is an innate quality.

Ikujiro Nonaka and Hirotaka Takeuchi in their book, "The Knowledge Creating Company: How Japanese Companies Create the Dynamics of Innovation" discuss another type of acquisition of knowledge used in manufacturing, "Explicit" and "Tacit" knowledge. Explicit knowledge, a more Western approach to knowledge, is more numbers driven. Tacit knowledge, the Japanese view, is knowledge that is not easily expressed, such as that of a craftsman. Tacit knowledge can be divided into dimensions. The first consists of the skills and experiences that individuals have developed over their lifetimes. The second is a more cognitive dimension that consists of beliefs and perceptions. Tacit knowledge allows us to examine "our image of reality and our vision for the future (Nonaka & Takeuchi, 1995). There is much to be gained from both "explicit knowledge" and "tacit knowledge." Explicit knowledge is a must in management. Reports give managers information that would otherwise be hard to gain. This type of explicit knowledge is easily measured by work production and product advancements. Tacit knowledge, on the other hand, deals with the knowledge of self-awareness, answering the question, "How do we know what we know"? The combination of these two types of knowledge is very important to the acquisition of knowledge.

Application of Knowledge

David Garvin in the book "Harvard Business Review on Knowledge Management" defines a learning organization as "a process that unfolds over time and that is linked with knowledge acquisition and improved performance" (Harvard Business Review, 1998 p. 51).Garvin speaks of five activities of a learning organization. Garvin describes these activities as systematic problem solving, experimentation, learning from past experiences, learning from others, and the transfer of knowledge (Harvard Business Review, 1998). It is imperative that managers share new knowledge that is gained and turn it into actionable knowledge. Nonaka and Takeuchi discuss the blending of "Explicit Knowledge" with "Tacit Knowledge". Explicit knowledge is of no use if tacit knowledge is not understood as well. Nonaka and Takeuchi in the book, "The Knowledge-Creating Company: How Japanese Companies Create the Dynamics of Innovation" discuss two dominant management styles, the top-down model and the bottom-up model "both of which fall short of fostering the dynamic interaction necessary to create organization knowledge"(Nonaka & Takeuchi, 1995 p.124). The top-down method creates knowledge from an information processing perspective. Certain information is disseminated to the top management by which business plans and orders are created. The bottom-up method is a more individualistic approach to knowledge. In this approach, autonomy is the key operating principle. Individuals, not groups, create knowledge. Nonaka and Takeuchi (1995) discuss a third type of management method, the middle-up-down method, which appears to make the most sense regarding the philosophy of knowledge. In the middle-up-down method, knowledge is created in middle management. In this process team leaders disseminate knowledge to the upper management and workers on the front lines (Nonaka & Takeuchi, 1995). Recent literature portrays middle management as disillusioned and fearful of losing their jobs to technological advancements; however, some researchers show middle managers as enlightened and empowered (Nonaka & Takeuchi, 1995). It is important to understand the way management searches for knowledge, but it is also important to put that knowledge into action. If the knowledge gained is not put into use, then the search for knowledge has been time wasted.

CONCLUSION

From very early times in history, philosophers endeavored to explain their beliefs on the subject of philosophy as it relates to learning. Early researchers held a wide variety of viewpoints and were firm in their opinions. They discussed and wrote about their ideas, and from time to time an entirely new theory was added to the body of knowledge on the subject. As the years passed, differing schools of thought emerged, causing the study of philosophy to morph and grow as an ever changing entity. In modern day society, it seems that there are no definite right-or-wrong answers when it comes to the philosophy of learning. Dedicated leaders and learners realize that they can glean much from internalizing the ideas of philosophers through the ages. By devoting time and patience to absorbing and understanding the body of research, these people develop their own personal philosophies of teaching, learning, and leadership. As they broaden their knowledge and apply what they have learned to their own leadership situations, their students enjoy the learning experience more fully and demonstrate higher levels of success in the classroom. The introduction and application of philosophy into the learning environment creates an exciting win/win situation for everyone, proving that philosophy remains a living entity that continues to be very relevant in the modern world of the 21st century.

REFERENCES

Gazzaniga, M. S. (1998). *The Mind's Past* (1st ed.). London, England: University of California Press, Ltd.

Harvard Business Review on Knowledge Management (1998). Boston, MA: Harvard Business School Press.

Hotz, Robert L. (1996, October 13). “The brain: A Work In Progress/Deciphering the Miracles of the Mind.” (First in a series). (No page number given)

Lazara, Vincent (2002) Workshop 6 Lecture 1: Ancient techniques For Modern Times Doc.701.

Lazara, Vincent (2002) Workshop 6 Lecture 2: Stages of Acceptance Doc.701.

Losoncy, Dr. Lewis E. (1995). *The motivating team leader.* Boca Raton, Florida: CRC Press LLC.

Moser, P. K., & Vander Nat, A. (1995). *Human Knowledge: Classical and Contemporary Approaches* (2nd ed.). New York: Oxford University Press.

Nonaka, I. & Takeuchi, H. (1995). *The Knowledge- Creating Company: How Japanese Companies Create the Dynamics of Innovation* (1st ed.). New York, New York: Oxford University Press.

Palmer, D. (1994). *Looking At Philosophy: The Unbearable Heaviness of Philosophy Made Lighter* (2nd ed.). Mountain View, California: Mayfield Publishing Company.

Pickett, William (2002). Perspective on leadership. [Electronic Version].

Ruggiero, V. R. (2001). *Beyond Feelings: A Guide to Critical Thinking* (6th ed.). Mountain View, California: Mayfield Publishing Company.

Greenforest Bank: Case Study

Donald Grunewald
Iona College

The current business environment is a difficult time for small one unit banks. Government regulators are encouraging small banks to merge into large chains of banks. The government is also subsidizing and providing regulatory support to large too-big-to-fail banks. The new President of the Greenforest Bank must prepare a plan for the future. Can a small independent bank with only one office survive in a high income borough in metropolitan New Jersey in the current environment? If so, a plan to increase profitability despite the current recession must be adopted by the bank. The President must make recommendations to her board after considering other options- merge the bank into a bank chain, seek additional capital through selling new shares of common or convertible preferred stock or develop, creative new ways of working with other small banks to use shared services to reduce costs.

INTRODUCTION

Greenforest Bank is the only single office bank left in the Borough of Greenforest, New Jersey. There are thirteen other banks with offices in the Borough ranging in size from the Bank of America, which is one of the largest banks in the United States, to several small New Jersey based banks with branches in a number of locations. Some of these banks absorbed formerly independent banks in Greenforest and continue to operate the formerly independent banks in Greenforest as local branches of their chain of banks. Cities, townships and boroughs near the Borough of Greenforest have even more banking services available and there are now several internet banks serving New Jersey as well. There are other financial institutions serving the area such as savings and loan associations and credit unions which provide some banking services as well as the 14 national and state chartered banks in Greenforest. Competition among banks in New Jersey is fierce.

Greenforest Bank is named for the Borough of Greenforest and was founded and is currently controlled by persons who live or work in or near the Borough of Greenforest. The Greenforest Bank has no other offices and concentrates all its business efforts in the Borough of Greenfield through its one location but has some business relationships with persons and organizations located outside the Borough of Greenforest who like to bank in the Borough for some reason.

The Borough of Greenforest is one of the wealthiest municipalities in New Jersey. The Greenforest Bank caters to its upscale customers with an atmosphere and services that they like. For example, there are no bars or cages at teller locations and customers sit down in front of tellers across a desk instead of standing to complete their transactions. There are always fresh flowers at teller stations and free candy is available on the desks where deposit slips can be found as well as the usual free pens and free calendars that are always available. The bank president's office is where the whole bank floor can be seen and the president is available whenever she is in her office to meet and greet customers as desired on a walk in basis. The president's administrative assistant sits outside the president's office and the administrative assistant acts as a greeter to all who come in the bank. There is free parking for all in the bank parking lot and there are drive in banking stations where customers can do their banking from their car. At the end of the month, the whole bank staff works late to quickly get out monthly bank statements to the customers dated on the first of the month. Customers are known by voice to the tellers who have usually worked at the bank for many years and can give out information to the customers on the checking and savings account balances over the phone because of their voice recognition without as much red tape because they know the customers personally.

More than half of the adult residents of the Borough of Greenforest are college graduates. Some of them work in the financial field with offices in nearly New Jersey cities or in Manhattan which is about an hour's commute by public transit from the Borough. Others work in managerial positions in the many corporations in Northern New Jersey or in New York City or they own their own small businesses. Many homes in the Borough are larger than in other New Jersey communities and a good number of these homes have been purchased for cash from Wall Street bonuses.

The president of the bank and all senior officers are active in the community by serving on community boards and participating personally and on behalf of the bank in community fund drives and other charitable causes. Each year the Greenforest Bank is usually one of the most generous corporate donors to local charities such as the local United Way and other long time local charitable organizations.

The Greenforest Bank was chartered by the State of New Jersey as a state regulated bank in 1982. It was founded with initial funding from owners of three large real estate firms in Greenforest. One of these firms has owned several office and commercial buildings on Main Street in Greenforest for three generations of their family. The grandson of the founder who now runs the real estate investments for his family and his sister control between them more than 25 percent of the stock in the bank. A second large owner of commercial properties in the Borough owns 10 percent of the bank stock and a third realtor who owns some office buildings but largely functions as a realtor of both commercial and residential properties in the community and nearly areas owns about 4 percent of the stock. The senior partner in the largest law office in the Borough owns about 5 percent of the stock and has served for many years as Chairman of the Board of Directors of the Greenforest Bank. Many shareholders of stock rely on the chairman's advice or the advice of one of the three big real estate investors in deciding how to vote their shares in the bank. Some small shareholders own as few as 5 shares and many own 100 shares.

BANK OPERATIONS

Small community banks like the Greenforest Bank everywhere in the United States are struggling today. Some large national banks have been deemed by the federal government to be too-big-to-fail and have been subsidized with TARP loans and in other ways and are not as regulated in some areas as closely as small banks. Large banks have some economies of scale in operating expenses and have some advantages compared with smaller banks in making commercial loans since they have more capital and can thus take on larger loans without the help of correspondent banks than can a smaller community based bank. Because smaller banks have fewer assets they cannot diversify them as well sometimes as larger banks. Therefore, regulators often expect smaller banks to make more conservative investments and loans and keep more liquidity than what regulators often expect from large banks.

The great recession has caused many challenges for small community banks such as Greenforest Bank. The local economy even in an upscale community such as the Borough of Greenforest has been significantly impacted by the great recession. Real estate values and employment have gone down significantly. For years the stockholders of the bank enjoyed a strong historical performance but in 2008 and especially in 2009 and probably in 2010 financial results have been less satisfactory to the bank.

Bank Capitalization and Recession Problems

During a recession like the current great recession, a bank's capital is the most important financial ratio for the stockholder's protection. The management and the directors at the Greenforest Bank have accumulated the following levels of capital as of the end of 2009: Total Tier I Capital to Total Risk-Weighted Assets was 19.14 % compared with regulatory requirements of a minimum of 6%. Total Capital to Total Risk-Weighted Assets was 20.42% , compared to a regulatory minimum of 10 %. The bank has not had to issue new stock which in the current market would dilute the holdings of existing shareholders nor has it been required to seek TARP or other government aid.

Because of the downturn in the local real estate market, during 2009 the Greenforest Bank added \$4.48 million dollars to its loan loss reserve. Changes in the business cycle for 2009 and subsequently may require further additions to this loan loss reserve.

Industry wide increases in FDIC premium costs increased expenses for these costs to the bank from \$16,800 in 2008 to \$241,800 in 2009. In December 2009, the bank was forced by new government regulations to prepay three years of FDIC costs up front.

Because of the great recession, low interest rates have been set by the Federal Reserve System which has reduced the Bank's income from loans, investments and overnight federal funds. Supporting small businesses especially through construction loans has long been a major source of income to the Greenforest Bank. New construction projects have virtually disappeared due to the current economic recession and some present loans are in arrears due to the economy.

To further recognize the importance of maintenance of capital, the Bank has discontinued its dividend payments to stockholders and the regulators have imposed a moratorium on future dividend payments without advance permission from the regulators.

The common stock of the bank has declined since the start of the great recession in 2008 from a price of 42 dollars per share to a low of 18 in November 2010.

Attached as Exhibits One and Two of this case are the audited statements of financial condition of the bank.

New President and CEO

The long term (more than 15 years) president of the bank retired on December 31, 2010 for reasons of age and health. The directors of the bank chose a new president after a search with help from an executive search firm. The new president, Ann Franklin, started as president of the bank on January 1, 2011. She was born and raised in Lawrence, Kansas and received her Bachelor of Science in Business degree from the University of Kansas with a major in Finance. Her parents ran a local real estate firm in Lawrence and while working there she met a young professional engineer who was working as a consultant on a building at the university.

Ann and the young engineer were married a year after her graduation from the university and they moved to a small township in New Jersey a few miles from The Borough of Greenforest. Her husband worked for a New Jersey construction engineering firm until he retired five years ago. They had two children who have married and moved away from New Jersey. When the children were growing up, Ann worked as a teller at a local savings bank in their home town. Eventually she worked her way up the line in the bank and when the savings bank was merged with a larger New Jersey bank kept advancing until she became President and CEO of that bank four years ago. That bank has its headquarters in a large New Jersey city. After that bank was acquired by a hedge fund two years ago the executives of the hedge fund decided to add a new CEO they selected for the bank and Ann continued as President with reduced authority. She decided to take early retirement from the larger bank effective October 1, 2010 and became the President and CEO of Greenforest Bank effective January 1, 2011 at a salary somewhat lower than she was earning at the much larger bank. She states that she expects that her new job as President of the Greenforest Bank will be her last executive assignment before she retires to enjoy her grandchildren and share her husband's retirement.

Ann Franklin brings to the Greenforest Bank many years of experience in banking in New Jersey. She is well known in the area professionally and will likely bring some clients to the bank who have worked with her before. She is attractive for a woman of 61- looking much younger than her age. She is known for her friendly and somewhat laid back personality and for her short skirts and long brown hair and for always wearing very high heels because she is below average in height. She has a good sense of humor and has a record of getting on well with bank employees and customers alike. Because of her long experience in banking in the next town and in the large city in New Jersey where she worked for some years as well as her acquaintance with government regulators in Washington and in Trenton, she is expected to bring added knowledge and experience in banking and in marketing to the Greenforest Bank.

She completed three months of transition until the retirement of the previous president so she has gotten to know more about the finances, policies and procedures of the bank and has gotten to know all the persons working at the bank as well as meeting many customers and local community officials.

Bank Management

The management of the bank begins with the Chairman of the Board who presides over the meetings of the board of directors. Ann Franklin, as President and Chief Executive Officer of the bank, reports to the Board through the Chairman. Reporting to Ann are eight key officers, five of whom are Senior Vice Presidents. Each of the key officers is in charge of separate departments such as loan administration, human resources, information technology, accounting, bank office administration, compliance, and new business development. The key officers are aided by staff such as tellers (personal bankers) and specialized staff such as deposit operations representative, loan operations and other specialists.

Options to Increase Bank Income

The Greenforest Bank has been very dependent upon construction loans to make profits in the past. Very few of these loans are being made currently because of the decline in construction due to the recession and the need to raise standards for making such loans due to increased possibilities of default in repayments due to the recession. If the bank is to succeed in the long run, Ann and her officers and the board must develop new sources of profit for the bank if it is to be profitable.

One possible new source of income is to enter the individual mortgage market with loans on privately owned homes. The bank tried this some years ago but ran into problems in servicing such loans and abandoned this possible source of revenue because of the expense and difficulties of loan servicing. One option is to begin to market individual mortgages but contract out all servicing to a larger bank that already has the facilities and staff to service loans at a reasonable cost to the bank.

Another option is to add service to try to attract new customers for existing products. Some of the bank's competitors have extended their hours to more evening hours and extended hours on Saturdays and even Sunday and holiday service. The costs of extending hours need to be compared with the possible profits from increased deposits and other services to see if this would be attractive. Perhaps other services such as money changing for foreign currency transactions for customers traveling abroad and for international business transactions could be pushed harder. Internet banking could be encouraged that might lead to increased business and might save on some costs by sending statements over the internet rather than mailing them. Perhaps more could be done in cooperation with other service firms such as local travel agencies and tax and other business services providers.

Perhaps this bank can get together with other smaller banks to share some services such as information technology and other operations so as to achieve some of the economies of scale used by larger banks to offer more services at a lower cost.

Other Opportunities

Another opportunity is to merge the bank into one of the larger banking chains operating in New Jersey that does not have an office in the Borough of Greenforest. Larger banks will purchase smaller banks like the Greenforest Bank for cash or for stock or for some combination of cash and bank stock. Since the stock in the Greenforest Bank is currently selling at a lower price than in recent years, most of the directors are unwilling to sell their shares in the bank at current prices. A takeover offer is likely to require a premium in price at this time. Such a premium might be justified by expected cost savings in operations after a possible merger of the bank into a larger bank chain.

Additional capital could also be raised by the bank by selling additional shares of bank stock or by selling convertible preferred bank stock. The low current price of the bank's stock and the dilution of earnings per share that would occur to a sale of additional stock or convertible preferred stock makes such a sale of additional shares unattractive to many current stockholders.

Ann needs to prepare a plan to increase profits and to reduce costs where possible for the Greenforest Bank and to help the Board of Directors decide whether it can stay in business as a small independent bank in the future or should be sold to a bank chain or a large private investor probably at lower prices than the bank stock has sold for before the current recession reduced the market price of the stock.

Note: The name and location of the bank, the identities of the persons in the case and the financial statements have been disguised to protect the confidentiality of the bank and its employees.

Exhibit One- Financial Statements Greenforest Bank, New Jersey

Statements of Financial Condition December 31, 2009 and December 31, 2008
(All figures have been rounded to the nearest dollar)

ASSETS	**2009**	**2008**
Cash and due from banks	$16,081,421	$17,604,927
Certificates of deposit	3,500,000	9,100,000
Available for sale securities at fair value	2,795,501	3,457,510
Held to maturity securities (fair value $8,524,408 in 2009, $10,076,081 in 2008)	8,497,912	9,972,456
Loans receivable (net of allowance for loan Losses of $3,941,052 in 2009 and $2,358,027 in 2008)	88,508,159	93,853,488
Accrued interest receivable	401,461	602,923
Real estate owned	1,330,000	3,668,066
Federal Home Loan Bank stock at cost	743,120	743,120
Net premises and equipment	6,618,732	6,743,675
Net deferred tax asset	1,880,036	2,063,414
Other assets	3,087,598	1,025,506
Total assets	$133,504,391	$148,835,085

LIABILITIES AND STOCKHOLDERS EQUITY

Liabilities		
Deposits		
Non interest bearing deposits	18,491,703	14,687,347
Interest bearing deposits	94,262,297	104,822,700
Total deposits	112,753,999	119,510,047
Advances from the Federal Home Loan Bank	-	4,900,000
Accrued expenses and other liabilities	374,017	866,362
Total liabilities	113,128,016	125,276,409

Stockholders Equity		
Common Stock, par value $5, 1,400,000		
Shares authorized, 673,743 shares issued	3,368,715	3,368,715
Additional paid-in capital	4,015,789	4,015,789
Less Treasury stock at cost, 151,564 shares		
(2009) and 145,677 shares (2008)	(7,767,540)	(7,592,064)
Retained earnings	20,764,253	23,790,851
Accumulated other comprehensive losses-net		
Unrealized loss on available for sale securities,		
net of taxes	(4,843)	(24,615)
Total stockholders equity	20,376,374	23,558,676
Total liabilities and stockholders equity	$133,504,391	$148,835,085

Exhibit Two- Financial Statements Greenforest Bank, New Jersey

Statements of Income
Years Ended December 31, 2009, 2008 and 2007
(All figures have been rounded to the nearest dollar)

	2009	2008	2007
Interest Income			
Interest and fees and loans	$5,749,800	$7,219,644	$8,421,526
Interest on securities	230,756	1,116,834	1,595,359
Interest on federal funds sold	-	55,762	422,860
Other	328,442	348,697	196,441
Total interest income	6,308,998	8,740,937	10,636,186
Interest Expense			
Interest expense on deposits	1,079,142	1,934,169	2,859,617
Other interest expense	50,600	155,297	42,427
Total interest expense	1,129,802	2,089,466	2,902,044
Net interest income	5,179,196	6,651,471	7,734,142
Provision for Loan Losses	4,480,000	-	-
Net interest income after provision for loan losses	699,196	6,651,471	7,734,142
Non interest Income			
Service charges and fees	167,436	208,870	234,324
Net losses on installment securities	(39,203)	(2,255,288)	-
Other	267,596	241,508	246,039
Total non interest income (loss)	395,829	(1,804,910)	480,363

Non interest expenses			
Salaries and employee benefits	2,289,206	2,543,236	2,468,110
Net loss on foreclosed real estate	548,841	10,368	-
Occupancy and equipment	522,008	490,605	468,016
Professional services	290,494	201,183	248,172
FDIC deposit insurance	241,032	16,216	13,961
Data Processing	202,201	196,893	200,581
Advertising	53,619	97,329	84,288
Other	722,033	769,038	834,891
	-------------	-------------	-------------
Total non interest expenses	4,869,434	4,324,868	4,318,019
	-------------	-------------	-------------
Income (Loss) before income taxes	(3,993,245)	521,199	3,897,665
Provision for income taxes	(1,573,600)	118,300	1,467,300
	-------------	-------------	-------------
Net income (loss)	$(2,419,645)	$402,899	$2,430,365
Basic earnings (loss) per share	$(6.45)	$1.05	$6.24
Diluted earnings (loss) per share	$(6.45)	$1.05	$6.22
Dividends per share	$ 1.61	$2.94	$2.80

GREENFOREST BANK: INSTRUCTOR'S NOTE

CASE ABSTRACT

The current business environment is a difficult time for small one unit banks. Government regulators are encouraging small banks to merge into large chains of banks. The government also is subsidizing and providing regulatory support to large too-big-to-fail banks. The new President of the Greenforest Bank must prepare a plan for the future. Can a small independent bank with only one office survive in a high income Borough in metropolitan New Jersey in the current environment? If so, a plan to increase profitability despite the current recession must be adopted by the bank. The President must make recommendations to her board after considering other options- merge the bank into a bank chain, seek additional capital through selling new shares of common or convertible preferred stock or develop, creative new ways of working with other small banks to use shared services to reduce costs.

OBJECTIVES AND USE

This case is intended to serve several purposes. First, it aims to acquaint students with the function of a small one unit bank in today's world of extreme competition among banks in an environment where government regulators favor large too-big-to-fail banks by subsidizing them and by harsher regulation of small banks which regulators would like to see merged into becoming parts of bigger banks. The price of bank stocks in small banks has often declined and speculators and larger banks are trying to purchase these smaller banks at prices lower than such stocks have sold for before the recession. The case contrasts the efficiency of large banks with the personal services and friendliness of a small one unit bank.

This case is also intended to help students understand the role of small one unit banks and whether they might still have a useful role in the future. The role of the bank president is important to the future of a small community bank. Students could be encouraged by the instructor to look at entrepreneurial ways to help a small bank compete in the current economy despite limited capital.

Understanding and analyzing this case requires some knowledge of finance, money and banking, relationships between business and society, management and governance. Accordingly, the use of this case is intended for graduate courses in management, business, money and banking, finance and business strategy. It could also be used productively in a senior level undergraduate course in strategy provided there are a significant number of knowledgeable students to help the class understand all the issues in the case.

PEDAGOGICAL METHODS

Instructors will need to play an active role in teaching this case. Virtually every student in the class will have some experience in banking. Comparisons by students of large bank chains with small community banks will be helpful. Professors should welcome the opportunity to glean from student points of view the advantages and disadvantages of small community banks. Location and numbers in the case have been disguised to protect the confidentiality of the bank.

DISCUSSION QUESTIONS

1. Ann Franklin is the new president of Greenforest Bank. What should she do in her first months as president to help the bank?

Ann has considerable experience in banking including experience as a former CEO and president of a larger bank in a nearby big city in New Jersey. Bank presidents need to be joiners. Ann should join and become active in one of the service clubs in the community such as Rotary, Exchange, Kiwanis, Soroptimists or Lions Club after studying which service club is likely to be most important to the bank in the Borough of Greenforest. She also needs to get involved with other community activities such as United Way, Red Cross, a local hospital, other local charities and other ways to get known quickly in the community. She should try to write a guest column with the local newspaper or get interviewed by the local newspaper and local or regional cable TV station. She needs to get to know local and state government officials so as to be able to get their help when needed on regulatory matters. She needs to meet the New Jersey State bank regulators if she does not already know them and bring them up to date on what her bank is doing to serve its local community and customers. She also needs to get to know all of the members of her staff in a one unit bank. She should spend time with each employee to get to know all her associates at the bank. She needs to spent a lot of time with each officer of the bank to get to know them and to decide whether they are effective in their positions. If any officer is not effective, she needs to help them become effective if possible or move them to another position or terminate them if they will not benefit the bank in the future.

Ann needs to spend time with each member of the board of directors of the bank and with members of bank advisory boards. She needs to spend time with each major stockholder and especially needs to develop a good relationship if possible with the Chair of the Board.

She needs to meet with all big customers of the bank (depositors and loan customers). She needs to say “Hello” to as many customers as possible during the first few months as President of the bank. Her door to her office must be open as much as possible for anyone to wander in who wishes to talk with her about the bank.

If possible under her retirement arrangements with the larger bank, she can communicate with former customers of hers in her previous positions and let them know about her new position and solicit their business for her new bank directly where appropriate or through other senior officers of the bank where appropriate and ethical.

2. What can be done to make the Greenforest Bank more profitable?

The instructor should try to get as many ideas as possible from the class. Students who are entrepreneurial but not familiar with small banks may come up with some novel ideas that might be feasible in a small bank such as the idea of letting good customers of the bank advertise in the lobby of the bank or elsewhere in the bank at a small fee, or new ways of promoting the bank by sponsoring a new community service such as bankers going to local nursing homes to directly meet the banking needs of persons unable to travel to the bank or using new social media such as Twitter and Facebook.

The instructor can also lead a discussion on the advantages and disadvantages of making loans on residences. Persons receiving a mortgage can often be requested to consider using other bank services such as a checking or a savings account or mortgage insurance through a company working with the bank or renting a safety deposit box or many other services. The disadvantage of the paper work required to service a mortgage can be discussed and the option of subcontracting of mortgage servicing discussed.

The instructor can also push the students to come up with ideas for other commercial type loans besides construction loans to present or future customers. For example, the bank may wish to get into the business of helping finance inventory or accounts receivable for businesses where security is adequate and the bank can train personnel to handle such loans.

Extended hours and days of service could be considered. For example, is 24 hour banking feasible or Sunday hours feasible and likely to bring enough profit to the bank to cover the cost of such service?

The instructor may also wish to look at possible cost savings through internet banking and sharing of some services such as IT with other banks.

One of the problems of a smaller bank that differentiates it from a large too-big-to-fail bank is that it cannot usually participate in the “Carry trade” whereby a bank borrows from the Federal Reserve and invests in short term treasury bonds. The spread in interest between the lower cost borrowing from the Fed and the higher interest paid by the treasury bonds is currently profitable to some large banks. Small banks usually do not have the capital nor the liquidity to be able to participate in the Carry trade because of the risk of changes in the treasury bond prices in the short term.

3. What other alternatives should be considered if it is likely that the regulators will require additional capital for the bank ?

If additional reserves are needed to protect the price of the stock for the shareholders and or to help build reserves as part of capital, the bank will need to consider other alternatives.

One alternative is to raise additional capital through a sale of additional shares of common stock or convertible common stock. Such an issue of stock would probably dilute the earnings of present shareholders but might be necessary for survival due to possible regulatory pressures to increase capital.

Another alternative would be to negotiate a merger with a bank chain. The disadvantages of this alternative may be the loss of control and dilution of equity of present shareholders although this would be preferable to a weakened capital structure that might lead to a government sale of the bank with possible loss of all equity to present shareholders.

A different alternative would be to create a new bank holding company which would buy this bank and other small banks but keep each bank with an independent name and administration but with some sharing of services.

Ultimately, the shareholders will need to decide this issue. Some shareholders may need cash now and might welcome sale of the bank to a larger bank if they can be paid off in cash now. Others would perhaps benefit more by an exchange of stock in the bank for stock in a larger bank which would not have any tax consequences at the time of the merger- capital gains taxes (if any) could be deferred until the new shares issued by the acquiring bigger bank in lieu of the present shares in the bank being acquired are sold by a stockholder.

If Ann and the directors decide to kept the bank independent, it would be helpful if Ann buys some shares in the bank to show her confidence in the future of the bank.

4. The better students will perform a financial analysis on the bank. The bank had to increase its reserves against possible bad debts on its construction loans to satisfy the regulators. This is the main cause of the loss in 2009. Perhaps government regulators may have required the bank to add too much to the reserves by valuing existing construction loans at too low a value because of present risks in the economy. If the construction loans are in fact better than the current market value due to these higher

reserves and the loans are repaid by the customers over time, the bank may show additional profits in the future. The instructor may wish to walk the students through the numbers so that students can better understand the financial situation of a bank in a time of recession. On the other hand, if the economy should deteriorate in the future the risk of these construction loans not being repaid will become greater and this could cause the bank to have inadequate capital ratios and lead the regulators to close the bank or to force its purchase by another bank with more capital or an investment group with loss of some or all the equity held by the current shareholders.

An Analysis of the Lehman Brothers Code of Ethics and the Role It Played in the Firm

Betsy Stevens
Elon University

Scott Buechler
Elon University

Effective corporate ethical codes must be communicated in organizations and assimilated into their cultures. When they exist as separate entities outside the culture or are communicated ineffectively, they can fail to function as key strategic documents. The ethical code from Lehman Brothers investment bank was analyzed using two different methodologies. Results showed the code was clear in communicating facts and information, but was not strong in transformational and visionary aspects that might assist company during a crisis. The study revealed that the culture at Lehman was not tied to the code and it did not play a significant role in the organization.

INTRODUCTION

Corporate ethical codes are documents designed for internal and external audiences which state the major philosophical values embraced by an organization. Effective codes define the responsibilities of the organization to stakeholders, outline expected conduct for employees and set the ethical parameters of the organization by articulating what is acceptable and what is not ((Kaptein & Wempe, 2002; Stevens, 1996). Codes can have significant impact as key strategic documents in organizations or they can be created as artifacts to simply make the organization appear more ethical to its stakeholders. Some firms write codes to create a positive public image while others genuinely attempt to guide and instruct employees on ethical behaviors appropriate to their organizations. Companies with codes may receive a break under Federal Sentencing Guidelines, so there is some incentive to create one for that purpose alone. Codes have emerged as one of the major CSR (corporate social responsibility) instruments by which companies align their actions and values with those of their customers, enacting a concept known as ethical consumerism (Castaldo, Perrini, Misani & Tencati, 2009). They have the ability to transform organizational cultures and function best when communicated effectively and culturally embedded in the organization; otherwise they remain as separate documents that are often seen as external to the company's mission and purpose.

This paper analyzes the corporate code of ethics from Lehman Brothers, the investment bank that failed during the financial crisis of 2008. The code is examined in terms of its role as a strategic document to see if it impacted, influenced, or guided the executives during the financial crisis and is also analyzed for its rhetorical structures. Lehman Brothers failed to navigate the severe recession and eventually went bankrupt. This study sought to explore whether the code might have played a significant role in the organization as it spiraled out of control or if it was a standard corporate document. Was it efficacious, deleterious, or did it have no effect whatsoever on the organization? The study examines the code in light of the company's demise to better understand how it may or may not have influenced company decisions in the final days.

THE SCOPE OF ETHICAL CODES

Ethical codes, also called codes of conduct, business principles, codes of ethics and corporate ethics statements, typically have open guidelines describing desirable behavior and restrictive language prohibiting other behaviors such as bribery and conflict of interest (Nijhof, Cludts, Fisscher, & Laan, 2003). They range in length from one paragraph to more than fifty pages and are intended to affect employee behavior. Corporations attempt to shape employee actions and effect change through these explicit statements of conduct. Codes differ from mission statements by articulating a value system and addressing the question--with what ethical standards and values should the mission be pursued? In contrast, mission statements articulate the objectives of a company and the organizational goals in ways that affect its strategy.

Effective codes have visionary and transformational aspects which provide guidance in difficult circumstances (Stevens, 2008). Codes can add value when they address internal and external stakeholders, articulate the norms and values the organization seeks to uphold, and enhance social responsibility. They establish the tone in an organization and, if carefully constructed, can function as key corporate strategic documents upon which major decisions are based. Kaptein and Wempe describe them as policies which define the organizational responsibilities to stakeholders and address the conduct expected of employees (2002). Additionally, codes clarify the corporate norms and values in areas of social responsibility (Kaptein, 2004). Adherence to the code during ethical dilemmas is a commitment an organization can undertake to ensure a strong ethical climate.

CODES AROUND THE WORLD

Today ethical codes are widespread in the U.S. (Chonko et al, 2003; Trevino et al, 1999) and found in about fifty-three percent of the largest companies worldwide (Kaptein, 2004); They are becoming more common globally as an increasing number of companies choose to adopt them (Carasco & Singh, 2003; O'Dwyer & Madden, 2006). Scholars have observed that code content differs across countries and continents. Langlois and Schelgelmilch's study of codes from England, France, Germany and the U.S. showed that British and European codes addressed government and customer relations less frequently than American ones (1990). Kaptein also identified content differences among European, Asian and North American codes. He found that European codes focused more on the environment than American codes and discussions of honesty were more prevalent in American codes (2004). Indeed, sixty-four percent of American codes addressed honesty compared with forty-five percent of European codes and thirty-eight percent of Asian codes. The concept of fairness was found more frequently in European and Asian codes than American ones. Cultural beliefs, values, and political norms are likely to have influenced these international differences in code content.

Mathews' content analysis of 202 Fortune 500 company codes revealed that firms mostly emphasized illegal activities and employee misconduct and paid little attention to the environment, product quality or safety (1987). Stevens' study several years later showed that codes were used to protect and defend organizations against egregious behavior by employees and lacked statements providing ethical guidance and vision (1996). Snell and Herndon agreed, concluding that codes were mainly focused on corporate self-defense (2000). A recent work reveals that codes from the Global 500 are primarily focused on investors, profits, and abiding by the law, but are beginning to reflect an increased, albeit slight, focus on corporate social responsibility (Stohl, Stohl & Popov, 2009). Seventy-five percent of codes in their study of 157 global codes mentioned social responsibility, although the researchers found the language minimal. Kaptein and Schwartz' study also showed that codes are moving in the direction of showing greater interest in social responsibility (2008) which is important as DeTienne and Lewis revealed that a high number of American investors consider CSR before making investment decisions (2005).

THE ROLE OF CODES IN ORGANIZATIONS

Codes can enhance a company's reputation and discourage government intervention, allowing companies to manage themselves with less regulation. European companies have increasingly used codes to reduce government intervention and regulate labor relations (Sobczak, 2003). They can ameliorate the work climate, help employees feel more positive about the company (Manley, 1991) and affect employee behavior, positively influencing ethical decision-making in organizations (Trevino and Weaver, 2003, p.258). Codes can improve the companies' reputations and garner favors with regulators if transgressions occur (Kaptein & Schwartz, 2008). Additionally, open discussions about ethics in the organizations have fostered an increase in ethical behavior and strong leaders who shared their values with others positively affected both the organization and its code (Trevino et al, p. 8). Empirical studies examining the relationship between codes of ethics and ethical behavior is mixed; however, recent studies show that codes can be effective if certain parameters exist.

When employees' and managers' behaviors are in line with codes, their behavior positively influences others in the organization, showing that consistency is important (Laufer and Robinson, 1997). One study revealed that management accountants perceived less wrongdoing in organizations with corporate codes while respondents in organizations without formal codes reported more wrongdoing (Somers, 2001). Valentine and Barnett (2002) observed a positive effect with sales professionals' perceptions of their organizations when they had a code. Additionally codes of ethics were found to create patterns of trust amongst employees (Scalet, 2006). These studies point to codes encouraging employees and managers to act with integrity. After reviewing sixty-seven code studies, Kaptein and Schwartz concluded that codes positively affected behavior in organizations (2008). These studies add to the growing body of work supporting the use of codes and provide additional evidence that codes can be effective in promoting better corporate behavior.

WHAT MAKES CODES EFFECTIVE?

Codes can serve as core foundational documents that give organizational members a sense of shared values and commitment to ethical purposes (Stevens, 2008). A number of studies have yielded evidence that they work in deterring unscrupulous behavior, but there are two prerequisites to code success. First, they must be communicated effectively in the organizations and supported by the management team. Second, they must be embedded in the culture in an integral way.

Communicating codes and code content is central to effectiveness; members must be aware of the code and why it exists. Both Weeks and Nantel (1992) and Adam and Rachman-Moore (2004) noted that codes were effective if they were well communicated in organizations using the right channels. How codes are communicated contributes directly to their success or failure. Schwartz discovered they are most effective when they are readable, relevant and written with a positive rather than negative tone (2004). In organizations where communication is either stifled or discouraged, the result can be paralysis and corruption. Silence can be deadly. For example, Enron's ethical failure, which cost investors around $11 billion, reflected a controlled organization where individuals felt they could not communicate openly about wrongdoing they were observing (Perlow and Williams, 2003). Enron had an ethical code, but it also had multiple sets of books and the board of directors had the authority to suspend the code (which they did more than once) when they wanted to act against it (Sims & Brinkman, 2003). Numerous other examples of companies with ethical codes acting unethically abound and have noted in the media.

Codes fail when poorly communicated. While strong evidence exists that codes are effective under the right conditions, they sometimes fail to prevent unethical behavior. They are not effective when communicated weakly or paid little heed. Lehman Brothers had an ethical code, but as this paper will show, it was not written to play a significant role in the organization nor to occupy a central role in the Lehman's strategy.

Communicating an ethical code from levels of upper management downward to employees often leads to the code being ignored. In highly centralized organizations, mandated codes were found to be ineffective because employees rejected the attempts at top-down control (Trevino & Weaver, 2003). Creating a code does not ensure that ethical behavior will occur; rather, ethical decision-making and the code must be a part of the corporate culture and not mandated from the executive suite. One study examined whether ethical compliance programs of ethical codes, training and communication would result in fewer OSHA violations. Researchers found no positive correlations linking the two, leading them to conclude that forced code compliance fails because codes communicated downward by management to employees are viewed as edicts and ignored (McKendall, DeMarr & Jones-Rikkers, 2002).

The second factor necessary for a code's success is that it be an integrated part of the corporate culture. Codes work when employees see organizational actions which are in line with the code. They become organizationally embedded when leaders create and manage the organization's culture using the code. Discussions about values and debates help members realize that taking the right action often requires dialogue with others (Adam & Rachman-Moore, 2004). Petersen and Krings found that codes of conduct reduced employer discrimination, but only when the codes were integrated into the practices of the organization and backed up by sanctions; otherwise, they were ineffective (2009). When coupled with the right ethical behavior from managers, codes are more effective than formal ethical training (Adam & Rachman-Moore, 2004). Code effectiveness is also identified with corporate boards setting the right tone in organizations at the top (Schwartz, Dunfee & Kline, 2005).

Organizational members react to transparent and visible justice, so when managers' or employees' behaviors violate the code and no consequences are observed, the code will fail. Nitsch, Baetz & Hughes observed that frustration, cynicism, and anger develop when code violations go unpunished (2005). Perceived unfairness or unequal treatment also causes low trust in organizations and weakens members' commitment to the code (Kickup, 2005). Distributive justice is an important construct for organizations; leaders who build trust by ensuring justice occurs will strengthen members' affiliation with the code (Greenberg, 1990). The quality of a code, reflecting the human and capital resource investments to ensure the code is consistent with corporate values, plays an important role in the organization's culture. Erwin found that corporations with high quality codes appeared more frequently on top CSR rating lists for ethical behavior, corporate citizenship, sustainable achievement and public perception than codes rated that were rated lower quality in his study (2011).

Codes fail if rejected by the culture of an organization. Healey and Isles studied London IT firms attempting to govern information and use of technology; they found that using codes to achieve governance and compliance was ineffective and the behavior of IT end users in organizations was not changed (2002). A study involving Norwegian businesses with codes measured the attitudes of engineers and economists and found that the presence of a code was not enough to influence the ethical attitudes of respondents (Marnburg, 2000). He observed that organizational members need to acknowledge and accept the code as part of their culture, which, in this case, they did not. A study of Chinese organizations showed this same phenomenon. Pseudo-support was given, but companies did not adhere to the code. They failed to adopt best practices of a code even when it would benefit their situation (Snell & Herndon, 2000). The authors believe that cultural factors such as power distance caused the behavior since Chinese subordinates are required to publically support their superiors even when they disagree with a decision. Their study illustrates the interplay between culture and codes; codes which are mandated by external agents are ineffective. Simply put, goals are not achieved when managers impose legal controls on employees and order them to act ethically; codes attempting to regulate ethics simply do not work.

Top down attempts to control fail, which explains why Marnburg, McKendall et al, Healey and Isles and Snell and Herndon all reported codes were unsuccessful in regulating behavior. Schwartz (2000) also observed that codes are not good compliance control systems; Trevino and Weaver agreed stating that forced legal compliance moves codes outside the climate and culture boundaries where employees have no ownership (2003, p. 194). Culture and cooperation create the climate where codes can be effective tools rather than mandated attempts at compliance.

THE COLLAPSE OF LEHMAN BROTHERS

During the summer of 2008, the price of Lehman's shares dropped precipitously following a $2.8 billion loss. Then in September 2008, Lehman Brothers was bankrupt and closed their doors after 158 years of business as financial institution and investment bank. They had invested heavily in subprime mortgages and the U.S. government decided not to rescue the bank deciding, perhaps incorrectly, that the economy could absorb the loss. Like several other large banks, they did not consider the risks of defaulted subprime loans or a downturn in the economy, yet both occurred simultaneously. Ernst and Young audited the company and they also failed to accurately weigh the risks (Richard, 2008). Although its assets exceeded $600 billion, Lehman Brothers collapsed, largely due to their deep involvement with derivatives, a way of allowing investment banks to shift money from firm to firm. Other Investment banks were also hit hard. Shares of Bear Stearns sold for five to ten percent of their original value, and Lehman shares became worthless. Several other U.S. banks also folded. Bank of America bought Merrill Lynch for $50 billion; JP Morgan Chase purchased Washington Mutual Bank, whose collapse represented the largest bank failure in U.S. history. It is appropriate, then, to question the value-based statements in the Lehman Brothers code and inquire as to why this company failed.

Why was excessive risk-taking acceptable at Lehman? Were the values of this institution based on building wealth with diligence, care and reason or based on acquiring wealth in any possible way, regardless of risk to shareholders? Was the bank concerned about taking care of employees and shareholders and long-term growth or had they thrown fiduciary caution to the wind? Most importantly, what lessons can be learned about their principles, culture and values from its ethical code and corporate culture?

The Study

This study set out to determine whether the Lehman code was a sufficiently robust example of management discourse that it could have functioned as a strategic document within their organization. Was the code capable of playing a significant role in corporate decision-making or was it simply an artifact? Did the code have rhetorical strengths and weaknesses and how might those be identified? The authors analyzed the Lehman code using two different methodologies—the Competing Values Framework (Quinn, Hildebrandt, Rogers, & Thompson, 1991) and the eight–point Ethisphere benchmark analysis developed by Erwin (2011). It was subjected to these assessment instruments, then analyzed rhetorically. Research questions addressed what the Competing Values Framework (CVF) could reveal about relational, transformational, instructional and informational aspects of the code and what scores the code might receive using the Erwin system, which focused on tone, readability and style. Researchers then used rhetorical analyses to parse the subtle language aspects of the code.

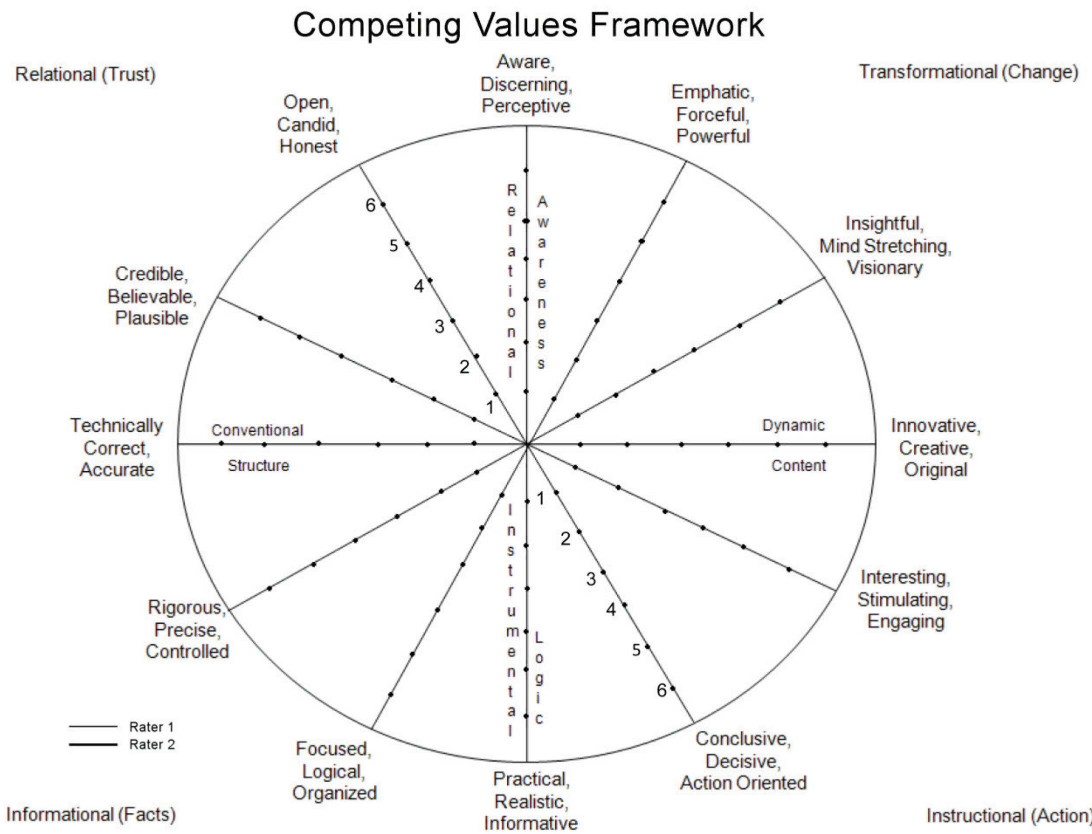
Methodology

The CVF, developed to capture discourse interaction, is useful for assessing documents such as ethical codes as it reveals the rhetorical elements of the message. Although it is sufficiently intuitive and yields consistent results, the raters first practiced on two corporate codes outside of this study to ensure codes were being assessed consistently. Each code was scored on the 12 dimensions of the CVF worksheet which indicates the degree to which the document contains characteristics of each of the twelve rays on the framework. Raters used the model's seven point grading scale ranging from 1 (not at all) to 7 (very much so) to assess the Lehman code. Using Pearson r, an inter-rater reliability of .694 was achieved on one practice code and .842 on the other, demonstrating moderate to high correlations and strong inter-rater reliability (Pearson, 1966). After analyzing these results, the Lehman code was scored using the CVF worksheets. The correlations scores for Lehman Brothers were .784, and .973, reflecting a high degree of inter-rater reliability between the evaluations. Then the code was scored on the eight dimensions using the system developed by Erwin (2011).

The Competing Values Framework

Underlying the model, shown in Figure I, is the concept of competing values or the notion that a document may have strengths or weaknesses in multiple areas. Four quadrants (transformational, instructional, informational, and relational) represent different rhetorical dimensions of managerial communication which are opposite or competing values.

FIGURE 1



The framework uses a multidimensional approach where strength in one area may directly cause weakness in another. Examining competing values is appropriate for ethical codes as they involve complex ideas, philosophical concepts, and sometimes conflicting ideologies. Documents are rarely transformational, instructional, informational, and relational simultaneously. Thus, code writers may design a code to reveal both transformational and instructive components, sacrificing some informational and relational constructs. The model, then, helps identify more than content; it reveals some of the philosophical underpinnings of the code itself and can help identify rhetorical strategies. When a code shows a strength or weakness in one of the quadrants, it can identify some of the key components of that code.

Code studies provide rich information about which subjects are present or absent, yet a greater understanding of code dimensions that extend beyond content analysis is needed to understand codes and how they work. For example, are they visionary? Do they instruct? Do they inspire trust? Do they motivate? Are they written in ways which encourage or discourage compliance? Content analysis usually does not discern subtexts and more subtle messages buried in text. A rhetorical analysis using the Competing Values Model can accomplish this more efficiently.

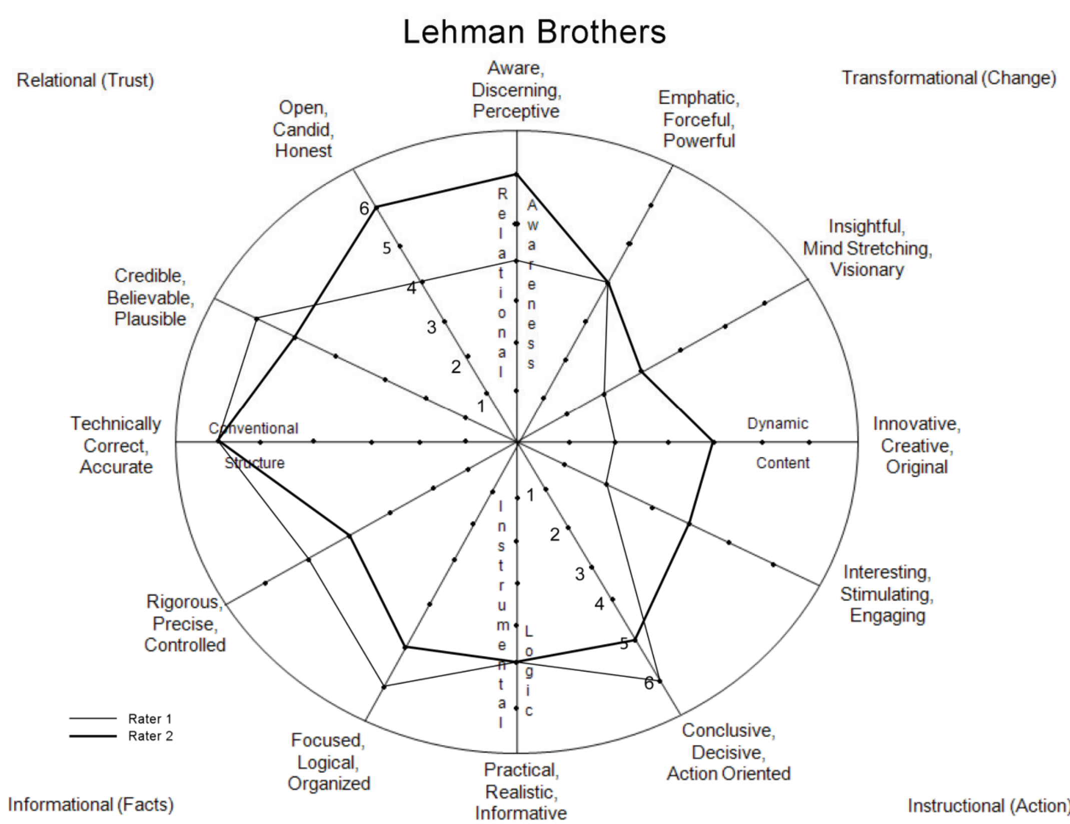
In Figure 1, the upper right quadrant reflects communication which is change oriented. Transformational communication typically talks about change, the value of change and encourages commitments to change. It is typically organized in a persuasive fashion and incorporates reason-giving messages; the tone may be inspirational and visionary (Stevens, 1996). Central descriptors of transformational communication include words such as “emphatic, powerful, forceful” and “insightful, mindstretching, visionary.” The lower right instructional quadrant described action-oriented communication which has, as central descriptors, “interesting, stimulating and engaging” and “conclusive, decisive, and action-oriented.” The lower left informational quadrant addresses communication that is primarily factual—e.g., a training manual. “Rigorous, precise and controlled” and “focus, logical, and organized” describe its central features. Finally, the upper left relational quadrant focuses on communication which seeks trust. “Credible, believable and plausible” and “open, candid and honest” describe trust-based communication.

The Erwin methodology

Erwin’s system was also used to assign a grade to the code. His methodology, based upon Ethisphere Institute criteria, allows raters to grade codes based on eight different dimensions using the traditional academic 4.0 scale. Derived from 43 elements identified by the Ethisphere Council, it assesses public availability, executive tone, readability and tone, non-retaliation and reporting, commitment and values, risk, comprehension, and style and provides an overall grade (Erwin, 2011). Both raters independently graded the Lehman code using this scheme.

Results

FIGURE 2



Discussion—The Competing Values Framework

Figure 2 shows the plot for the Lehman Brothers code of conduct. Both raters scored the code high on the informational dimension of the plot (lower left quadrant) and lower on the relational and transformational dimensions of the plot (upper left and upper right quadrants). The diagram shown in Figure 2 reveals that the Lehman code has strengths in the relational and informational quadrants (left side) and weaknesses on the transformational and instructional side (right side). Raters found the code was strong in areas of being technically correct and accurate and agreed that it also showed strengths in being open, candid and honest. Weaknesses included not being insightful, mind stretching or visionary, innovative, creative or original, or interesting, stimulating and engaging. Figure 2, which plots the weighting of the Lehman code on the CV Framework, reflects that the Lehman code is more technically accurate than innovative, weighs practicality over perceptiveness, and emphasizes control over vision. This might well send to employees within the organization the message that it is better to toe the line and comply with company policy than innovate in constructive ways and create an organization with a culture that stimulates creativity or open communication.

Lehman scored high on the dimensions of practicality, logic, preciseness, and accuracy, decisiveness, and credibility. However, much lower scores were given on the dimensions as engaging, creative, visionary, perceptive, or open. The Lehman Brothers code appears to be more balanced, although its strengths clearly lie on the left half (relational and informational) and its weakness on the right half (transformational and instructional).

In effect, the Lehman Brothers code begins with a transformational and relational emphasis, but shifts to the instructional and informational after the opening page, which explains the variation in scores across the two raters. Despite the variations in scores, the Lehman Brothers code is more heavily weighted toward the instructional and informational than toward the transformational and relational dimensions.

The Lehman code of ethics and internal code of conduct do not offer much vision or guidance to the reader. Absent are principles, cultural norms and forward- looking statements that might define Lehman as an organization. The code shows few of the transformational aspects on the CVF. While it lays out the basic rules expected of all Lehman employees, executives missed the opportunity to create a unique code expressing strong ethical principles. A more transformational code might have identified their unique strengths and values, but this would have to be coupled with transformational leadership and a culture of strong communication. The Lehman code did a basic job of protecting the organization against illegal actions by employees, but it did little to advance an ethical culture that might have sustained them. Perhaps that culture did not exist; a code cannot create a culture that is not present or change the organization by itself.

The Lehman Brothers Code of Ethics is a five-page document outlining the behaviors expected of employees. Page one comprises of an introduction stating that all employees must comply with the code. It indicates the code is intended to be read along with Lehman's Internal Code of Conduct, also discussed in this paper. These two documents together represent the Lehman Brothers position on its corporate ethical values.

Paragraphs three and four in the introduction make strong statements about trust (p. 1, Lehman Brothers Code of Ethics). This section emphasizes that strong client relations have been established over the years saying, "The lynchpins of that trust are our ethical standards and behavior. We must always do business in a manner that protects and promotes the interest of our clients" (p. 1). Paragraph four assumes a stronger position stating that "Ethical business practices are the product of more than a fear of legal ramifications" and "Ethical business practices entail a clear understanding of right and wrong, and a motivation on the part of our directors and employees to act at all times in a manner of which they can be proud" (p. 1). These sentences are transformational in nature as they can be described as insightful, mind stretching and visionary. They reflect descriptors on the upper right (transformational) quadrant of the framework and are opposites of the characteristics in the informational quadrant (rigorous, precise and controlled.) So here one finds value-based, transformational language in the Lehman code. The Lehman code introduction (p. 1) shows more characteristics of the transformational quadrant, which partially explains the score in the transformational quadrant.

However, the next four pages communicate in a very different way using a legalistic tone and language that is not conversational or commonplace. For example, on page two, one finds "The Firm has established procedures for submitting concerns regarding accounting, internal auditing controls or auditing matters to the Audit Committee of the Board and for submitting other concerns to the non-management members of the Board" (p. 2, paragraph 3). Here language is more dense and this style continues as the code unfolds. The section on full and fair disclosure (p.5) is comprised of only three sentences, but the first has 32 words, the second 69, and the third 56. These are extremely complex sentences, considering the average business document is comprised of sentences ranging in length from 16 to 24 words (Guffey, 2008; Ober, 2006). Many other sentences in the document exceed 50 words, showing a dense and complex style. This is reflective of the informational quadrant rays of "technically correct, accurate" and "rigorous, precise, controlled."

Lehman Brothers' code addresses the basic issues found in most corporate codes such as conflict of interest, retaliation, stealing, use of proprietary information, non-retaliation, and compliance with laws, EEO issues and fairness (Mathews, 1987). As a code, it lacks unique features and appears to be written by legal experts to protect the firm against egregious behavior, a typical approach used in corporate codes in the US (Stevens, 1996). The vast majority of language and information fits the central descriptors in informational quadrant "rigorous, precise controlled" and "focused, logical, organized." Many of the sentences are commands phrased in passive voice, as in "Employees and directors are not permitted to remove, sell, loan, convey, or dispose of any record, voucher, money, or things of value belonging to the Firm without the Firm's consent" (p. 3, para. 4). In stressing informational fact-based material, the writers sacrificed the transformational aspects on the opposite side of the CVF. While culture is discussed on page one saying the code will "help maintain a culture of honesty and accountability" (p. 1, para 1), the topic never comes up again and no statements exist to help employees understand Lehman's unique culture or what differentiates it from other investment banks. An understanding of right and wrong beyond violating laws is not articulated. So questions are left unanswered, such as --What does Lehman value most and how does an employee come to understand Lehman's ethical values? The answers are not found in the code. Instead, the remaining four pages stress legal responsibilities, cautioning against outside employment and affiliations, theft, acting on proprietary information, or violating any laws. Lehman's code asserts that it follows EEO laws, believes in fairness and full disclosure and ends saying the Board of Directors may waive the code at their discretion. Because of its legalistic focus, this code would be useful to Lehman attorneys wanting to separate from the organization an employee breaking the law.

What is lacking? The code is weaker in transformational aspects giving little guidance in gray areas. It does not help the employee who is wrestling with a difficult decision; rather it almost exclusively discusses behaviors that violate federal laws and warns against breaking them. Values the corporation holds beyond adhering to laws are not discussed. Issues like managing risk responsibly are not found in the Lehman code nor does one find a statement telling employees to safeguard the company's assets so the company will endure in times of financial stress. The code does not explain what it means to "protect the firm's assets."(p.1) and the duty an employee has to "advance the Firm's legitimate interests when the opportunity arises" (p 2). It does not discuss cautionary areas, how much risk is acceptable and the circumstances under which one should exercise restraint in advancing the firm's interests. Hence, the code's lack of strength on the right side of the framework reflects weaknesses in the visionary and action-oriented concepts of the document

Instead, an opposite message is conveyed in the sentence "Employees and directors have a duty to the firm to advance its legitimate interests whenever the opportunity arises." (p. 3, para 2). The next sentence admonishes the employees not to take anything for themselves or their friends. On the fourth page the employee is urged to "compete aggressively in furthering the interests of the firm" -- a perfectly valid position for Lehman, but it lacks elaboration about ethical considerations, so questions remain. When should the employee compete aggressively and under what conditions should more restraint be exercised? What are Lehman ethics and values in those circumstances where it may not be the right thing to compete aggressively? These are not addressed in the Lehman code.

The rhetorical analysis shows that Lehman's ethical code and code of conduct have an absence of transformational language. No visionary ideas are present nor is the document inspirational or thought-provoking. Generic in nature since it addresses the topic common in most codes (Mathews, 1986; Stevens, 1994), the code could be utilized by any bank, or financial institution, or insurance company. It focuses only on actions that could hurt the firm. Lehman's code also says nothing about protecting the environment, committing to the community in which they live, or adding value to the world community.

When codes like Lehman's focus too narrowly on prescribing or dictating behavior, they miss opportunities for transformational communication. Visionary thoughts, guidance and supportive language are absent. One study showed codes were generally framed from a defensive position to protect the organization against egregious behavior and could benefit by being more instructional and transformational (Stevens, 1996). Too much focus on prescriptive behavior means the transformational and instructional elements have been compromised.

The Lehman Brothers Code of Conduct, accompanying the ethical code, governs the relationship between Lehman and external parties such as suppliers and government regulators. Seven pages in length, it focuses almost exclusively upon legal compliance. It states that strict compliance with laws and regulations is mandatory and senior management is responsible for this outcome. Protection of "reputation, image and intellectual property" is stressed (p. 3, Code of Conduct), along with competitive purchasing, based on the nature and quality of the services. Managers are also warned not to become overly dependent on a supplier.

In the following section concerning auditors and controllers, employees are cautioned to use the "highest standards of fairness, transparency, and cooperation" and to provide full and truthful documentation (p. 5). Finally the code of conduct discusses the importance of confidential data, including insider information, and reminds employees to follow the law. Gifts of a material nature are forbidden if they might influence the recipient, leaving that decision open to interpretation. The remaining two sections address reporting violations and warn that termination from the firm could occur.

The Erwin Framework

FIGURE 3
ERWIN FRAMEWORK
LEHMAN BROTHERS

Criteria	Rater 1	Rater 2	Average score
Public availability (5)	4	5	4.5
Tone from the top (15)	11	13	12
Readability and tone (20)	14	16	15
Non-retaliation and reporting (10)	9	9	9
Commitment and values (10)	7	9	8
Risk topics (20)	12	15	13.5
Comprehension Aids (5)	3	3	3
Presentation and style (15)	12	13	12.5
Total	73	83	77.50

Scores from the Erwin analysis shown in Figures indicate the code received a grade in the “C” range, specifically a C+ from the two raters. Highest possible scores for each of the eight categories are shown in parenthesis on the left. These grades mirror some of the same strengths and weaknesses revealed by the CVF. The lowest scores were on readability and tone, risk topics and comprehension aids. Raters found the documents had a commanding tone and a low readability style. Highest scores were received on public availability as raters were influenced by the code’s accessibility via the Internet. The overall “C +” grade (77.50) given the code reflects the legalistic language used to protect and distance the organization against egregious behavior by an employee who might break the law. This is not a code that inspires, motivates, leads or provide ethical guidance outside of the legal requirements.

The Culture at Lehman

What role did the ethical code play in the Lehman culture? A number of books have been written about Lehman Brothers since its demise, including some by former Lehman executives. One author, a former vice-president of convertible securities and distressed debt trading at Lehman, places the blame for its downfall squarely at the feet of former CEO Richard Fuld (McDonald, 2009). He describes a culture where Fuld ruled the organization with a heavy-handed fist and became isolated as the firm grew larger. McDonald notes that Lehman hired a group of extremely bright, well educated people, but they were afraid to communicate with the executives sequestered on the 31st floor decision-making center. Criticism of Lehman policies was not tolerated and those who questioned the aggressive growth policies of the bank were quickly put down. Lehman Brothers was extremely overleveraged, yet managers who noticed the problem were not allowed to speak out (McDonough-Taub, 2009). The insulation described by people inside Lehman reveals a culture where communication was stifled and the code was a side issue.

According to a former managing director and talent officer, Lehman’s strong culture as a tough underdog, and one that had successfully weathered near-meltdowns, kept managers from seeing the risk in Lehman’s overleveraged position until it was too late (Greenfield, 2009). The organization became increasingly dysfunctional as the executive committee (a handful of people selected by Richard Fuld) made all of the decisions and effectively shut out input from others in the organization. Indeed Fuld later testified to Congress to that Lehman’s collapse was a big misunderstanding (Maich, 2010).

Interestingly, no mention of Lehman Brothers ethical code is found in the books written about Lehman after its demise (McDonald, 2009; Ward, 2010; Chapman, 2011) or in articles reviewed about Lehman’s bankruptcy. Although she writes extensively about Lehman’s culture, Greenfield also does not mention the code. The code apparently was an artifact; something external to the culture and existed because companies like Lehman Brothers needed a code for public relations purposes and to protect themselves from conduct against the firm, the most commonly mentioned topic in corporate codes (Mathews, 1988; Stevens, 1994).

If anyone was paying attention to the code, the phrase “compete aggressively in furthering the interests of the firm” and the sentence “We must always do business in a manner that protects and promotes the interest of our clients” were of primary importance. Unfortunately executives at Lehman stopped short of explaining what these concepts meant and did not communicate the full meaning to its managers. As the company tripled in size from 1994 to 2007, it took on more aggressive, voracious investment managers looking for large deals (Greenfield, 2009). Not only did they not protect and promote the interest of clients, they put the company out of business by pursuing risky deals. The phrase “compete aggressively in furthering the interests of the firm” is also found in the Bear Stearns code (2008), the other failed investment bank that was taken over by J.P Morgan Chase, yet is absent from the Goldman Sachs Code of Conduct and Business Principles.

While there is no indication the code was a principal document in the firm, one wonders what role it might have played if it had been embedded in the culture, communicated effectively to all employees and if the leaders had spent time explaining the ways they considered appropriate for employees to complete aggressively on behalf of Lehman. Instead the company leveraged itself into a lethal situation.

Constructing a code is an important managerial process as language and discourse create meaning; viewing management from a rhetorical perspective means to recognize that ideas and sense-making are framed by language (Eccles & Nohria, 1992). Thus finding the right words to express ideas and behaviors is a key strategic action for an organization. If codes are embedded in the organizational culture and communicated in an effective way, they can significantly affect ethical behavior. But codes themselves cannot create ethical organizations; they are part of an organizational culture and reflect the only values—good or bad—embedded in the organization.

CONCLUSION

This study uncovered some interesting aspects about the Lehman Brothers' cultures as revealed by their ethical code. Both the CVF and Erwin scheme shed some interesting light on the rhetorical aspects of the code. They yielded information that the code was fairly generic, commonplace and had few aspects of originality; it lacked transformational, guiding concepts that could help in a crisis. The code did not provide much detail about the unique ethical values of the institution and what behaviors might most desired. They forbid behaviors that violated the law, such as insider trading and those that would harm the firm's reputations, but did not discuss the company's specific ethical culture.

While the study certainly has limitations such as subjectivity and scores from only two academic raters, it nevertheless provides a unique look at the Lehman Brothers ethical code and its internal dimensions. Analysis showed ethical code was fairly commonplace and no evidence was found showing the code functioned as a strategic document to help the organization remain viable. It would be naive to claim that a different code could have saved Lehman Brothers and this paper makes no such assertion. A large number of complex factors were in play during the financial crisis of 2008. Regulators were not sufficiently aggressive with financial institutions and allowed aberrant behavior in the investment banking industry; the industry was reckless with subprime lending practices (Lewis, 2010). Lehman Brothers is now an interesting story in American business history and further studies and analysis will determine the multiple causes for its demise.

REFERENCES

Adam, MA., & D. Rachman-Moore (2004), The methods used to implement an ethical code of conduct and employee attitudes, *Journal of Business Ethics* 54, 225-244.

Anderson, D.R., D.J. Sweeney, and T.A. Williams (2003). *Modern Business Statistics*. Cincinnati: South-Western.

Bear Stearns Code of Business Conduct and Ethics. Retrieved from http://www.bearstearns.com/sitewide/our-firm/corporate governance/code-business ethics. Retrieved October 20, 2008.

Carasco, E and J. Singh, 2003). The content and focus of the codes of ethics of the world's largest transnational corporations, *Business and Society Review* 108, 71-94, doi: 10.1111/1467-8594.00007.

Castaldo, S., F. Perrini, N. Misani, and A. Tencati (2009). The missing link between corporate social responsibility and consumer trust: The case of fair trade products. , *Journal of Business Ethics*, 84, 1-5.

Chapman, P. (2010). The last of the imperious rich: Lehman Brothers 1844-2008. New York: Portfolio/Penguin.

Chonko, L.B., Wotruba, T.R. & Loe, T. (2003), Ethics codes familiarity and usefulness: Views on idealist and relativist managers under conditions of turbulence. *Journal of Business Ethics*, 42, 237-252.

DeTienne, K.B. and L.W. Lewis, (2005). The pragmatic and ethical barriers to corporate social responsibility disclosure, The Nike case. *Journal of Business Ethics*, (60, 4, 359-376.

Eccles, R.G. and Nohria, N. (1992). *Beyond the hype: Rediscovering the essence of management.* Cambridge, MA: Harvard Business School.

Erwin, P. (2011). The effects of code content and quality on ethical performance. *Journal of Business Ethics*, April, 99, (4), 535-548.

Greenberg, J. (1990). Organizational justice. Yesterday, today and tomorrow. *Journal of Management*, 29, 705-728.

Greenfield, H (2009). Culture Crash. Conference Board Review, 19465432, 46, 5.

Guffey, M.E. (2006). *Business communication: Process and product*. Mason, Oh: Thomson South-Western.

Healey, M and Isles, J. (2002). The establishment and enforcement of codes*. Journal of Business Ethics,* 39, 1, 117-124.

Kaptein M. (2004), Business Codes of Multinational Firms: What do they say? *Journal of Business Ethics,* 50, 13-31.

Kaptein, M. & Schwartz, M. (2008). The effectiveness of business codes: A critical examination of Existing studies and the development of an integrated research model. *Journal of Business Ethics*, 77, 111-127.

Kaptein, M. & Wempe, J. (2002). *The balanced company: A theory of corporate integrity.* Oxford: Oxford University Press

Kickup, J. (2005), Does trust matter? The relationship between equity sensitivity and perceived organizational justice. *Journal of Business Ethics,* 56,3, 205-218.

Langlios, C.C. & Schlegelmilch, B.B. (1990). Do corporate codes of ethics reflect national character? Evidence from Europe and the United States. *Journal of International Business*, Fourth Quarter, 519-539.

Laufer, W & Robinson, D.C. (1997), Corporate ethics initiatives as social control. *Journal of Business Ethics*.16**,** 10, 1029-1048.

Lewis, M. (2010). *The big short: inside the doomsday machine*. New York: W.W. Norton.

Lehman Brothers code of ethics. Retrieved September 11, 2008 from www.lehman.com/shareholder/corpgov/code.

Lehman Brothers International (Europe). Annex A to the 213 Organizational Model. 231 Code of Conduct. Retrieved October 3, 2008 from www.lehman.com/shareholders/corpgiv/code.

Maich, S. (2010). Culture of denial. *Canadian Business*. 00083100, 11/23/2010, 83(20).

Manley, W. (1991), *Executive's Handbook of Model Business Conduct Codes.* New York: Prentice Hall.

Marnburg, E. (2000). The behavioural effects of corporate ethical codes: Empirical findings and discussion. *Business Ethics: A European review* 9 (3), 200-210.

Mathews*, M.C. (1987.* Codes of ethics: organizational behavior and misbehavior. *Research in corporate social performance,* 1-7-130. (9) JAI Press inc: Greenwich, CT.

McDonald, L.G. (2009). *A colossal failure of common sense: The inside story of the collapse of Lehman Brothers*. New York: Crown Business.

McDonough-Taub, G. ((2009). www.cnbc.com/id/32013423/Lehman_Brothers_A_Collosal Failure.

McKendall, M., DeMarr, B & Jones-Rikkers, C. (2002). Ethical compliance programs and corporate illegality: Testing the assumptions of the corporate sentencing guidelines. *Journal of Business Ethics*, 37, 367-383.

Miller, K. W. and T. R. Fallati (2007), A tough job for the SEC, *International Financial Law Review*, 02626969, Dec, 26, 12.

Nijhof, A, Cludts, S, Fisscher, O. & Laan, A (2003). Measuring the implementation of codes of conduct. An assessment method based on a process approach of the responsible organization. *Journal of Business Ethics*, 45, 65-78.

Nitsch, D., Baetz, M & Hughes, J.C. (2005), Why code of conduct violations go unreported: A conceptual framework to guide intervention and future research. *Journal of Business Ethics*, 57, 327-341.

Ober, S. (2006). *Contemporary business communication*. Boston: Houghton Mifflin Co.

O'Dwyer, B and G. Madden, (2006). Ethical codes of Irish companies: A survey of code content and enforcement procedures. Journal of Business Ethics, 63, 217-236.

Pearson, E. S., Ho. O. Hartley (1966). *Biometrika Tables for Statisticians, Vol. 1*. London: Cambridge University Press.

Perlow, L . & Williams, S. (2003). Is silence killing your company? *Harvard Business Review,* 81, 5, 52-59.

Petersen, L, and F. Krings (2009). Are ethical codes of conduct toothless tigers for dealing with employment discrimination? *Journal of Business Ethics*, 85:501-514.

Quinn, R.E., Hildebrandt, H.W, Rogers, P & Thomson, M.P. (1991). A competing values framework for analyzing presentational communication in management contexts. *The Journal of Business Communication, 28, 3, 213-231.*

Richard, P. J. (2008). Where were the auditors as companies collapsed? *American Banker*, 00027561, 10/10/2008, 173, 197.

Scalet, S. (2006). Prisoners' dilemmas, cooperative norms, and codes of business ethics. *Journal of Business Ethics*, 65, 309-323.

Schwartz, M. T. Dunfee, and M. Kline (2005). Tone at the top: An ethics codes for directors? *Journal of Business Ethics* 58, 79-100.

Schwartz, M. (2000). Why ethical codes constitute an unconscionable regression. *Journal of Business Ethics,* 65, 309-323.

Schwartz, M. (2004). Effective corporate codes of ethics: Perceptions of code users, *Journal of Business Ethics*, 55, 323-343.

Sims, R.R. and J. Brinkman (2003). Enron ethics (or culture matters more than codes). *Journal of Business Ethics* 45, 243-256.

Snell, R.S. & Herndon, N.C. (2000). An evaluation of Hong Kong's corporate code of ethics initiative. *Asia Pacific Journal of Management* 17, 3, 493-518.

Stevens, B (1996). Using the competing values framework to assess corporate ethical Codes, *Journal of Business Communication* 33 (1), 71-84.

Stevens, B. (2008). Corporate ethical codes: Effective instruments for influencing behavior. *Journal of Business Ethics*, 78, 601-609.

Stohl, C., M. Stohl, and L. Popova (2009). A new generation of corporate codes of ethics, *Journal of Business Ethics*, 90, 4, 607-622.

Sobszak, A.: 2003, Codes of conduct in subcontracting networks: A labour law perspective, *Journal of Business Ethics,* 44, 225-234.

Somers, M.J. (2001). Ethical codes and organizational context: A study of the relationship between codes of conduct, employee behavior and organizational values. *Journal of Business Ethics*, 30, 2, 185-195.

Trevino, L. ,G. Weaver, D. Gibson and B. Toffler (1999), Managing ethics and legal compliance" What works and what hurts. *California Management Review*, 41 131-1.

Trevino, L.K. and D. Weaver (2003), *Managing ethics in organizations.* CA: Stanford University Press.

Valentine, S and T. Barnett (2002), Ethical codes and sales professionals' perceptions of their organization's ethical values. *Journal of Business Ethics* 40, 3, 191-200.

Ward, V. (2010).*The Devil's Casino.* Hoboken, N.J. John Wiley & Sons.

Weeks, W.A. and J. Nantel (1992). Corporate codes of ethics and sales force behavior: A case study. *Journal of Business Ethics* 11, 753-760.

Corporate Social Responsibility and Sustainability Model for Global Firms

Bahaudin G. Mujtaba
Nova Southeastern University

Frank J. Cavico
Nova Southeastern University

Business sustainability is all about serving the needs of one's customers, clients, and stakeholders across the globe in a socially responsible and, thus, concomitantly an economic efficacious manner. Business is expected to achieve its core economic value in conformity with the values of morality and legality. That is, business must act in a profitable, legal, and moral manner. Today, moreover, above and beyond the responsibility to act legally and morally in the pursuit of profit is the notion of social responsibility, which typically is called "corporate social responsibility" (CSR). The law defines legal accountability; ethics determines moral accountability, but ascertaining the definition, nature, extent of, and rationales for the value of social responsibility emerges as an even more challenging task. This article provides a philosophical as well as practical review of social responsibility by explaining and illustrating the concept of social responsibility in the global business environment through a business sustainability continuum. Suggestions and recommendations for business leaders, managers, and their organizations are provided to achieve success in a legal, moral, and socially responsible manner.

THE BUILDING BLOCKS OF SOCIAL RESPONSIBILITY

Every safe building stands on a strong foundation. Similarly, every sustainable business should stand on a foundation that has strong values, legal compliance, and high ethical standards. Values are rankings or priorities that a person establishes for one's norms and beliefs. Deeply held values can drive behavior. Moral values are generally held to be intrinsic. Accordingly, if one holds morality to be an intrinsic value, then one must be moral regardless of the circumstances and consequences. Ethics is the theoretical study of morality. Ethical theories are moral philosophical undertakings that contain bodies of formal, systematic, and ethical principles that are committed to the view that an asserted ethical theory can determine how one should morally think and act. Moral judgments are deducible from a hierarchy of ethical principles. Morality, therefore, properly and accurately should be understood as a development of the ethical, which is part of the philosophical. Social responsibility, however, is *not* part of ethics, *not* an ethical theory, *not* an ethical principle, and is *not* a means to determine morals, morality, or moral precepts (Cavico and Mujtaba, 2012a). As such, it is important to keep the concept of social responsibility distinct from morality and ethics, which are philosophy based, as well as legality, which, of course, is based on the law. The traditional purpose of business, moreover, is the profitable production, distribution, and sale of goods and services, albeit in a legal and moral manner, but not, traditionally at least, social welfare or philanthropic endeavors. Yet, today, since the issue of the social responsibility of business is frequently raised, business is forced to concern itself with the "social" dimension of its activities.

Accordingly, one must define the key term "social responsibility.” At a basic philanthropic level, social responsibility may be defined as a business taking an active party in the social causes, charities, and civic life of one's community and society (Mujtaba, Cavico and Plangmarn, 2012; Cavico and Mujtaba, 2012b). For example, Newman’s Own is a private sector company praised for its philanthropic mission since it donates all of its profits and royalties after taxes for charitable and educational purposes (Mickels, 2009). The social responsibility of business can also be thought of in a broader constituency or stakeholder sense. Tyagi (2011, p. 29) states that social responsibility encompasses “…a person’s obligation to consider the effects of his decisions and actions on the whole social system”; and adds that “the fundamentals of CSR management is to understand the values and principles of those who have a stake in the business operations – the stakeholders.” Harish (2012) takes a “strategic” as well as stakeholder approach to corporate social responsibility:

> Corporate social responsibility (CSR) is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customer, suppliers, employees, shareholders, communities and other stakeholders, as well as the environment. CSR is a way firms integrate social, environmental and economic concerns into their values, culture, decision-making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society. CSR is certainly a strategic approach for firms to anticipate and address issues associated with their interactions and others and, through those interactions, to succeed in their business endeavors (p. 521).

The strategic implications of corporate social responsibility will be explicated further later in this work. Harsih (2012, p. 521) also adds that corporate social responsibility by purposefully including the public interest into corporate decision-making results in the “…honoring of the triple bottom line: people, planet, profit.” Millon (2011) explains that a constituency or stakeholder approach to corporate social responsibility “requires management to balance shareholder and non-shareholder interests. Strict shareholder primacy – the idea that shareholder interests should enjoy priority over those of nonshareholders – is rejected because of the costs in can inflict on nonshareholders. …Socially responsible leadership therefore necessitates that management temper its pursuit of profit with regard for such considerations” (p. 525).

The Business Roundtable views the corporation as an entity “chartered to serve both their shareholders and society as a whole” (Mickels (2009, p. 274). The World Business Council for Sustainable Development explains social responsibility in a corporate context as a company’s continuing commitment to act legally and morally and also to contribute to the economic development of society while improving the quality of life of their employees and their families as well as the local community and society as a whole (Holmes and Watt, 2004). This definition evokes another, and even more expansive, concept of the “social responsibility” of business – “sustainability.” The sustainability approach to corporate social responsibility is premised on the idea that a company must remain economically viable in the long-term, and that in order to be viable the company must take into consideration other stakeholders beyond the shareholders. Millon (2011) explains the sustainability approach to corporate social responsibility “as simply the realization that the corporation’s long-run prosperity depends on the well being of its various stakeholders, including workers, suppliers, and customers…Sustainability also requires ongoing availability of natural resources and a natural environment in which the corporation and its various constituencies can survive and flourish...Sustainability CSR looks beyond the current quarter or year and factors in long-run benefits as a potential offset to short-term cost” (pp. 530-31).

Social responsibility and perceptions of being and acting ethically, at least to some reasonable degree, may be in the long-term self-interest of business (Mujtaba, Pattaratalwanich and Chawavisit, 2009). Munch (2012) explains that “some corporations have long supported social initiatives as a means of enhancing their own profits and long-term viability. Through charitable donations, community programs, or holistic decision-making, corporations have pursued tangible goals, such as improving workforce comfort or engendering customer goodwill, arguing that these actions align with the corporation's ultimate profit-making interests" (p. 178). Significantly, Munch (2012) adds that "there is some evidence that these strategies are successful" (p. 178). Afsharipour (2011), furthermore, reported on an Indian study that revealed a positive relationship between company performance and corporate social responsibility. A corporation cannot long remain a viable economic entity in a society that is uneven, unstable, and deteriorating. It makes good business sense for a corporation to devote some of its resources to social betterment projects. To operate efficiently, for example, business needs educated and skilled employees. Education and training, therefore, should be of paramount interest to business leaders. A corporation, for example, can act socially responsible by providing computers to community schools and by releasing employees on company time to furnish the training. British Petroleum (BP), for example, marketing itself in Europe as "Beyond Petroleum," before the disastrous Gulf oil spill was regarded as a very socially responsible firm, especially for its environmental and alternative fuel efforts (Cavico and Mujtaba, 2009). Another illustration involves the web-search company, Google, Inc., which has committed almost one billion dollars in stock as well as a share of its profits to combat global poverty and to protect the environment (Delaney, 2005). Starbucks Corporation, in addition, has been engaged in a variety of socially responsible activities in Guatemala, such as building health clinics, and also promising to pay its coffee suppliers a premium price if they adhere to certain labor and environmental standards (Homes, 2002). The Coca-Cola company has teamed with the World Wildlife Fund to protect the arctic habitat by releasing $1.4 billion redesigned white Coke cans each showing a polar bear, which the company hopes will raise awareness of this cause. Coke made an initial donation of $2 million to the World Wildlife Fund, and Coke will match up to $1million that Coke drinkers will be able to donate to the campaign (Business Briefing, 2011). McDonald's is so extensively involved in charitable activities and civic affairs in local communities throughout the United States that it produces through its corporate charitable division, Ronald McDonald House Charities of South Florida, special multi-page advertising supplements to local newspapers to describe the company's many socially responsible activities – from grants, "Wish Lists," scholarships, volunteer work to, of course, the Ronald McDonald House itself (Ronald McDonald House Charities of South Florida, 2012).

Business is part of society and subject to society's mandates; and if society wants more "responsibility" from business, business cannot ignore this "request" without the risk of incurring society's anger, perhaps in the form of higher taxes or more onerous government regulation. Over a decade ago, a *Business Week/Harris* poll (Taylor, 2011; Editorials, *Business Week*, 2000) found that only 4% of the public believed that the sole purpose of corporations is to make profits for shareholders; rather, some 95% believed that corporations should sometimes sacrifice some profit do more for employees, communities, and society. Sir John Brown, former chief executive officer of BP, astutely comprehended that society wants and expects business to be socially responsible, and that to be so is in the long-term self-interest of BP and business. Then, BP stood for not only "British Petroleum" but also "Beyond Petroleum" for all the alternative energy and social responsibility efforts that the company was engaging in under his stewardship. An egoist will surely see the value of a prudent degree of social responsibility in today's global business marketplace. Obviously, superior product and service quality and competitive pricing are essential for business success. Yet another strategic factor to success has emerged in the present business environment – social responsibility. The idea is not "only" to make profits but then to "give back" to the community by means of civil, social, and environmental efforts. Yet a strategic approach to social responsibility would combine profits and social activism; that is, the smart and "social" company will deliver products and services that naturally are profitable but that also serve society by, for example, by saving energy and improving the environment. The idea for a strategic business approach is to incorporate the value of social responsibility into the firm's business model. Such an approach will enhance opportunities, increase profits, and expand the firm's market share. In essence, the ultimate goal is not only to contribute in a socially responsible manner to the community, but also to bring new socially responsible products and services into the marketplace. That degree of social responsibility is the egoistic business model for today's astute business leaders. Exxon-Mobil for example, recently launched a social responsibility campaign to build schools in Angola, which (perhaps not coincidentally) is an emerging oil power. Coca-Cola Co. is very extensively involved in providing clear drinking water to the "developing world," for example, by furnishing water purification systems and lessons to local communities. This meritorious social responsibility effort is designed also to promote "Coke's" reputation as a global diplomat and local benefactor. "Coke," by the way, uses a great deal of water in producing its products.

Another example of "smart" social responsibility concerns Microsoft's "wellness" efforts to help its overweight employees. The company, which already provides free medical coverage to its employees, now has created a weight management benefit for employees. The software company will pay for 80% of the cost, up to $6000, for a comprehensive, clinical, weight loss program for employees. The program, intended for employees who are obese or clinically overweight, includes up to a year's worth of sessions with a personal trainer, behavioral and nutritional counseling, support groups, and medical supervision. Microsoft in the long-run expects to obtain a return on its health care investment for the formerly obese and overweight employees due to cost savings from less prescription drugs and fewer doctor and hospital visits (Cavico and Mujtaba, 2009). Similarly, Million (2011, p. 532) relates that Johnson & Johnson has invested substantially in employee health through its Wellness & Prevention program; but the company has received an excellent return-on-investment, because the program has been estimated by the company to have saved $250 million in employee health care costs over the past decade, with the savings representing a return of $2.71 for every dollar spent. Millon (2011) concludes that "the whole point is to generate net gains in the future from expenditures incurred in the present – benefits to nonshareholders come not at the expensed of shareholders but rather are deployed for their ultimate advantage" (p. 533). Millon (2011) labels this corporate social responsibility approach "strategic" too (p. 533).

HR Magazine (Fox, 2007) in a human resources context underscored the egoistic and strategic rationale for a company to be rightly perceived as a socially responsible one. In a constrained and highly competitive global labor market, the shrewd corporate executive will use his or her firm's social responsibility stance to attract new employees, especially top talent, as well as to engage and retain highly skilled and highly motivated current employees. To bolster its argument, *HR Magazine* (Fox, 2007) pointed to a 2003 survey where 70% of North American students surveyed stated that they would not even apply for a job in a company that was deemed "socially irresponsible." Afsharipour (2011) related the thoughts of high-level executives of Indian companies who believe that companies with corporate social responsibility programs, particularly employee-driven ones, will increase employee pride, satisfaction, loyalty, retention, and productivity. Christopher and Bernhart (2009) reported on studies that demonstrated the recruitment and retention benefits of social responsibility, for example, a study indicating that 64% of employees indicated that corporate social responsibility (CSR) activities increased their loyalty, and that 90% of employees would choose an employer viewed as more socially responsible. Christopher and Bernhart (2007) also reported that a "meta-analysis of over 50 studies found CSR social components, including treatment of employees, significantly affected financial performance measures. In addition, objective CSR performance ratings were significant predictors of employer attractiveness to potential applicants" (p. 9). Accordingly, corporate social responsibility can be a key recruitment and retention strategy for the global organization, which business leaders and managers can use to attract, develop, and keep a highly engaged, motivated, and productive workforce.

However, a socially responsible firm must also be a realistic one, *HR Magazine* (Fox, 2007) counseled. That is, socially responsible and environmental efforts must be sustainable economically and should have some relationship to the firm's business. Employees should also be engaged directly in the company's social responsibility activities so as to engage them, inspire them, motivate them, and thereby enhance morale and productivity. Moreover, a firm's social responsibility program does not have to be a multi-million dollar effort; rather, something as simple as an employee social responsibility "suggestion box" or as straightforward as a recycling or energy saving program will do to promote employee involvement as well as to promote and give credence to employee social values. Nonetheless, despite the size, a firm's social responsibility efforts should be publicized widely within the company, for example, in company newsletters, as well as externally, for example in company annual "social responsibility" reports. Being socially responsible, therefore, advises *HR Magazine*, is a smart and sustainable business strategy, especially in a human resource context. An actual illustration of *HR Magazine's* social responsibility recommendation is the PepsiCo. The company's chairperson and CEO, Indra Nooyi, has urged companies to follow her company's approach to being a "good" global company; and by "good" she means that in addition to having a strong financial performance, a firm must value and take care of its employees and also the public's health and the environment. For example, PepsiCo has expanded its product lines to include more juices and waters as well as introducing low-sugar versions of its popular "fitness drink," Gatorade. The company is also promoting energy management, for example by reducing its water usage and creating more environmentally "friendly" packaging. One major benefit of being a socially responsible firm, PepsiCo has discovered, is that its employees are inspired and energized, thereby helping the company to retain employees.

Business Week published a very revealing Social Responsibility Special Report (Engardio, 2007.) that enumerated and extolled the socially responsible practices of many companies today; and then asked the seminal question as to whether these laudatory socially responsible efforts positively contributed to the companies' "bottom-line." *Business Week* (Engardio, 2007) listed these companies in a chart, grouped by sectors of the economy, and then detailed their social responsibility as well as "eco-friendly" activities, and under a very revealing chart sub-title, "Who's Doing Well by Doing Good." For example, Unilever, the British-Dutch multinational, has opened a free community laundry in Sal Paulo, Brazil, provides financing to help tomato growing farmers to convert to more environmentally sensitive irrigation systems, and has funded a floating hospital that provides free medical care to people in Bangladesh. In Ghana, Unilever provides safe drinking water to communities; and in India, the company's employees assist women in isolated villages commence small entrepreneurial enterprises. As related by *Business Week*, Unilever CEO, Patrick Cescau, views the company's social responsibility effort as one of its biggest strategic challenges for the 21st century. Cescau explains that since 40% of the company's sales come from consumers in developing countries, assisting these countries to overcome poverty and to safeguard the environment is vital to the company's sustaining its competitive advantage. In order for the company to maintain its leadership role, it must be concerned about the impact its policies have on society, local communities, the environment, as well as future generations. Cescau's rationale for social responsibility underscores the ethically egoistic justification that "good deeds" will produce strategic and competitive advantages and thus inure to the benefit of the company in the long-term. Another example given by *Business Week* was General Electric, which is taking the lead in developing wind power and hybrid engines. Even Wal-Mart, perennially criticized by labor and human rights groups, was praised for its efforts to save energy and to purchase more electricity derived from renewable sources. GlaxoSmithKline was given credit for investing in poor nations to develop drugs. Moreover, the company was praised for being one of the first major pharmaceutical companies to sell AIDS drugs at cost in 100 countries worldwide. *Business Week* (Engardio, 2007) pointed out that such socially responsible behavior by the large pharmaceutical company worked in its favor as the company is working much more effectively with these governments to make sure its patents are protected. In addition, as noted in *Business Week* (Engardio, 2007), the company's CEO, Jean-Pierre Garner, explained that the company's social responsibility efforts produce other egoistic advantages, such as motivating top scientists to work for the firm, as well as enhancing the overall morale of the company's workforce, which gives the company, stated Garner, a competitive advantage. Another example was Dow Chemical, which is developing and investing in solar power and water treatment technologies. Also as noted by *Business Week* (Engardio, 2007), Dow CEO, Andrew N. Liveris, explained that there is a "100% overlap" between the company's business values and its social and environmental values. Toyota was cited as another illustration of a socially responsible firm due to its work with hybrid gas-electric cars. Such practices have given Toyota a very good reputation as a company that makes clean-running and fuel efficient vehicles; and *Business Week* (Engardio, 2007) related that this "green" reputation has given Toyota a competitive edge. Another example involves PepsiCo and its charitable-giving program, called Refresh, where Pepsi drinkers can vote online, using votes obtained from the company's products, for "refreshing ideas that change the world" (Bauerlein, 2011). Winners will have their socially responsible projects funded by the company.

Past winners of grants have included cheerleading squads for the disabled students, a project to make school bus windshields more aerodynamic. The Refresh program has been extensively advertised by the company in order to give consumers a "voice" in the company's charitable giving, and also, significantly, to engage consumers, enhance the company's image and brand as a socially responsible one, and in the long-term to increase sales and profits (Bauerlein, 2011). Business "sustainability" and success emerge as the very practical instrumental reasons given by the companies for their social responsibility efforts. Furthermore, social responsibility is certainly not just a concept applied in the United States; rather, U.S. multinationals doing business overseas, as well as foreign companies in their own countries, are now engaged in social responsibility activities.

CORPORATE SOCIAL RESPONSIBILITY–A GLOBAL VIEW

Today, corporate social responsibility (CSR) "debates are not just occurring in developed economies…Countries around the world are engaging in rich and nuanced debates and undertaking significant reforms in the corporate governance and CSR arenas" (Afsharipour, 2011, p. 996). Mickels (2009) adds that "directors all over the world are questioning whether corporations should exist solely to maximize shareholder profit" (p. 271). The Society of Human Resource Management (SHRM) (*Workplace Visions*, 2007) found that a majority of Human Resource professionals (United States, Australia, India, China, Canada, Mexico, and Brazil) reported that their organizations had corporate social responsibility practices in place. SHRM put forth a number of reasons for the extent of corporate social responsibility (Cavico and Mujtaba, 2012a/b). First, companies realize that they need to respond to large scale social problems before they become a threat to business. Second, SHRM contends that solutions to major social problems can increasingly be viewed as new sources of business opportunities. That is, providing goods and services to the people of developing nations may be a way to enter into potentially vast markets of consumers. Similarly, "going green" and investing in environmentally "friendly" technology may be a way for companies to initially establish themselves in potentially highly profitable energy sectors.

Millon (2011) calls for a "sustainability" approach to corporate social responsibility globally: "For transnational corporations doing business in developed countries, sustainability may require investment in community-level infrastructure development projects, technological innovation, education, and health care. As these investments lead to greater productivity and better product quality, workers and producers can earn higher incomes, allowing the local population to enjoy a higher standard of living" (p. 531). Millon (2011, pp. 531-32) provides two excellent examples of global "sustainable" CSR: 1) The Norwegian company, Yara International, the world's largest chemical fertilizer company, has sponsored public/private partnerships to develop storage, transportation, and port facilities in parts of Africa with significant untapped agricultural potential, thereby developing local agriculture, providing jobs and improved incomes for farmers, and at the same time benefiting the company through an increased demand for its fertilizer products. 2) The Nestle Company is working to improve milk production in certain regions of India, by investing in well drilling, refrigeration, veterinary medicine, and training, thereby significantly increasing output and enhancing product quality, certainly beneficial to the company, and at the same time allowing the company to pay higher prices for farmers and their employees, resulting in a higher standard of living for the local community.

The United Nations now has a business initiative on corporate social responsibility, called the United Nations Global Compact, whereby companies can join; and thus voluntarily agree to make improvements in human rights, labor, the environment, and combating corruption (Afsharipour, 2011). The World Bank, moreover, has an Internet course on social responsibility, called "CSR and Sustainable Competitiveness," offered by its educational and training division, the World Bank Institute (*World Bank*, 2007). The corporate social responsibility course is designed for "high-level" private sector managers, government officials and regulators, practitioners, academics, and journalists. One major purpose to the course is to provide a "conceptual framework" for improving the business environment to support social responsibility efforts and practices by corporations and business. The course is also designed to assist companies to formulate a social responsibility strategy based on "integrity and sound values" as well as one with a long-term perspective. By being socially responsible, declares the World Bank, businesses not only will accrue benefits, but also civil society as a whole will benefit from the "positive contributions" of business to society. Although it is beyond the scope of this book to discuss in detail the World Bank's very laudable CSR educational effort, a few key elements in the course must be addressed. First and foremost, as the World Bank points out, correctly so, there is no single, commonly accepted, definition of the critical term "CSR." Nonetheless, the World Bank offers its definition, stating that CSR generally refers to: 1) "a collection of policies and practices linked to the relationship with key stakeholders, values, compliance with legal requirements, and respect for people, communities and the environment; and 2) the commitment of business to contribute to sustainable development." The World Bank also explains the key term "Corporate Citizenship," which is "the concept of the corporation as a citizen" and which is a term often used when referring to CSR. As a matter of fact, the World Bank notes, again quite correctly, that the terms "CSR" and "Corporate Citizenship" are at times used interchangeably. The World Bank, moreover, in order to fully explicate CSR, indicates several material components to that concept, to wit: 1) environmental protection, 2) labor security, 3) human rights, 4) community involvement, 5) business standards, 6) marketplace, 7) enterprise and economic development, 8) health protection, 9) education and leadership development, and 10) human disaster relief. The World Bank also offers several decision-making frameworks for companies to plan, implement, and measure CSR. An important part of the World Bank course is a segment, eminently practical for business, called "*Benefits of CSR*." There are, according to the World Bank, "many reasons why it pays for companies, both big businesses and small and medium enterprises…to be socially responsible and be conscious about the interest of key stakeholders." The Bank pointed to a survey conducted by its Institute that indicated that 52% of its respondents had either "rewarded" or "punished" businesses by either buying or not buying their products based on the perceived social responsibility performance of the companies. Other reasons for being a socially responsible firm are, according to the Bank, as follows: 1) obtaining a "social license" to operate from key stakeholders; 2) ensuring "sustainable competitiveness," 3) creating new business opportunities, 4) attracting and retaining quality investors and business partners, 5) securing cooperation from local communities, 6) avoiding difficulties due to socially irresponsible behavior, 7) obtaining government support, and 8) building "political capital." These reasons make the "business case" for being a socially responsible company.

Corporate social responsibility is being promoted in the European Community today. Mickels, 2009, p. 275) relates that in 2000 the European Council in Lisbon formally encouraged companies to become more socially responsible, for example, by taking into consideration sustainable development. Moreover, "the European Commission has recognized that shareholder value is not achieved merely through maximizing short-term profits, but also through 'market-oriented yet responsible behavior'" (Mickels, 2009, p. 277). Furthermore, Mickels (2009, p. 276) reports that in 2006, the European Commission enacted a Resolution, titled "Corporation Social Responsibility: A New Partnership," which proclaimed that corporate social responsibility has become an increasingly important topic for the European Community and that CSR is in integral "part of the debate about globalization, competitiveness, and sustainability." Mickels (2009, pp. 276-77) explains that "according to the European Commission, CSR is 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.'" Mickels (2009, p. 277), however, points out that both the British and American definitions of corporate social responsibility are "vague"; but nevertheless, "…both embody a conviction that a corporation's existence should not relate solely to making money for the sake of making money but that a corporation has a social responsibility to contribute and improve the community in which it operates."

In China, Hai-yan and Silva (2012) relate that due to the scandals regarding product safety and environmental damage as well as a concern over workers' rights, the concept of corporate social responsibility is developing as an issue for Chinese companies and their executives. Hai-yan and Silva (2012, pp. 61-62) conducted a survey of the executives of 206 companies, mainly engaging in trade, in the Beijing area, and they found an awareness of social responsibility among the executives, and specifically found that these executives believed that a company could best be a socially responsible one by complying with the law, providing customers with safe and reliable products, improving the quality of the education system in China, and protecting the environment. Hai-yan and Silva (2012) cite egoistic "market" reasons for this development of corporate social responsibility internationally as well as now encompassing China: "…We have seen the expansion of the concept of CSR from large to small and medium enterprises as well as an increase in corporate awareness, knowing that their performance in the market depends on the market demands, the society in which they operate, and the socially responsible actions which they perform" (p. 58). To further make the point, a survey conducted by Cone Communications and Echo Research (Chu, 2012) of more than 10,000 consumers in 10 countries found that three out of four respondents in China stated that they were very likely to change brands to those associated with a good cause (assuming there was an alternative in the same price range and of similar quality). Furthermore, 83% of the respondents in China stated that they refused to purchase a company's product when they became aware that the company acted in an irresponsible manner (Chu, 2012).

India emerges as a country in the vanguard of corporate social responsibility developments – both legally as well as practically. Regarding stakeholder corporate social responsibility (CSR), Afsharipour (2011) states that:

> The stakeholder model of CSR recognizes that companies have responsibilities to not only their shareholders, but also to their employees, customers, surrounding communities (including the environment) and society as a whole…According to a broad survey of Indian executives, many Indian firms have a sense of a social mission and purpose. These executives do not see shareholder wealth maximization as their primary goal. Instead, 'they take pride in enterprise success-but also in family prosperity, regional advancement, and national renaissance' (p. 1014).

Harish (2012) lists in detail the social responsibility activities of multinational as well as Indian companies in India. Examples include Bajaj Auto, which has created a Trust to help promote development among the rural poor so as to raise rural living standards; Infosys Technologies, Ltd, which has a Foundation to support and promote underprivileged sections of society, such as training poor women in tailoring and donating sewing machines; and the Indian Oil Company, which has adopted as part of its strategic plans several environmental initiatives, especially the development of cleaner fuels (Harish, 2012). In India, moreover, the government is now involved legally in corporate social responsibility. Afsharipour (2011) indicates that in 2009 the Indian government, specifically the Ministry of Corporate Affairs (MCA), promulgated in 2009 Voluntary Guidelines for Corporate Social Responsibility. The Guidelines, relates Afsharipour (2011), are premised on a "fundamental principle," to wit: "Each business entity should formulate a CSR policy to guide its strategic planning and provide a roadmap for its CSR initiatives, and that should be an integral part of overall business policy and aligned with a company's business goals...the policy should be framed with the participation of various level executives and should be approved and overseen by the board" (p. 1019). Moreover, "according to the CSR Guidelines, the CSR policy should cover the following core elements: (i) care for all stakeholders, including shareholders, employees, customers, suppliers, project-affected people, society at large…; (ii) ethical functioning, transparency, and accountability; (iii) respect for workers' rights and welfare; (iv) respect for the environment; and (vi) activities for social and inclusive development" (p. 1019).

In India, in 2009, the government mandated that public-sector oil companies spend 2% of their net profits on corporate social responsibility efforts; and there are proposals for the government to mandate that private sector companies spend 2% to 5% of their net profits on corporate social responsibility efforts (Afsharipour, 2011). However, in 2010, the Indian government "just" required that Indian companies have a CRS policy which "targets" a 2% spending allocation on CSR; and that companies provide disclosure and details of their CSR efforts and suitable reasons for these efforts (or the lack thereof) in an annual report (Afsharipour, 2011). Afsharipour (2011) criticizes the 2009 Indian law because "the CSR Guidelines…provide little concrete guidance on how companies are to implement the guidelines or what legal changes need to be made to ensure that socially responsible practices will be part of a firm's way of doing business" (p. 1019). Afsharipour (2011), moreover, criticizes the 2010 law because "the recommendations do not explain in any detail what constitutes CSR" (p. 1021). However, Afsharipour (2011) does admit that "one important aspect of the CSR Guidelines is the move toward additional disclosure. Very few Indian companies disclose their CSR policies, so additional disclosure could be a tool NGO advocates and lawyers to work with companies and pressure them to comply with their CSR policies" (p. 1022). As such, in order to assist companies fulfill their social responsibility obligations, Kumar, Kuberudu, and Krishna (2011, pp. 10-11) offer the following recommendations for "socially responsible" businesses in, as well as doing business in, India: 1) create and nurture an "eco friendly environment" within and outside the organization; 2) adopt poor, needy, and "sleepy" villages and bring them into inclusive growth by supplying "econ friendly" projects; 3) wage a "war" on bribery and corruption; 4) control pollution, including "social pollution," and help build a "healthy society"; 5) provide assistance when natural calamities occur; 6) develop the "highest ethical standards" with "transparency" as the "watch word"; 7) avoid deceptive and exaggerated advertisement, be restrained by "general social acceptability" regarding advertising, and do not exploit women in advertising; 8) offer financial scholarships and financial assistance to meritorious students; assistance in education and vocational training; and adopt schools, providing for their growth and management. These social responsibility activities will naturally help Indian companies fulfill their legal obligations, but also will, as Kumar, Kuberudu, and Krishna (2011) assert, result in a more stable society, the survival of the organization, and its maximization of profits, since there is a "direct relation" between the well-being of the organization and the good will of the people in society (p. 8). Actually, the Society for Human Resource Management (McConnell, 2006) reported on a global corporate social responsibility survey of human resource professionals from the U.S., Australia, China, and India that indicated that the respondents from India, who were surveyed before the recent Indian CSR laws, were more likely to have formal corporate social responsibility policies, such as written objectives and reports, or corporate social responsibility efforts tied to the organization's mission and/or goals. Of course, there is a big difference between India and a country such as the United States, because in India corporate social responsibility is now legally mandated to some degree by the government, whereas in the U.S. a company *may* be socially responsible pursuant to state corporate "constituency" statutes, which *allow* directors to consider non-shareholder stakeholder interests in making decisions, and also *may* impose a legal obligation upon itself to be socially responsible by forming a social benefit corporation called a "B-Corp," which *requires* directors to consider non-shareholder stakeholders interests in making decisions; but neither the federal government nor the state governments in the U.S. presently are mandating legally that companies be socially responsible ones.

IMPLICATIONS AND RECOMMENDATIONS

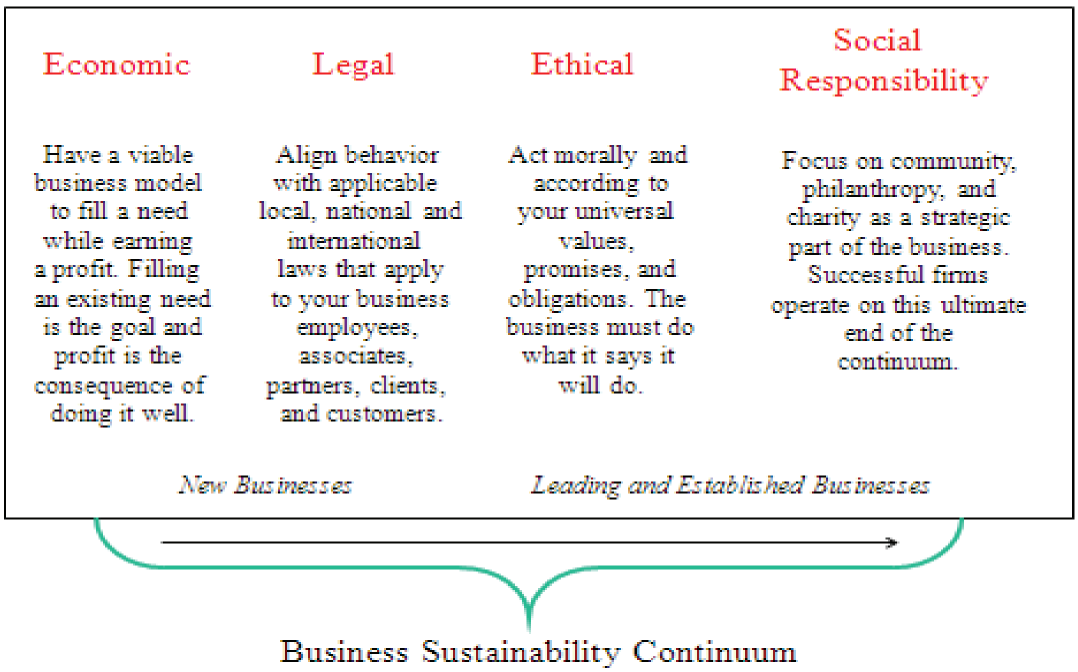
Socially responsible business leaders and managers should always include social responsibility goals in their corporate articles and bylaws as well as mission and vision statements. Moreover, the authors long have argued that it is in the long-term, egoistic, self-interest of the corporation to be a socially responsible one, and thus to be active and engaged in community, civic, and charitable activities. Porter and Kramer (2011) use the term "shared value" to underscore the value of sustainability and for business leaders to use a decision-making criterion in business, to wit: "Policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates" (p. 66). The objective is to simultaneously produce economic value for the company, but also value for society as a whole by helping to solve societal needs, particularly by improving the lives of the people (and potential consumers) who live in the communities where the company does business.

Yet what exactly is the effect of all these social responsibility efforts on the "bottom-line"? This critical fact is difficult to ascertain due to the paucity of research as well as the need for a long-term perspective. One academic study, conducted by Schnietz and Epstein (2005), found that there is value to a corporation during a crisis by having a reputation for corporation social responsibility, and, in particular that a reputation for social responsibility protects firms from a decline in share prices associated with a crisis. Sauser, Jr. (2008) points to studies that found direct financial benefits for companies who are deemed to be socially responsible; and these benefits encompass enhanced business reputation, consumer acceptance, employee loyalty, as well as better environmental management. Hemlock (2007) reported on an academic analysis of dozens of corporate social responsibility studies that found that social responsibility performance and financial performance reinforce each other; that is, companies that excel in a socially responsible manner generally excel financially and vice versa. Wang and Qian (2012) conducted a study of the philanthropic of publicly listed Chinese firms from 2001 to 2006 and found that corporate philanthropy enhances corporate financial performance by enabling firms to elicit better stakeholder responses and to gain political resources. Tyagi (2011, p. 31) reports on studies that support the proposition that corporate social responsibility positively affects "corporate attractiveness." The aforementioned illustrations and studies demonstrate that social responsibility "pays off" for the company and its shareholders as well as for other stakeholders and society as a whole. *Business Week* (Engardio, 2007) reported one thought-provoking study that concluded that if Wal-Mart possessed the social responsibility reputation of its competitor, Target, Wal-Mart's stock would be worth 8.4% more, thereby adding $16 billion to its market capitalization. The problem of determining if "doing good" translates to "doing well" is exacerbated since companies only report the value of tangible physical assets and investments in equipment and property. Social responsibility efforts are perhaps a bit too intangible for the company's accountants to quantify; and government regulators do not mandate that social responsibility, labor, and environmental practices be quantified. Nonetheless, a company's commitment to social responsibility could constitute a valuable intangible business asset. Moreover, Spector (2012, p. 39) emphasizes that "tough global social issues are increasingly seen as responsibilities of businesses as well as governments, and innovative business leaders are viewing these problems as growth opportunities."

The term "sustainability" also has emerged, along with social responsibility and corporate governance, as important subject matters for business today. Spector (2012, p. 41) reports that a 2009 study of the views of chief executives, done by the Business Roundtable and the Conference Board, "found that almost two-thirds indicated that sustainability has reached a tipping point and has become a mainstream concern for business. An even larger 81% agreed that business leadership will increasingly be judged by the ability to create enterprises that are economically, socially, and environmentally sustainable." Furthermore, Spector (2012, p. 42) reports that a 2011 IBM Institute for Business Value study, consisting of interviews at 320 global companies, "concluded that today enterprise sustainability is a strategic imperative and 'no longer just a matter of legal compliance or philanthropic generosity.'" The United Nations also lists environmental sustainability as one of its Millennium Development Goals, along with reducing poverty, increasing education, promoting gender equality, improving child and maternal health, and combating HIV/AIDS (Harish, 2012). It is also possible now for a company to have a "sustainability" assessment. Moreover, an independent, international, private organization, the Global Reporting Initiative, based in Amsterdam and originating as part of a United Nations environmental program, has established Sustainability Reporting Guidelines, and has published assessment reports on a wide range of industries, including pharmaceutical, automotive, and consumer product industries (Resor, 2012).

Sustainability, of course, encompasses legal, ethical, moral, and social responsibility values, and also is related in to corporate governance. However, as Spector (2012, p. 42) correctly points out, dealing with sustainability may be a difficult challenge for certain business executives: "One of the causes may be that the sustainability aim of creating long-term value, while balancing the business need for profit with the ethics of social and environmental responsibility, is uncharged territory for traditional compliance-oriented corporate governance practice." In order to better illustrate as well as explicate the values of practicality, legality, morality, and social responsibility and their relationship to sustainability, the authors have developed the Business Sustainability Continuum (BSC) model, presented in Figure 1. This model presents a continuum where start-up businesses often focus on meeting their bottom-line break-even points and legal requirements in order to stay in business. As these firms grow in term s of their market share and revenue, these businesses begin to see the importance of their actions being seen as ethical and socially responsible for all relevant stakeholders in the community. Furthermore, intense local and global competition forces firms of all sizes to strategically act in an economic, legal, ethical, and socially responsible manner.

FIGURE 1
THE BUSINESS SUSTAINABILITY CONTINUUM



The BSC illustrates that the continual success and "sustainability" of the business can only be achieved by an adherence to four core values: *Economic*, indicating that a business obviously must have a viable business model which fulfills a need and enables the business to make a profit; *Legal*, indicating that this profit must be achieved in legal manner by aligning the conduct of the business with all applicable local, national, and international law; *Ethical*, indicating that since there may be no law or "gaps" in the law, nonetheless the business must act in a moral manner and also must act in conformity with its values, promises, and obligations; and *Social Responsibility*, indicating that the business must focus on the community and engage in civic, philanthropic, and charitable endeavors as part of the business' overall strategic plan. Sustainability will help the business, but also help the business help governments solve pressing social problems, and, as such, "this provides an occasion to rebuild trust that is good for business and good for society" (Spector, 2012, p. 39). Harish (2012, p. 521) adds that "CSR has been widely regarded as a positive phenomenon helping bridge the gap of social inequality and thus contributing to sustainable development." Accordingly, adherence to these "sustainable" values will enable the business to achieve success and to sustain that success in a continual manner, thereby benefiting the business, its shareholders, the communities where it does business, and all the stakeholders affected by the business, including society as a whole.

The BSC model can be used to assess and evaluate business decisions and viable alternatives prior to implementation in order to determine which options are sustainable over time and more likely to lead to long-term value maximization for all relevant stakeholders. Besides business decisions, organizational rules and norms can also be assessed using the BSC model to make sure the stated policies and guidelines are economical, legal, ethical, and that they lead to socially responsible conducts over time.

SUMMARY

Social responsibility is a very important and relevant topic for business today. Moreover, business leaders are expected to lead by values – legal values, moral values, and now socially responsible values. Cognizance of, adherence to, and dealing with the value of social responsibility have become imperatives for business leaders today. The view today is that business should pursue profits, of course, but also that business should strive to achieve social objectives, such as philanthropy, too. Social responsibility, therefore, should now be incorporated into business values, missions, and models by business leaders. Moreover, as the authors have emphasized throughout this work, social responsibility clearly possesses instrumental value, because it can be used in a smart, shrewd, and strategic sense to help the business achieve and sustain successful performance. Social responsibility, therefore, is more than just "mere" or "pure" charity; rather, in a modern business sense, social responsibility is an integral strategic component in the company's endeavor to achieve and to sustain larger traditional business objectives. Yet, concomitantly and also propitiously, society as whole is benefitted by these social responsibility activities. So, in essence, corporate social responsibility is "smart" business and "good" business – for business, business stakeholders, and society.

REFERENCES

Afsharipour, Afra (2011). Directors as Trustees of the Nation? India's Corporate Governance and Corporate Social Responsibility. *Seattle University Law Review*, Vol. 34, pp. 995-1024.

Alsop, Ronald (January 16, 2002). Perils of Corporate Philanthropy. *The Wall Street Journal*, pp. B1, B4.

Alsop, Ronald (December 13, 2005). Recruiters Seek M.B.As Trained in Responsibility. *The Wall Street Journal*, p. B6.

American Law Institute (1994). 1 *Principles of Corporate Governance*, Section 2.01.

Banjo, Shelly (January 14, 2009). Next Benefit to Face Ax: Matching Gifts. *The Wall Street Journal*, pp. D1, D3.

Bauerlein, Valerie (January 21, 2011). Pepsi Hits "Refresh" on Donor Project. *The Wall Street Journal*, p. B4.

Brennan, John J. (May 10, 2010). Improving Corporate Governance: A Memo to the Board. *The Wall Street Journal*, p. A7.

Business Briefing (March 4, 2006). Wal-Mart to hire ethics watchdog. *Sun-Sentinel*, p. B1.

Business Briefing (October 26, 2011). Coke adds white, and also bears. *Sun-Sentinel*, p. 3D.

Bussey, John (October 28, 2011). Are Companies Responsible for Creating Jobs? *The Wall Street Journal*, pp. B1, B2.

Cahyandito, Martha Fani (March 2012). Corporate Social Responsibility into Millennium Development Goals is a Mere Wishful Thinking? *Journal of Management and Sustainability*, Vol. 2, No. 1, pp. 67-86.

Cavico, F. J. and Mujtaba, B. G. (2012a). National and Global Perspectives of Corporate Social Responsibility. *International Journal of Management Sciences and Business Research*, 1(3), pp. 1-24.

Cavico, F. J. and Mujtaba, B. G. (2012b). Social Responsibility, Corporate Constituency Statutes, and the Social Benefit Corporation. *International Journal of Management and Administrative Sciences*, 1(7), pp. 21-25.

Cavico, Frank J., and Mujtaba, Bahaudin G. (2009). *Business Ethics: The Moral Foundation of Effective Leadership, Management, and Entrepreneurship* (Second Edition). New York: Pearson Custom Publishing.

Cavico, Frank J., and Mujtaba, Bahaudin G. (2008). *Legal Challenges for the Global Manager and Entrepreneur*. Dubuque, Iowa: Kendall-Hunt Publishing Company.

Chatterji, Aaron K., and Richman, Barak D. (Summer, 2008). Understanding the "Corporate" in Corporate Social Responsibility. *Harvard Law and Policy Review*, Vol. 2, pp. 33-48.

Christopher, John, and Bernhart, Michelle (Fall 2009). Communicate our Values: Social Responsibility as a Recruitment and Retention Strategy. *HR Florida Review*, pp. 8-12.

Chu, Kathy (April 19, 2012). Apple may polish China image. *USA Today*, p. 9A.

Clark, William H., and Babson, Elizabeth K. (2012). Business Organizations: When "Business Purpose" Disappears; How Benefit Corporations are Redefining the Purpose of Business Organizations. *William Mitchell Law Review*, Vol. 38, pp. 817-844).

Cone, Tracie (October 15, 2009). IHOP egg production under fire. *Sun-Sentinel*, p. 3D.

Conlin, Michelle (November 27, 2006). More Micro, Less Soft. *Business Week*, p. 42.

Conlin, Michelle, and Hempel, Jessi (December 1, 2003). Philanthropy 2003: The Corporate Donors. *Business Week*, pp. 92-96.

Daniel, Trenton (October 22, 2010). New School, new hope for young Haitians. *The Miami Herald*. Retrieved October 22, 2010 from: http://www.miamiherald.com/2010/10/22/v-print/18885560/new-school-new-hope-for-young-haitians.

Delaney, Kevin J. (January 18, 2008). Google: From "Don't be Evil" to How to Do Good. *The Wall Street Journal*, pp. B1, B2.

Delaney, Kevin J. (October 12, 2005). Google Outlines Philanthropic Plan. *The Wall Street Journal*, p. B5.

Deskins, Michael R. (Winter, 2011). Benefit Corporation Legislation, Version 1.0 – A Breakthrough in Stakeholder Rights. *Lewis & Clark Law Review*, Vol. 15, pp. 1047-1076.

Dizik, Alina (march 4, 2010). Social Concerns Gain New Urgency. *The Wall Street Journal*, p. B10.

Editorials (September 11, 2000). New Economy, New Social Contract. *Business Week*, p. 182.

Engardio, Pete (January 29, 2007). Beyond the Green Corporation. *Business Week*, pp.50-64.

Executive Suite (February 6, 2006). A Social Strategist For Wal-Mart. *Business Week*, p. 11.

Flint, Joe, Branch, Shelly, and O'Connell, Vanessa (December 14, 2001). Breaking Longtime Taboo, NBC Network Plans to Accept Liquor Ads. *The Wall Street Journal*, pp. B1, B6.

Florida Statutes Section 607.083(3) (2011).

Foreman, Ellen (October 27, 1996). Businesses told they can be ethical and profitable. *Sun-Sentinel*, pp. 1G, 2G.

Fox, Adrienne (August 2007). Corporate Social Responsibility Pays Off. *HR Magazine*, pp. 43-47.

Garcia, Jason (September 30, 2009). 1 Million Volunteers to Visit Disney for Free. *Sun-Sentinel*, Money, pp. 1-2.

Gelter, Martin (Spring, 2011). Taming or Protecting the Modern Corporation? Shareholder – Stakeholder Debates in a Comparative Light. *New York University Journal of Law & Business*, Vol. 7, pp. 641-740.

George, Bill (September 13-19, 2010). Executive Pay: Rebuilding Trust in an Era of Rage. *Bloomberg Businessweek*, p. 56.

Givray, Henry S. (September 3, 2007). When CEOs Aren't Leaders. *Business Week*, p. 102.

GlaxoSmithKline (2005). Corporate Responsibility Report 2005. Retrieved January 28, 2007 from: http://www.gsk.com/respnsibility/cr_report_2005.

Goodman, Cindy Krischer (November 8, 2006). Volunteering through work isn't always so voluntary. *The Miami Herald*, pp. 1C, 5C.

Guthrie, W.K.C. (1988). *The Sophists*. Great Britain: Cambridge University Press.

Hai-yan, He, Amerzaga, Teodoro Rafael Wendlandt, and Silva, Beatriz Ochoa (March 2012). Corporate Social Responsibility Perspectives and Practices in Chinese Companies: A Brief Overview on Environment, Consumers and External Communication. *Journal of Management and Sustainability*, Vol. 2, No. 1, pp. 57-86.

Harish, N. (May 2012). Corporate Social Responsibility Practices in Indian Companies: A Study. International Journal of Management, IT and Engineering, Vol. 2, Issue 5, pp. 519-36.

Harrington, Alexandra R. (2011/2012). Protecting Workers' Rights in a Post-Wisconsin World: Strategies for Organizing and Action in an Era of Diminished Resources and Embattled Unions: Corporate Social Responsibility, Globalization, the Multinational Corporation, and Labor: An Unlikely Alliance. *Albany Law Review*, Vol. 75, pp. 481-508.

Haymore, Steven J. (May, 2011). Publicly Oriented Companies: B Corporations and the Delaware Stakeholder Provision Dilemma. *Vanderbilt Law Review*, Vo. 64, pp. 1311-1342.

Heineman, Jr., Ben W. (June 28, 2005). Are You a Good Corporate Citizen? *The Wall Street Journal*, p. B2.

Hemlock, Doreen (March 11, 2007). It's all good: Social awareness now a corporate requirement. *Sun-Sentinel,* Business and Money, pp. 1E, 2E.

Hempel, Jessi, and Gard, Lauren (November 29, 2004). Philanthropy 2004: The Corporate Donors. *Business Week*, pp. 100-104.

Higgens, Alexander G. (June 21, 2001). Coca-Cola to join AIDs fight in Africa. *The Miami Herald*, p. 4C.

Holme, Lord and Watts, Richard (2004). Making Good Business Sense. *The World Business Council for Sustainable Development.*

Homes, Stanley (September 9, 2002). For Coffee Growers, Not Even a Whiff of Profits. *Business Week*, p. 110.

Jacobs, Michael (April 24, 2009). How Business Schools Have Failed Business. *The Wall Street Journal,* p. A13.

Kaufman-Rosen, Leslie (October 17, 1994). Being Cruel to be Kind. *Newsweek*, p. 51.

Kramer, M. R. (2011). Shared Value vs. Don't be Evil. *Harvard Business Review*, Vol. 89, No. 7/8, pp. 18-19.

Kumar, P.S.S., Kuberudu, B., and Krishna, Srinivasa (January, 2011). Corporate Social Responsibility – Public Sensitivity. *Proficient*, pp. 7-13.

Lacovara, Christopher (2011). Strange Creatures: A Hybrid Approach to Fiduciary Duty in Benefit Corporations. *Columbia Business Law Review*, Vol. 2011, pp. 815-861.

Leisner, Richard M. (November, 1990). Florida's New Business Corporation Act. *The Florida Bar Journal*, pp. 9-15.

Liedtke, Michael (May 13, 2004). Gap vows to end plant abuses. *The Miami Herald*, pp. 1C, 4C.

Loten, Angus (January 19, 2012). With New Law, Profits Take Back Seat. *The Wall Street Journal*, pp. B1, B5.

McClatchy-Tribune News April 11, 2011). Socially responsible investing: Websites highlight how to do it*. Sun-Sentinel*, Money, p. 1.

McConnell, Beth (November 20, 2006). HR implements corporate social responsibility globally. *Society for Human Resource Management HR News.*

McKay, Betsy (March 15, 2007). Why Coke Aims to Slake Global Thirst for Safe Water. *The Wall Street Journal*, pp. B1, B2.

Merrick, Amy (May 12, 2004). Gap Offers Unusual Look at Factory Conditions. *The Wall Street Journal*, pp. A1, A12.

Minnesota Statutes Section 302A.251(5) (2011).

Mickels, Alissa (Winter, 2009). Beyond Corporate Social Responsibility. *Hastings International and Comparative Law Journal*, Vol. 32, pp. 271-300.

Millon, David (Fall, 2011). Two Models of Corporate Social Responsibility. *Wake Forest Law Review*, Vol. 46, pp. 523-35.

Mizruchi, Mark S., and Hirschman, Daniel (Summer, 2010). The Modern Corporation as Social Construction. *Seattle University Law Review*, Vol. 33, pp. 1065-1105.

Mujtaba, B. G., Cavico, F. J., and Plangmarn, A. (2012). Corporate Social Responsibility and Globalization. *Proceedings of the 17th International Conference of Asia Pacific Decision Sciences Institute* (APDSI), pp. 89-109. ISSN: 1539-1191. Chaing Mai, Thailand. July 22 - 26, 2012.

Mujtaba, B. G., Pattaratalwanich, P. and Chawavisit, C. (December 2009). Business Ethics Perspectives of Thai Law Students: a Study of Age and Gender in Moral Development. *Journal of Leadership, Accountability and Ethics*, 7(3), 94-108.

Munch, Steven (Winter, 2012). Improving the Benefit Corporation: How Traditional Governance Mechanisms Can Enhance the Innovative New Business Form. *Northwestern Journal of Law and Social Policy*, Vol.7, pp. 170-225.

Naik, Gautam (September 6, 2002). Glaxo to Cut Prices in Poor Countries. *The Wall Street Journal*, p. B1.

O'Connell, Vanessa (January 3, 2002). Landmark TV Liquor Ad Created by D.C. Insiders. *The Wall Street Journal*, pp. B1, B3.

Page, Antony, and Katz, Robert A. (Summer, 2011). Is Social Enterprise the New Corporate Social Responsibility. *Seattle University Law Review*, Vol. 34, pp. 1351-1384.

Podsada, Janice (October 13, 2011). Handicrafts headed to Wal-Mart's website. *Sun-Sentinel*, p. 4D.

Porter, M.E. and Kramer, M.R. (2011). Creating Shared Value – How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth. *Harvard Business Review*, Vol. 89, No. 1/2, pp. 63-77.

Pressman, Aaron (October 24, 2005). Activist Funds Make Waves. *Business Week*, p. 124.

Rashid, A.T. and Rahman, M. (2009). Making Profit to Solve Developmental Problems: The Case of Telenor AS and the Village Phone Program in Bangladesh. *Journal of Marketing Management*, Vol. 25, No. 9, pp. 1049-60.

Reich, Robert (September 10, 2007). It's Not Business' Business. *Business Week*, p. 86.

Reiser, Dana Brakman (Fall, 2011). Benefit Corporations – A Sustainable Form of Organization? *Wake Forest Law Review,* Vol. 46, pp. 591-620.

Resor, Felicia R. (2012). Benefit Corporation Legislation. *Wyoming Law Review*, Vol. 12, pp. 91-119.

Richards, Bill (May 13, 1998). Nike to Increase Minimum Age in Asia for New Hirings, Improve Air Quality. *The Wall Street Journal*, p. B10.

Roche (2007). Sustainable Humanitarian Aid. Retrieved January 28, 2007 from: http://www.roche.com/home.sustainability/sus_csoc-resp/sus.

Rodgers, T.J. (April 30, 1997). Corporations' social responsibility: Increase profits. *The Miami Herald*, p. 11A.

Ronald McDonald House Charities of South Florida (February 9, 2012). Celebrating Thirty Years. *Sun-Sentinel*, Special Advertising Section.

Sadler, Philip (2010). *Consumption, Demand, and the Poverty Penalty*. Surrey, England: Gower Applied Research.

Sauser, Jr., William I. (2008). Regulating Ethics and Business: Review and Recommendations. SAM: Management in Practice, Vol. 12, No. 4, pp.1-7.

Schneitz, Karen E., and Epstein, Marc J. (Winter 2005). Exploring the Financial Value of a Reputation for Corporate Social Responsibility During a Crisis. *Corporate Reputation Review*, Vol.7, No. 4, pp. 327-45.

Schoops., Mark (January 14, 2004). HIV Test Makers Agree to Discounts for Poorer Nations. *The Wall Street Journal*, pp. B1, B2.

Shellenburger, Sue (October 13, 2005). Employers Begin to Provide Assistance for Parents of Children with Disabilities. *The Wall Street Journal*, p. D1.

Shillington, Patty (June 16, 2008). Investors do well doing good. *The Miami Herald*, Business Monday, p. 13.

Smalley, Suzanne (December 3, 2007). Ben and Jerry's Bitter Crunch. *Newsweek*, p. 50.

Spector, Jonathan (2012). The Sustainability Imperative and Governance: Understanding a New Frontier in Corporate Board Oversight. *Notre Dame Journal of Law, Ethics, and Public Policy*, Vol. 26, pp. 39-44.

Tasker, Fred (September 23, 2010). AIDS, HIV patients getting help from pharmaceutical companies. *The Miami Herald*, p. 5B.

Tasker, Fred (January 20, 2011). Funding gap threatens AIDS drug help. *The Miami Herald*, p. 5B.

Taylor, Celia R. (2011). Berle and Social Businesses: A Consideration. *Seattle University Law Review*, Vol. 34, pp. 1501-20.

Tyagi, R.K. (November, 2011). A Conceptual Study of Corporate Social Responsibility and Its Persuasion on Employees. *Proficient*, pp. 2837.

Uwalomwa, Uwuigbe and Egbide, Ben-Caleb (March 2012). Corporate Social Responsibility Disclosures in Nigeria: A Study of Listed Financial and Non-Financial Firms. Journal of Management and Sustainability, Vol. 2, No. 1, pp. 160-69.

Wang, Heli and Qian, Cuili (2012). Corporate Philanthropy and Corporate Financial Performance: The Roles of Stakeholder Response and Political Access. *Academy of Management Journal*, Vol. 54, No. 6, pp. 1159-1181.

Windham, Christopher (March 29, 2004). J&J to Give Away New AIDS Drug. *The Wall Street Journal*, p. B6.

Workplace Visions (2007). Social Responsibility and HR Strategy. *Society for Human Resource Management*, No. 2, pp. 2-8.

World Bank Institute (2007). Internet Course: "CSR and Sustainable Competitiveness." Retrieved January 27, 2007 from: www.infoworldbank.org/etools/wbi_learning/index.

Addressing the Sustainability Challenge: Insights from Institutional Theory and Organizational Learning

Juliana Iarossi
Coalesce Capital, LLC

Jeanette Miller
360DegreeTD

James O'Connor
University of South Carolina Upstate

Mark Keil
Georgia State University

A broad range of stakeholders is focusing on corporate sustainability, yet little is known about how individual firms respond to these institutional pressures. In this paper, institutional theory is integrated with theories of organizational learning to understand how firms shape their response through sustainability initiatives. In a case study approach, we find that organizations create diverse responses through two primary strategies: manipulation and acquiescence. Sustainability initiatives were found to entail a simultaneous process of exploring new possibilities while exploiting existing capabilities, and to be facilitated through top management support, an open approach to surfacing initiatives, and intra- and inter-organizational alliances.

INTRODUCTION

There is a growing consensus regarding the importance of corporate sustainability. The 2010 UN Global Compact – Accenture survey, the largest study of CEOs on the topic of sustainability, found that "93% of CEOs believe that sustainability issues will be critical to the future success of their business" (Lacy et al, 2010). These findings reinforce the results of the 2008 study conducted by KPMG that reported that 80% of the world's 250 largest companies issued stand-alone reports on corporate social responsibility (CSR), and that three-quarters of the companies surveyed publically communicate their sustainability strategy with defined objectives (*KPMG International Survey of Corporate Social Responsibility Reporting 2008*, 2008).

At one time considered a discretionary focus, firms are now finding that government regulation and the supply chain seek, and in many cases mandate, that they demonstrate and report their actions with respect to sustainability practices. One of the most widely publicized examples occurred in 2008 when Wal-Mart, the largest retailer in the world, announced new standards centered on sustainability practices for companies that want to do business with them.

While corporate executives recognize that sustainability practices are critical to the continued viability of their businesses, they are only beginning to recognize the challenge of implementing those practices. The UN Global Compact-Accenture study found that "96% of the CEOs believe that sustainability issues should be fully integrated into the strategy and operations of a company (up from 72% in 2007)" (Lacey et al 2010). However, these same CEOs admit that the key challenge they face in driving this new era of sustainability is execution. The global executives surveyed by IBM in 2008 believed that corporate social responsibility requires "wholesale changes to the ways companies operate" (Pohle & Hittner, 2008). However, a stunning 76% of executives surveyed "admitted they don't understand their customers' CSR expectations well" (Pohle & Hittner, 2008). So the question is no longer whether firms should pursue sustainability practices, but how do they integrate them into the operations of the business?

Corporate sustainability has its roots in corporate social responsibility (Kaynak & Montiel, 2009). Following van Marrewijk (2003), we treat corporate social responsibility (CSR) as being synonymous with corporate sustainability (CS). Although references to CSR appear in business literature dating back to the 1930's, Carroll (1999) credits the 1953 publication of *Social Responsibilities of the Businessman* by Howard R. Bowen as the beginning of modern CSR literature. Despite many years of research, Lockett et al (2006) describe the CSR literature as being in a "continuing state of emergence…not characterized by the domination of a particular theoretical approach, assumptions and method…a field without a dominant paradigm…" Lack of consensus on a definition, as well as the rapidly changing position of this phenomenon on the corporate agenda, has been a challenge to theoretical development (Lockett et al., 2006; McWilliams et al, 2006).

For the purpose of this research, we developed the following broad definition of corporate sustainability by drawing upon several definitions that have appeared in the literature: *Corporate sustainability refers to the strategies of an organization, typically considered voluntary, that simultaneously integrate social, environmental and economic dimensions into the operations of the organization and in its interactions with stakeholders* (Kaynak & Montiel, 2009; Quinn & Dalton, 2009; van Marrewijk, 2003).

Institutional theory provides a useful lens to describe the sources of pressure that influence a firm's sustainability practice (Campbell, 2007; Haberberg, Gander, Rieple, Juan-Ignacio, & Helm, 2007; Hahn & Scheermesser, 2006; Husted & Allen, 2006; Matten & Moon, 2008). Models derived from institutional theory can be used as a framework to understand the different responses a firm adopts to transform institutional pressure into specific sustainability initiatives. In addition, organizational learning theory, which until now has had limited application to this phenomenon, may provide a complementary lens for understanding how companies execute sustainability initiatives. The goal of this research is to shed light on how institutional pressures and the attributes of a firm shape the execution of sustainability initiatives. Specifically, we address the following research questions:

RQ1: What are the dominant sources of institutional pressure for sustainability in the firm?

RQ2: What are the primary response strategies that firms adopt to address institutional pressures for sustainability?

RQ3: What organizational learning strategies do firms adopt in the execution of sustainability initiatives?

LITERATURE REVIEW

Strategic Perspective

Corporate sustainability literature attempts to identify drivers and create typologies of firms based on the degree, type of engagement, and nature of the business environment (Haberberg et al., 2007). Some researchers have suggested that CS should be connected to the firm's mission and have emphasized the importance of managing CS strategically instead of as disparate ad hoc activities (Husted & Allen, 2006; Porter & Kramer, 2006). According to Husted and Allen (2006), firms that do not manage CS strategically may face serious economic consequences. Porter and Kramer (2006) recommend that analyzing CS strategically "can be a source of opportunity, innovation, and competitive advantage." Building on the literature that addresses CS as a business strategy is the greatest potential for practical application.

Framework Based on Organizational Theory

Organizational Response Strategies to Institutional Pressure

Of particular interest to our research is the body of literature that uses organizational theories to explain how firms respond to their environment. As noted by Basu and Palazzo (2008), there has been an emphasis in the literature on the "content of CSR activities" and "neglect of institutional factors that might trigger or shape such activities in the first place." Institutional theory states that the business environment in which a firm operates exerts pressure on the firm. Pressures from these systems elicit different responses as firms seek legitimacy in order to "survive and thrive" in their environment (Scott, 2008). Institutional theory recognizes, however, that organizations are not passive actors and can respond to institutional demands in a variety of ways from conformance to reshaping those pressures (Scott, 2008).

Some CS scholars have invoked institutional theory to explain differences in the approaches firms adopt to address CS. For example, Husted and Allen (2006) found that institutional pressures rather than strategic analysis of social issues and stakeholders could be used to explain the CS practices of multinational companies. Matten and Moon (2008) employed institutional theory to conceptualize why CS differs among countries and how it is changing within countries. Institutional theory has also been used to argue that companies pursue CS in order to gain legitimacy in their organizational field (Hahn & Scheermesser, 2006). Campbell (2007) used institutional theory to raise attention to broader environmental factors, including the relative health of corporations, the economy, and level of competition, that directly impact a company's CS activities.

While recognizing the work focused on external institutional influences, Basu and Palazzo (2008) suggest that "an alternative and potentially richer description of CS might emerge from studying internal institutional determinants…" Therefore, we will use institutional theory not only as a framework to examine the external drivers that influence an organization's pursuit of sustainability, but the internal drivers as well. In the context of organizational change, institutional theory asserts that "market pressures and managerial capacities" are considered the most important factors in promoting change in an organization (Powell & DiMaggio, 1991). Managers as institutional actors are the causal agents that have the ability to interpret and reframe demands for the organization (Scott, 2008). In particular, CEOs as "designers of organizations" have characteristics that influence how the organization responds and adapts to change (Scott, 2008). Thus we will attend to the role of top management of each company with respect to sustainability initiatives and offer the following proposition:

> *P1: Top management will be the dominant force for sustainability initiatives, both as a source of pressure and as the translator of pressure from the external environment.*

Another aspect of institutional theory employed in this study pertains to the response that firms exhibit to institutional demands. Oliver (1991) describes five strategies firms adopt in response to institutional pressures, ranging from passive conformity to active manipulation. *Acquiescence* refers to adherence, conformity or imitation of actions and practices of the institutional environment. *Compromise* may occur when a company attempts to placate, negotiate or balance conflicting institutional demands. Firms may also choose to *avoid* conforming to institutional pressure by concealing nonconformity, escaping the domain that exerts the pressure or buffering the organization from external scrutiny. Firms may pursue active resistance to pressures from the environment in the form of *defiance* by ignoring, challenging or attacking institutional demands. According to Oliver, the most active response a firm may adopt is one of *manipulation* in which a firm attempts to change, control, or influence the institutional pressures. We assert it would not be rational to expect a firm that has expressed a commitment to sustainability to engage in activities that could be construed as avoiding or defying. In other words, we expect firms that have expressed a commitment to CS to engage in activities that promote sustainability. Therefore, we offer the following proposition:

> *P2: Firms with an expressed commitment to Corporate Sustainability will demonstrate commitment through strategies of manipulation, compromise and acquiescence in response to institutional forces.*

Organizational Learning Theory

While institutional theory is used to understand how the environment influences the firm's strategic response to CS, it is not sufficient to explain how companies execute their sustainability strategy. Literature suggests that "the capacity of an organization to learn effectively plays an essential role in sustainability performance" (Crews, 2010). Therefore, we turn to organizational learning theory to gain a better understanding of the characteristics that enable firms to execute a chosen sustainability strategy through specific initiatives.

Organizational learning theory presents the process of change in organizations in terms of two dynamics of learning: "exploitation of old certainties" and "exploration of new possibilities" (March, 1991). March asserts that returns from exploitation of existing capabilities can be achieved with greater certainty, have a shorter time horizon, and are less costly to pursue than the innovations associated with an exploration-based learning approach. Indeed, returns from exploration are uncertain, have a longer time horizon, and are expensive to pursue. While it is understood that exploration and exploitation may compete for resources within a firm, the focus on one type of learning can be to the detriment of the other (Benner & Tushman, 2003). For example, the literature suggests that a focus on process management activities and practices, as would be expected in a manufacturing firm, may hinder exploratory activities (Benner & Tushman, 2003). However, if a manufacturing firm has a strong research and development orientation, we would expect this to result in a balancing of efficiency oriented process management activities with innovation-oriented activities. Therefore, we state a third proposition:

> *P3-a: Manufacturing firms with a strong research and development orientation will execute sustainability initiatives that are both exploitative and exploratory.*

Organizational learning theory also suggests that learning partners are critical dimensions of organizational learning (Slater & Narver, 1995). Learning partners may be intra-organizational or inter-organizational. By acquiring and exploiting knowledge of others, it is argued that "learning alliances allow firms to increase the speed of capability development and minimize uncertainty" (Rothaermel & Deeds, 2004). Surveys of corporate executives, however, reveal that the primary challenge faced in practice is understanding market demand for sustainability and executing sustainability initiatives (Lacey et al, 2010; Pohle & Hittner, 2008). This suggests that companies may seek the experience of others to develop and execute CS initiatives. Therefore, we state a fourth proposition:

> *P3-b: Intra- and inter-organizational learning is a key attribute of firms that successfully embrace sustainability.*

RESEARCH METHODOLOGY

An exploratory case study approach was used to gather extensive and context-rich data from two companies (Yin, 2009). Specifically, we employed a multiple case study embedded design involving sustainability initiatives implemented within each company. The origin and implementation of initiatives was investigated using semi-structured in-depth interviews with senior management and both functional and department heads at each company. Initial interviews with senior management allowed us to identify specific CS initiatives, allowing for in-depth analysis of the initiatives with the individuals responsible for designing and implementing them. All of the participants had either general oversight or specific responsibility for sustainability initiatives. Concepts from institutional theory and organizational learning theory were used to understand how each company pursued sustainability.

Sampling

A literal replication strategy was applied in which two privately-owned U.S. based manufacturing firms (Company A and Company B) were selected for participation in this study. Both companies have been in business for roughly the same amount of time, both have significant research and development functions, both have an expressed commitment to sustainability, and both see themselves as sustainability leaders within their respective industries.

According to Yin (2009), literal replication occurs in a multiple case study if similar results are predicted. Despite differences in terms of operations and markets served, the companies share commonalities, specifically private ownership, a history of innovation, U.S. domicile, common sector (i.e., manufacturing), and similar operational time spans. Although not a supplier to Company B, Company A makes components for the competitors of Company B. Furthermore, the former Chairman/CEO of Company B worked for many years at a firm started by a former senior manager of Company A. The theory of structural equivalence suggests that actors who share ties may behave similarly (Brass et al, 2004; Vedres and Stark, 2010). Therefore, using the logic of structural equivalence, we expect both companies to respond to similar institutional pressures in a similar manner.

Company A: Founded in 1865, this company began with a single product category and location and grew into a diversified manufacturer of more than 19,000 products with 45 manufacturing plants worldwide and almost 9,000 employees. Throughout its history, ownership of Company A has remained in the hands of the founding family. The grandson of the founder is the current Chairman of the company. Company A has always considered sustainability a cornerstone of its business philosophy and corporate strategy.

Company B: Founded in 1870, this company started as a manufacturer of a single product category with a single location. Still focusing on one product category, Company B operates 21 manufacturing plants in North America with about 2,800 employees. The company is privately owned but has changed ownership a number of times since its inception. Relative to their industry, Company B considers itself an early mover and a leader in sustainability.

Data Collection and Analysis

Semi-structured interviews were conducted using an interview protocol that was tailored for the employee and his/her role with respect to sustainability. This insured that the researchers followed a systematic approach, but at the same time provided the opportunity to further probe specific areas of interest as the interviews unfolded. There were a total of 14 participants in this study. Four of the participants were from Company A and eight from Company B (See Table 1). To gain a deeper understanding of the business environment in which Company B operates and to confirm data obtained from the company, we also interviewed a representative from one of the industry associations and a senior manager who is responsible for sustainability programs with a competitor. Seven interviews were conducted in face-to-face meetings and six were conducted by telephone. One interview with Company B had five employees present. Three individuals from company A were interviewed twice due to the expanse of their responsibilities in implementation of sustainability initiatives at their firm. Interviews lasted one to two hours.

TABLE 1
STUDY PARTICIPANTS BY COMPANY

Company A	Company B
Director of Sustainability	Former Chairman/CEO/Investor
Director Energy Development of Affiliated Company/ Former Vice President of Company A	CEO/COO
Director of Corporate Environmental	Senior Vice President, Technical Services
Product Line Business Manager	Senior Director Engineering Development and Manufacturing Support
	Director of Engineering
	Director of Supplier Quality
	Specialty Product Brand Director
	Vice President of Sales

All interviews were digitally recorded and transcribed, and all but one interview was conducted with at least two researchers present. Three researchers coded the interviews in NVivo. An initial coding scheme was developed after the first interview and then reviewed and modified with each subsequent interview (Charmaz, 2006). The first interview was jointly coded by the three researchers to confirm consistency in interpretation of codes. The second interview was independently coded by each of the three researchers. Superior inter-rater reliability was verified by comparing the separately coded transcripts. The remaining transcripts were divided among the three researchers and coded independently, with follow-up discussions on crucial elements and salient comments made by the interviewees. Codes were aligned with the research questions and queries were executed within NVivo to extract coded text.

Data were analyzed initially to identify similar influences and trends in the motivation and adoption of sustainability initiatives. We then analyzed the data employing two complimentary organizational theories. Institutional theory was employed to assess (1) the source of pressure or motivation that elicits a response from the company and (2) the nature of the response strategy adopted by the company. We then employed concepts from organizational learning theory to analyze specific sustainability initiatives. Here, we focused on learning strategies and learning alliance mechanisms to understand the attributes that drive execution and integration of sustainability initiatives.

RESULTS AND DISCUSSION

Several themes emerged from the data that illustrate the circumstances and capabilities that enable companies to translate institutional pressures into sustainability initiatives. First, in both companies, it was the owner or Chairman/CEO who created an awareness of and a commitment to sustainability. Second, both companies identified multiple institutional pressures that required attention to sustainability. Third, both companies adopted similar response strategies, either conforming to pressure or actively influencing the environment to reshape the nature of the pressure. Fourth, the sustainability initiatives that resulted entailed both exploitation of current expertise and exploration of new capabilities. And fifth, the dual capabilities to execute both exploitative and exploratory initiatives appeared to be facilitated through intra- and inter-organizational learning alliances. Table 2 in the Appendix presents the sustainability initiatives reported by each company along with the corresponding source of pressure, response strategy, learning strategy and learning alliance, as well as relevant quotations from participants. Table 2A presents the initiatives from Company A and Table 2B presents the initiatives from Company B.

RQ1: What are the dominant sources of institutional pressure for sustainability in the firm?

Both companies in this study identified myriad but similar sources of pressure that directed their attention to the issue of sustainability, and both companies demonstrated a commitment to address that pressure. Both companies viewed the threat of regulatory or legislative action, actions of competitors, and demands from customers as sources of pressure for more sustainable practices. Furthermore, Company A reported engagement by NGO's and activist groups as a source of pressure for sustainability. However, one key theme emerged: the leader of the company was the primary catalyst. In both cases, it was the person at the helm of the company that introduced and ensured that sustainability became an integral part of the business strategy and that resources were directed to the effort. Reflecting on the role of the leader, an executive from Company A shared these thoughts: *"[I]n all sustainability cultures of which I'm aware and have had a chance to look at, it has to start at the top company organization. Neither you nor I, no matter how passionate and how much we believe in sustainability, can force it into a company. It has to start at the C-level…there had to be some compelling event that someone at the C-level said, 'Aha, here's something that fits with us or something that we need to do as we move forward.'"*

For Company A, terms such as "sustainability" and "measuring the corporate footprint" are new expressions for existing practices in which they have been engaged for decades. Company A began focusing on water, energy, and environmental conservation in the 1930's. The family that founded, owns and operates Company A has a reputation for being careful with resources and good stewards of nature. Members of the family also serve in leadership roles with environmental organizations. An executive from the company discussed the family's influence in terms of the "DNA of the family" which made environmental sustainability a core value of the company. The family meets a couple of times a year with the Director of Sustainability who describes their support as positive and encouraging. One executive at the company recounted a conversation with the Chairman about reductions in energy use in terms of monetary savings. The executive was reminded by the Chairman that energy reduction must not be measured in terms of cost saying, "I don't care about the cost. That can be impacted by world events, regulators, government; you've always got to measure actual consumption." It is that type of authentic commitment from the Chairman, according to an executive at Company A, that makes the pursuit of sustainability "an easy path" for the company.

As with Company A, the pursuit of sustainability for Company B originated at the top. In 2000, a new Chairman/CEO introduced a commitment to sustainability that was driven by a personal philosophy of environmental stewardship reinforced by years of experience working with a leader in corporate sustainability in another industry. According to one executive at the company, "…we've always been a company focused on quality, but sustainability was never really a focus until [the former Chairman/CEO] came here and said we're going to make it a focus." The former Chairman/CEO infused a sense of responsibility in the company and "declared that the landfill is the enemy" through the introduction of programs focused on waste reduction and performance metrics and compensation tied to the results. Similar to Company A, the commitment from the Chairman makes the path to sustainability an easy one. The influence of this individual was present even after his departure in 2008. As one senior manager described it, "It's all about the culture and . . . one of the things he did is to help create the foundation for the company to continue to grow upon. Without him, we would not be here."

In a business environment where the pressure to pursue sustainability originates from many different sources, we observed in our two cases that the strongest pressure comes from the top of the company. Thus, P1 is supported. Pressure from the top appears to increase the awareness and responsiveness of the company to other demands for sustainability practices. The role of the owner or CEO/Chairman as the causal agent promoting change in the form of sustainability is consistent with institutional theory. While overall leadership of sustainability starts at the top of the organization and ultimately determines the company's allocation of resources to CS, it does not fully explain how specific sustainability initiatives arise.

RQ2: What are the primary response strategies that firm's adopt to address institutional pressures for sustainability?

Our data reveal that both companies addressed the sustainability challenge by adopting two of the five strategies for responding to institutional pressures that Oliver (1991) describes: *acquiescence* (conforming to institutional pressures) and *manipulation* (re-shaping the environment). Our findings did not reveal use of the other three strategies described by Oliver: compromise, avoid and defy. Therefore, our second proposition (P2), *Firms with an expressed commitment to Corporate Sustainability will demonstrate commitment through strategies of manipulation, compromise and acquiescence in response to institutional forces,* was only partially supported.

A strategy of acquiescence was adopted in response to three primary sources of pressure: (1) pressure for more efficient production and use of resources from the Chairman/CEO (Companies A and B), (2) customer demand for sustainable products (Companies A and B) and (3) market demand for visibility with regards to sustainability practices in order to protect a competitive position (Company A). In the face of these pressures, both companies chose to comply with the demands.

Both companies instituted production-focused initiatives in the form of 'zero waste' programs in response to cost, resource and landfill-use reduction goals. In the case of Company A, the founding family's influence has been a key driver of production related initiatives. Company A has had formal environmental policies and environmental engineers since the 1950's. In recent years, the focus has expanded to include identifying and testing alternative energy sources for use in production. As one senior manager stated, "reducing our footprint has been a key for the company forever." These sustainability initiatives have netted substantial results. Company A claims to have reduced its environmental impact by over 50% in the last 12-15 years.

In the case of Company B, the zero waste initiative was introduced by the former Chairman/CEO, who brought a lifelong passion for the environment and experience with successful sustainability initiatives learned from a leader in the adoption of corporate sustainability. At the time the former Chairman/CEO assumed leadership, Company B was facing financial difficulties. The zero waste initiative was instituted to solve two problems, one financial and the other environmental. The former Chairman/CEO identified $70 million lost in the form of production waste and "declared the landfill the enemy." The zero waste initiative remains an important practice in all manufacturing plants of Company B and zero waste goals are incorporated in the compensation and incentive plans for plant employees.

Company B also shared multiple instances in which customer demand drove development of sustainable products. For example, the company used focus groups to identify health concerns that served as the impetus behind an innovative product development. Unfortunately, as the company later learned, customers were not willing to pay the higher cost or adopt new techniques for maintenance of the new product. This product was subsequently modified to address environmental and economic concerns for a specific market segment. The modified product is gaining traction in a broader market previously not served by the company.

Company A acquiesced to market pressure for visibility around its sustainability practices, both to benefit customers and for competitive reasons, when it created the position of Director of Sustainability. According to one Company A executive, this was not an easy change for a company that historically valued privacy. The executive recalls: "[W]e challenged [the Chairman] to become more visible around sustainability…I didn't want to lose market share…we've got to talk about what we are doing around being a green company." The company now posts and updates information on environmental performance to their website every 30-90 days and actively educates the markets on its sustainability practices through participation in industry panels and professional forums.

Acting on competitive pressures that cause uncertainty in the market and create an unfair advantage for competitors, the companies in our study responded by exerting influence and control to reshape the nature of the institutional demands. Both companies reported 'greenwashing,' "the practice of making an unsubstantiated or misleading claim about the environmental benefits of a product," as a major competitive threat (SearchCRM/TechTarget, 2011).

A senior manager from Company A explained that in every product category, there are competitors who are "honorable" and there are those "who stretch the facts." As a consequence, customers are seeking guidelines that would enable them to more accurately weigh one product against another in terms of sustainability. Company A responded to this threat and the market confusion it causes by co-founding and assuming leadership positions in several professional organizations and industry associations focused on setting sustainability standards. Actively supporting these organizations allow the firms to have a voice in developing industry standards, and motivating other industry firms to work together in educating the consumer.

Executives at both companies recognize that participation in setting product standards also provides the company with an advantage and an opportunity to shape emerging standards. *"[W]e came to the realization," one Company A executive explained, "if we did not get involved and take a leadership role, that in many cases standards and organizations are going to become self-serving by some of the people versus leading edge."*

Company B is similarly working within its industry associations to develop standards and combat greenwashing. A senior manager from Company B describes an uneven competitive environment: *"…these smaller companies are not being truthful…we're a big billion dollar company and my legal department would make me substantiate my claims, whereas some of the these little guys would say I'm 100% natural…[and] it wasn't true…I wasn't getting a dealer to buy my product because I was being honest, and then the little guy was being dishonest and he was getting the business…"*

Paradoxically, Company B learned that while customers were enticed or confused by false claims from competitors, they were not responsive to negative selling from Company B to set the record straight. Therefore, Company B responded by assuming leadership roles within its industry associations to develop uniformity in product labeling and definitions of environmental attributes of products.

The companies we studied also responded to the threat of regulation through a strategy of manipulation by engaging with regulators in the development of policies. Both companies complied with existing regulations, in other words acquiesced to regulatory pressure. The more interesting theme emerged around their efforts to proactively influence regulation. Both companies attempted to be ahead of regulation in an effort to, as one Company B manager explained, "be part of rule making so that we end up with rules that are appropriate for industry, things we can live with, things that are manageable."

Company A, for example, helped one federal agency shape regulation around waste water treatment that was based on the company's existing practices. The federal agency actually approached the Company A, as it was well-known that their practices were over and above other manufacturing companies at the time. Company B, responding to the threat of future regulation of the end of life disposal of the products it manufactures, began piloting technology for recycling and working to develop an economically viable business model for the collection and recycling by third parties. The hope is to come up with a better solution for the end of life problem than the potential legislative solution that would ban the product from landfills.

An understanding of institutional demands is only part of the story of how sustainability initiatives are executed. Once a company determines its response strategy, it then needs to determine how to execute the sustainability initiative. To answer this we turn to organizational learning theory.

RQ3: What organizational learning strategies do firms adopt in the execution of sustainability initiatives?

Learning Strategies: Exploitation vs. Exploration

Our findings show that the companies we studied possess the ability to execute sustainability initiatives opportunistically and concurrently through strategies of exploitation and exploration. This dual capability appears to expand the types of initiatives the company can execute in response to sustainability challenges, allowing the company to pursue a diverse agenda of initiatives. For the two companies we examined, both production management experience and R&D expertise appeared to be important in the execution of sustainability initiatives. Thus, proposition P3-a, m*anufacturing firms with a strong research* *and development orientation will execute sustainability initiatives that are both exploitative and exploratory* was supported.

Production-oriented initiatives were the first sustainability initiatives adopted by both companies. An executive from Company A traces correspondence pertaining to sustainability initiatives back to the "1930's or '40's where the engineers of our plant were responding to the founders on issues of water, energy conservation, and those kind of things." The pursuit of sustainability at Company B began with the 'zero waste' initiative. Both companies point to immediate results in both environmental terms and costs savings as benefits of production-focused sustainability initiatives. The benefits of exploitation outlined by March (1991) suggest that production-focused sustainability initiatives are a less risky endeavor for companies as they begin to embrace sustainability.

Additional examples of exploitation were found in initiatives involving collaboration and alliances. Both companies are involved with industry associations and leverage their existing capabilities and expertise to influence industry sustainability practices and standardization, such as with the pursuit of standardized product labels by Company B. Company A exploited their expertise in waste water treatment when they collaborated with federal regulators to establish new policies in this area. They also leveraged their expertise in sustainability by co-founding professional associations focused on sustainability, as noted above.

Company B was also able to exploit existing unsuccessful products by engaging new partners. In one initiative, Company B partnered with a major retailer and 'eco-expert' to create a new distribution channel to promote their eco-friendly products, that previously had not gained traction in the market. The retailer had approached the manufacturer due to their reputation as a market leader, assuming their reputation would provide a positive association to customers as the products in the sustainability space were gaining traction. They also worked with a prospective customer to modify a sustainability product that had been abandoned, and as a result, found a new market for the modified product.

March's (1991) assertion that exploration is a greater risk and more costly proposition for an organization may explain why the companies in our study disclosed fewer initiatives in this category. As one senior manager at Company B explained, "Innovation has to get to the point where doing the right thing is a profitable venture." When it comes to sustainability, we found that both companies were willing to assume the risk associated with exploration, perhaps because of their commitment to R&D which allows them to pursue sustainability at an advanced level as they are aware of the potential benefits and returns of exploration. Company A reported exploratory initiatives that were product and production focused. One example is an initiative focused on the exploration of alternative energy sources: *"We're spending a lot of time in understanding alternative energy and how do we adopt alternatives to fossil fuel…we've got another location starting up…if that works out the way the others have, I think you'll see us go to a major use of biogas replacing natural gas across the company, around the world."*

Another example involves a response to the growing concern from environmentalists over a material used in their products. Company A proactively developed a material that is better for the environment, less expensive and has better performance attributes.

Company B learned a costly lesson when one of their exploratory sustainability initiatives resulted in a failed product innovation: do not assume that customers are willing to pay a premium for sustainability. However, this has not deterred the company from pursuing other exploratory initiatives. They are currently piloting recycling technology and developing a new material that will reduce product returns; both initiatives are in response to the growing concern over disposal of their products.

The dual capability exhibited by both companies in executing initiatives is facilitated by an open approach to surfacing CS initiatives that allows ideas to come from different departments, encourages collaboration, and gives managers the authority to allocate resources. According to one Company B executive, ideas "come from the bottom up. They come from the top down. They come left and right." Another senior manager in the company explained that although the CEO sets the overall objectives of the company, each functional channel has the autonomy to determine how to deliver that strategy. The CEO of Company B concurred stating that his job was to set the "standards" and the "tone" but he relied on marketing and engineering to figure out how to execute. Similarly, a Company A executive explained that they execute sustainability initiatives as follows: *"While we have centralized functions, we have a lot of decentralized functions…we just go to whoever we need to no matter what structure they're in and get them involved to help us do what needs to be done."*

Learning Alliances

Supporting the dual capabilities of exploitation and exploration is a philosophy that "all of us are smarter than one of us" which was expressed through alliances and partnerships within organizations as well as between organizations and industries. These findings are consistent with organizational learning theory and the integrated framework conceptualized by Holmqvist (2004) in which "exploitation is interlaced with exploration within and between organizations" and supports our fourth proposition (P3-b): *Intra- and inter-organizational learning is a key attribute of firms that successfully embrace sustainability*. A senior manager of Company B best explained the benefit of this philosophy as follows: "*Once you let your guard down and accept the fact that you don't know everything, then you open your mind to the wealth of opportunity*."

Through alliances, the expertise in one organization can serve as a catalyst for learning in another organization. One such example is the recycling initiative being implemented by Company B. A senior engineer with the company explained, "…we did look to other industries a lot in fact. That was a good idea because it ended up giving us a leg into what we hope would be a solution." In another example, a Company B manager explained how they used the alliance with a major retailer and an eco-expert to educate their sales force on sustainable products. The brand director described the results as follows: *"…our sales guys felt more confident showing it [natural product line] to more retail channels…And then they started showing it to other dealers and their dealers kept saying 'I'm hearing a demand for it too. I need to have that on my floor.'"*

Furthermore, Company B's 'zero waste' goals, which are incorporated in the compensation program for its plants, led one employee to identify a source of waste from the packaging of materials. The plant employee alerted a manager at the company and together they collaborated with the supplier to develop a solution to reduce the waste of materials and save a great deal of money.

Learning alliances also extend to organizations such as regulatory bodies and NGO's, once considered adversaries. One Company A executive explained: *"[I]f you go back and look at corporate paradigms twenty years ago there was a paradigm that you don't want to be involved with an NGO because they'll create problems. They start poking around in your company and then all of a sudden you're exposed for everything that you do. I think that paradigm was really changed over the last 5 to 10 years…we're actively seeking out those NGOs that have good insight…"*

The pursuit of sustainability also entails collaboration with another set of potential adversaries, the firm's competitors. Both companies provided financial support and technical expertise to industry associations in an effort to establish industry sustainability standards. According to one Company A manager: *"[W]e've realized that sharing is not all bad, which opened the door for us to start being more involved in some of these industry or technology or directional type movements."*

CONTRIBUTION AND IMPLICATIONS

The objective in this study was to understand how firms shape their response to institutional pressures for sustainability through implementing initiatives. We studied this phenomenon in terms of (1) the institutional pressures to pursue sustainability that firms encounter, (2) the strategies firms adopt in response to the pressures for sustainability and (3) the organizational learning strategies that facilitate the execution of initiatives.

Our data reveal that sustainability initiatives represent responses to a variety of demands from the business environment. Of particular importance is the role of executive leadership. In both companies we studied, it was the owner or Chairman/CEO who instilled an awareness of and commitment to sustainability. They communicated their vision and goals and allocated resources. It was through the leadership from the top that the companies embraced sustainability as a mission.

We also found that the type of pressure from the environment influenced the response strategy adopted by the companies. Using Oliver's (1991) typology for response strategies to institutional pressures, the companies in our study exhibited two responses: acquiescing to demands and manipulating the environment. The companies chose to comply or conform when demands were from the Chairman/CEO, from customers and when they entailed a call for greater visibility around sustainability practices. Conversely, these companies chose to exert control and manipulate the environment when faced with competitive and regulatory threats in an effort to reduce uncertainty and put them in a more advantageous position.

Both companies were able to simultaneously execute initiatives that exploited existing expertise as well as initiatives that explored new opportunities. We suggest that this dual capability is facilitated by the combination of production management and R&D expertise with an open approach to surfacing CS initiatives that enables the companies to pursue a diverse sustainability agenda. Our findings also showed that alliances and collaboration were critical to the execution of sustainability initiatives. The organizational boundaries were permeable allowing for intra- and inter-organizational learning to support initiatives, even if it included organizations typically considered adversaries.

Although the findings from case studies of two companies would not be considered generalizable, our results provide insights that may inform practice for organizations that seek to establish or expand their sustainability practice. First, individuals at the top of an organization must communicate a commitment to the pursuit of sustainability and demonstrate that commitment through allocation of resources. Second, the organizational structure should employ an open approach to surfacing CS initiatives in order to allow those functions closest to the source of pressure from the business environment to initiate the response and tailor the response to the nature of the pressure. Third, organizations should seek intra- and inter-organizational alliances to support the execution of sustainability initiatives.

The implications for future research are broad as this study explored a number of theories and concepts. The model conceptualized by Oliver (1991) may be further used to study whether specific attributes of institutional pressure predict the response strategy a company is likely to adopt. Another opportunity arises in the study of the organizational structure and the resulting effect on the diversity of sustainability initiatives pursued and organizational alliances that are developed. For example, would a more centralized sustainability function in an organization result in less diverse initiatives and fewer alliances? Finally, a comparison of sustainability initiatives in terms of institutional pressures and organizational learning attributes across industries or sectors may provide additional insights helpful to executives pursuing corporate sustainability.

REFERENCES

Basu, K., & Palazzo, G. (2008). Corporate Social Responsibility: A Process Model of Sensemaking. *Academy of Management Review*, 33, (1), 122-136.

Benner, M. J., & Tushman, M. L. (2003). Exploitation, Exploration, and Process Management: The Productivity Dilemma Revisited. *Academy of Management Review*, 28, (2), 238-256.

Campbell, J. L. (2007). Why Would Corporations Behave In Socially Responsible Ways? An Institutional Theory of Corporate Social Responsibility. *Academy of Management Review*, 32, (3), 946-967.

Carroll, A. B. (1999). Corporate Social Responsibility. *Business & Society*, 38, (3), 268.

Charmaz, K. (2006). *Constructing Grounded Theory A Practical Guide Through Qualitative Analysis*, Los Angeles: Sage Publications, Inc.

Crews, D. E. (2010). Strategies for Implementing Sustainability: Five Leadership Challenges. *SAM Advanced Management Journal*, Spring, 15-21.

Haberberg, A., Gander, J., Rieple, A., Juan-Ignacio, M.-C., & Helm, C. (2007). *Patterns in the Adoption of Corporate Social Responsibility Practices*. Corporate Responsibility Research Conference, University of Leeds.

Hahn, T., & Scheermesser, M. (2006). Approaches to Corporate Sustainability Among German companies. *Corporate Social Responsibility & Environmental Management*, 13, (3), 150-165.

Holmqvist, M. (2004). Experiential Learning Processes of Exploitation and Exploration Within and Between Organizations: An Empirical Study of Product Development. *Organization Science*, 15, (1), 70-81.

Husted, B. W., & Allen, D. B. (2006). Corporate Social Responsibility in the Multinational Enterprise: Strategic and Institutional Approaches. *Journal of International Business Studies*, 37, (6), 838-849.

Kaynak, H., & Montiel, I. (2009). The Relationship between Sustainable Supply Chain Management and Sustainable Performance: An Integrated Framework. *Academy of Management Proceedings*, 1-6.

KPMG International Survey of Corporate Social Responsibility Reporting 2008 (2008). Amsterdam.

Lacy, P., Cooper, T., Hayward, R., & Neuberger, L. (2010). A New Era of Sustainability in Accenture. *UN Global Compact - Accenture CEO Study*, UN Global Compact - Accenture.

Lockett, A., Moon, J., & Visser, W. (2006). Corporate Social Responsibility in Management Research: Focus, Nature, Salience and Sources of Influence. *Journal of Management Studies*, 43, (1), 115-136.

March, J. G. (1991). Exploration and Exploitation in Organizational Learning. *Organization Science*, 2, (1), 71-87.

Matten, D., & Moon, J. (2008). "Implicit" and "Explicit" CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility. *Academy of Management Review*, 33, (2), 404-424.

McWilliams, A., Siegel, D. S., & Wright, P. M. (2006). Corporate Social Responsibility: Strategic Implications. *Journal of Management Studies*, 43, (1), 1-18.

Oliver, C. (1991). Strategic Responses to Institutional Processes. *Academy of Management Review*, 16, (1), 145-179.

Pohle, G., & Hittner, J. (2008). Attaining Sustainable Growth through Corporate Social Responsibility. In I. G. B. Services (Ed.), *Corporate Social Responsibility*: 1-17. Somers, NY: IBM.

Porter, M. E., & Kramer, M. R. (2006). Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility. *Harvard Business Review*, 84, (12), 78-92.

Powell, W. W., & DiMaggio, P. J. (Eds.). (1991). *The New Institutionalism in Organizational Analysis*. Chicago: The University of Chicago Press.

Quinn, L., & Dalton, M. (2009). Leading for Sustainability: Implementing the Tasks of Leadership. *Corporate Governance*, 9, (1), 21-38.

Rothaermel, F. T., & Deeds, D. L. (2004). Exploration and Exploitation Alliances in Biotechnology: A System of New Product Development. *Strategic Management Journal*, 25, (3), 201-221.

Scott, W. R. (2008). *Institutions and Organizations Ideas and Interests*. Los Angeles: Sage Publications, Inc.

SearchCRM/TechTarget. Retrieved October 10, 2011 from the SearchCRM wiki: http://searchcrm.techtarget.com/definition/greenwashing.

Slater, S. F., & Narver, J. C. (1995). Market Orientation and the Learning Organization. *Journal of Marketing*, 59, (3), 63.

van Marrewijk, M. (2003). Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion. *Journal of Business Ethics*, 44, (2/3), 95-105.

Yin, R. K. (2009). *Case Study Research Design and Methods*. Los Angeles: Sage Publications, Inc.

APPENDIX

TABLE 2A
SUSTAINABILITY INITIATIVES REPORTED BY COMPANY A

Sustainability Initiative	Source of Pressure	Response Strategy	Learning Strategy	Learning Alliance	Quotes
Collaboration with government agency to develop regulations	Regulatory	Manipulate	Exploitation	Inter-organizational	"Even before the EPA was founded, we had waste water treatment standards in the company that actually the EPA standards were based upon…We're trying to be ahead of the regulation."
Co-founded industry and professional organizations focused on sustainability certification and standards	Regulatory Competition Customer	Manipulate	Exploitation	Inter-organizational	"And as we started looking at sustainability and as we started looking at standards, we came to the realization, if we did not get involved and take a leadership role, that in many cases standards and organizations are going to become self-serving by some of the people versus leading edge."
Established position of Director of Sustainability	Competition	Acquiesce	Exploitation	Intra-organizational	"…we challenged [the owner] to become more visible around sustainability…I didn't want to lose market share…we've got to talk about what we are doing to be a green company."
Zero waste in manufacturing	Chairman / CEO	Acquiesce	Exploitation	Intra-organizational	"I have correspondence from…I don't remember the first one, but the '30's or '40s where the plant engineers were responding to issues on water, energy conservation, and those kind of things." "Globally in the corporation we've reduced our environmental impact by over 50% in the last 12 to 15 years. We've been meeting and exceeding those goals. We keep finding things to do better."

Energy use reduction and alternative energy development for manufacturing	Chairman / CEO	Acquiesce	Exploration	Intra-organizational	"We're spending a lot of time in understanding alternative energy and how do we adopt alternatives to fossil fuel…we've got another location starting up…if that works out the way the others have, I think you'll see us go to a major use of biogas replacing natural gas across the company around the world."
Waste reduction in product design and voluntary elimination of potentially harmful chemicals and underground storage tanks	Chairman / CEO Activist	Acquiesce	Exploitation	Intra-organizational	"Well luckily, the four chemicals that they're looking at we removed from the company 20 years ago." "...in 1988, we excavated underground storage tanks with no regulatory requirement because the CEO said that "We need them out because nothing good is going to come of this in the future."
Innovation driven by environmental concerns over a material widely used in product offering	Activist	Acquiesce	Exploitation	Inter-organizational	"We would never have started down that path had we not started getting concerns about [product]…" "[I]f you go back and look at corporate paradigms twenty years ago there was a paradigm that you don't want to be involved with an NGO because they'll create problems. They start poking around in your company and then all of a sudden you're exposed for everything that you do. I think that paradigm was really changed over the last 5 to 10 years…we're actively seeking out those NGOs that have good insight…"

TABLE 2B
SUSTAINABILITY INITIATIVES REPORTED BY COMPANY B

Sustainability Initiative	Source of Pressure	Response Strategy	Learning Strategy	Learning Alliance	Quotes
Collaboration with industry associations to develop standards for product labels and common terminology for environmental attributes	Competition Customer	Manipulate	Exploitation	Inter-organizational	"There's a lot of green washing that's going on in consumer goods generally but also in the [product] area, so we're looking at how can we try to create or hone in on acceptable consistent terms, should we adopt as an industry some of sort of a green label. Those are the things that we're looking at very intensively."

Collaboration with industry associations on end of life disposal solutions through sponsorship of product recycling pilot program	Regulatory	Manipulate	Exploration	Inter-organizational	"…we're at a point in the road here where the problem exists with [product] disposal. And, we're either going to solve it as an industry in advance of being regulated or government will force us to solve the problem."
Zero waste in manufacturing	Chairman/CEO	Acquiesce	Exploitation	Intra-organizational & Inter-organizational	"Because anything that's waste is something that we pay for, that our customer isn't willing to pay for."
Product innovation to address health concerns but lacked market acceptance	Customer	Acquiesce/ Manipulate	Exploration	Inter-organizational & Intra-organizational	"[T]he idea was to try to come up with another way to keep those products out of the landfill, deal with the health issues…" "And that was one of the things they did with focus groups, and almost all consumers thought it was a great idea but asked if they were willing to go ahead and pay a premium to do that, virtually all of them said no."
Development of sustainable product from modification of failed innovation	Customer	Acquiesce	Exploitation	Inter-organizational & Intra-organizational	"[W]e had to find a way to differentiate ourselves and break through the hospitality business because at that point in time we didn't have much market share."
Alliance to sell new product line with positive environmental attributes	Customer	Acquiesce	Exploitation	Inter-organizational	"…our sales force…had no understanding of the green category, no understanding of why selling a [natural product line] would be of interest to the customer… For the first year it struggled...nobody wanted to pitch it...But when we signed on with [the alliance partners]...that's when the brand really took off." "What's great is I think our sales guys felt more confident showing it to more retail channels…And then they started showing it to their dealers and their dealers kept saying, 'I'm hearing a demand for it too.'"
Product innovation to reduce returns and address one aspect of disposal issue	Regulatory Customer	Manipulate	Exploration	Intra-organizational	"So, in our attempt to reduce the return rate, create a sustainable product…make the sale, we're spending a little more money…"

Contextual Influences on Team Effectiveness & Consultant Identity: Implications for Consulting & Consultation

Lachlan R. Whatley
Benedictine University
Trinity Western University

Heidrun (Heidi) Kliewer
Trinity Western University

This conceptual paper explores the influence (socially, organizationally, and within teams) of context on team effectiveness models and the role of consultant identity. As a result, this paper introduces a new model to explain team effectiveness and, by way of example, considers the influence of context on both the role of consultants (their identity) and the change intervention method chosen.

INTRODUCTION

Unprecedented, non-stop environmental turbulence accompanied by a progressively accelerated rate of change causes deep concern for businesses today. Almost half a century ago, Emery and Trist (1965) recognized the dependency of organizations on their environments and identified the increasing complexity and pace of environmental change. Since that time, Clarke (1994) and others (see below) repeatedly reaffirmed these observations. At the brink of the 21st century, Nadler and Tushman (1999) declared, "Poised on the eve of the next century, we are witnessing a profound transformation in the very nature of our business organizations" (p. 45). Weisbord (2004) borrowed the term "permanent whitewater" (p. 185) from Vaill (1996) to depict a world of "accelerated change, growing uncertainty, [and] increasingly unpredictable global connections of economics, technology, and people … producing [relentless and often unfathomable] 'irreversible general change'" (p. 186). Warrick (2009) predicted that this trend, set in motion by the convergence of historic forces, would be the future norm. Few people deny the inevitability of change; however, its rapid acceleration alarms even the experts. Our fast-paced world demands that organizations adapt or perish. Thus organizations are undergoing phenomenal challenges in comprehending, anticipating, and responding effectively and in a timely manner to these remarkable trends. However, despite sincere, intense, and extensive efforts, few corporations manage change as well as they would like.

At the same time that modern-day enterprises vigorously and steadfastly tackle the relentless challenge of progressively accelerated environmental change, organization development (OD) continues to evolve as both an art and a science. Cooperrider (2005) described organizations as a "triumph of the human imagination" (p. 1), but, even in the wake of the immense challenge of change, organizations demonstrate inclinations toward underlying natural patterns, and survival efforts (Cooperrider, 2005; Cameron, 2008). To experience ongoing success, organizations need to adapt by interfacing more dynamically and shaping their response to change. Organizational effectiveness and resiliency require relentless management of adaptive behaviors by all who are involved in the challenges: individuals, groups, organizations, *and* consultants. As Weisbord (2004) stated, "Productive workplaces … require continuous work on both ourselves and on our structures" (p. 323). OD is, however, not limited to structural and behavioral aspects, nor is it restricted to those affected by change. The discipline also considers cognitive and affective responses (Smollan, 2006). Adaptive changes hinge on the ability to learn, and l*earning*, not just being trained, is now an essential aspect of life. The capacity to adapt and learn extends beyond managers, organizational members, and customers—it also encompasses change agents. No one is untouched by change, and no one is untouched by the *need to change.*

Despite significant advancements, a disconcerting gap persists between change efforts and the rate of successful, sustainable adaptation to change. Even with all we know, "the brutal fact is that about 70% of all change initiatives fail" (Beer & Nohria, 2000, p. 133). In light of the sizeable degree of failed change efforts, our paper endeavours to address this concern by: 1) stressing the significance of *context* (socially, organizationally, and within teams) for the consultant and consultation method in relation to any change intervention by introducing a new model to explain team effectiveness; and, 2) highlighting the importance of *consultant identity* within the change process by introducing enhancements to Kerber and Buono's (2005/2010) model for "Complexity, Uncertainty and Approaches to Change." To achieve these two overriding objectives, this paper will, firstly, discuss the importance of appreciating the perspective that change is predominately 'social construction in flight.' Secondly, given the speed of this social construction of change (i.e., our context), this article reviews and considers the influence of context on team effectiveness and presents a new model from which to view and enhance team effectiveness. Finally, delving even deeper, our research explores the implications of context for consultants, their identity, and the intervention methods they might consider, select, and initiate.

THE SETTING: THE CHANGING CONTEXT

A great deal has been written about change management and the pursuit of organizational viability, profitability, and sustainability in times of unprecedented change. Historically, change models focused on the integration of structure, design, and performance with social and technical processes. Advancements pursued the Brobdingnagian task of realigning organizational cultures to better suit the environmental context. Implicit in earlier approaches is the assumption that the correct fit of techniques, behaviors, structures, processes, and expertise would bring about a desired behavioral response and enhance the feasibility and success of change efforts. Understandably, in the midst of contextual complexity and uncertainty, the organizational desire to re-stabilize in an innovative position (i.e., a new *status quo*) that promotes survival and allows further growth and development is generally at the forefront of change initiatives.

At the same time that enterprises are actively endeavoring to adapt, Cummings and Worley (2009) claimed that the pace of change appears to exceed human capacity to cope. Weisbord (2004) also indicated, "The world is changing too fast for [even the] experts" (p. 113). As the pace of change escalates, there is an increased risk that the importance of and dynamics within organizational context are underestimated. This should be avoided, since, regardless of whether one perceives change as linear, causal, or circular, ***context trumps method***. That is to say, a sound change intervention method used in an unsuitable context will not likely result in a successful change effort.

The challenge of managing change is further complicated by the realization that *the very nature of change is changing.* It is now essential to understand that the alteration in the nature of change is occurring at and affecting all levels: individual, group, organizational, and societal. For instance, in some circumstances internal desires of an organization can motivate change, while at other times or even simultaneously, external factors might obligate firms to adjust to market demands. Temporal factors and "big ideas" can also stimulate change and trigger adaptive endeavours. For example, a new big idea can mean that it is no longer necessary to adhere to established explanations of change" (Senior & Swailes, 2010, p. 22) and can activate changes. Change is multidimensional, shaped and influenced by environmental contexts that differ for each organization—no two scenarios are identical (Senior & Swailes, 2010).

With enhanced acknowledgment of the multidimensional complexity of change, insight into the dynamics of change is also undergoing continual refinement. Factors such as economic globalization and competition now impact change conceptualizations. Recognizing the importance of contextual forces, Pettigrew, Woodman, and Cameron (2001) suggested the change in our understanding of change is not only continuous (i.e., without equilibrium) but represents "reality in flight" (p. 698). Yet, "reality" is predominately socially constructed within most organizations and society, and, therefore, it is against the backdrop of change *as social construction in flight* that our research explores possible implications for OD today. In essence, not only is change changing, but, more importantly, our construction of what change is, is changing.

ORGANIZATION DEVELOPMENT'S RESPONSE TO CONTEXTUAL COMPLEXITY

OD Intervention Typologies

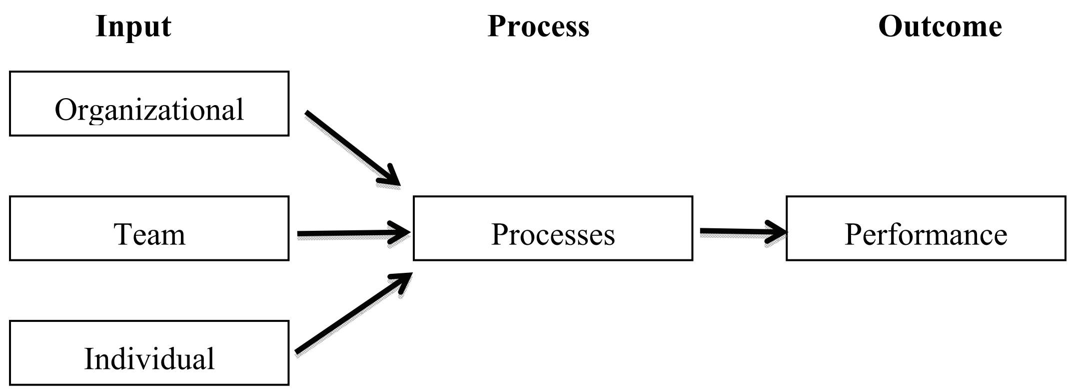
As the practice of OD responds to the escalating need for accurate appraisal of this contextual volatility, OD initiatives continually undertake progressive and refined enhancements. To provide a better understanding of what the field of OD endeavors to offer, Cummings and Worley (2009) organized mainstream OD interventions into four typologies: traditional *human process interventions* focus on social processes within organizations; *technostructural interventions* assimilate technology with organizational structure; *human resource management interventions* integrate people into organizations; and, s*trategic change interventions* focus on achieving a competitive advantage. OD efforts are also enriched by the models of Ansoff and McDonnell (1990), Stacey (1996), and others that assess the varying degrees of environmental upheaval. These kinds of amalgamations of research align with Senior and Swailes' (2010) assertion that strategic organizational analysis begins with evaluation of the strength of change forces (strong, moderate, and weak). Furthermore, contributions such as the development of Positive Organizational Scholarship (POS) by Cameron, Dutton, and Quinn (2003) and Appreciative Inquiry (AI) (Cooperrider & Srivastva, 1987) have also been recognized as philosophically beneficial applications in today's turbulent times that can produce a "rich picture" (Bright, 2009, p. 6) for organizational direction. These notions and developments all point to the necessity for more than one approach or a combination of approaches to address the contextual complexity that affects modern organizations.

It is increasingly evident that context plays a significant role as a determinant for OD interventions, both in theory and in practice. Additionally, most, if not all, OD interventions occur within some form of a group or team of people, yet there is little discussion within the current models about the importance of context and its usage to explain team effectiveness. To address this deficiency, in the next section of this paper our research introduces an enhancement to previous models of team effectiveness that emphasizes the relationships between all contexts and the various components within the framework of team effectiveness.

Evolution of Team Effectiveness Models—Contextual Influences

In the mid-20th century, McGrath (1964) developed the Input-Process-Output Framework for investigating team effectiveness (IPO Model, see Figure 1). This theoretical concept presents factors that enable or constrain interactions between individuals, teams, and the organization. McGrath determined that, amongst other factors/elements, individual characteristics, such as competencies and personality, impact team processes and performance outcomes by enabling or constraining interactions between individuals, teams, and the organization. Outcomes include quantitative and qualitative performance and affective responses.

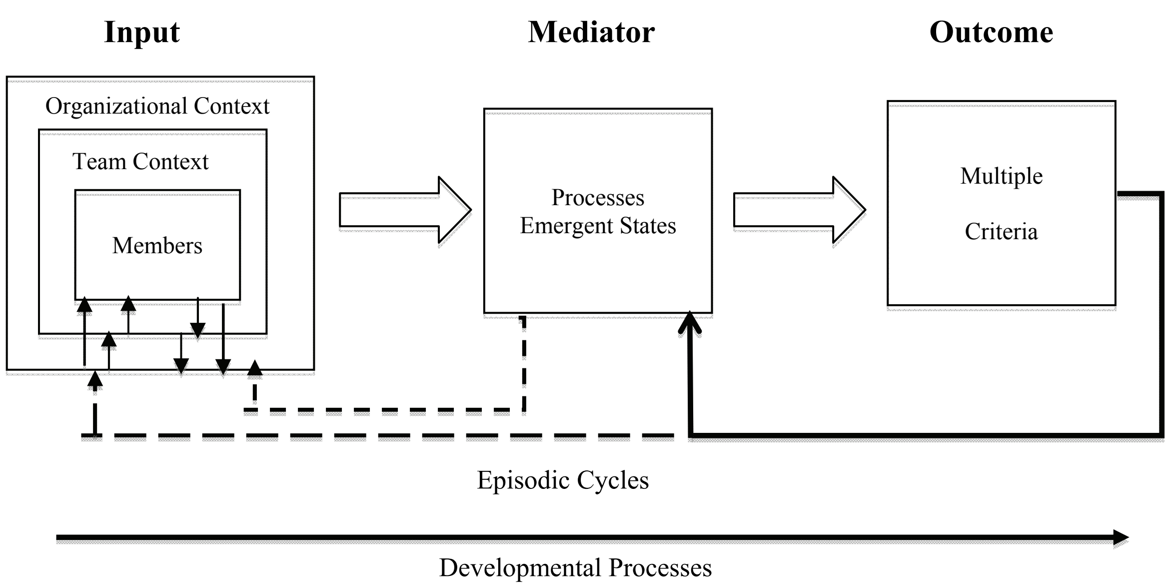
FIGURE 1
INPUT-PROCESS-OUTCOME (IPO) TEAM EFFECTIVENESS FRAMEWORK



Source: Mathieu, J., Maynard, M. T., Rapp, T., & Gilson, L. (2008). Team effectiveness 1997-2007: A review of recent advancements and a glimpse into the future. *Journal of Management, 34*(3), p. 413.

Ilgen, Hollenbeck, Johnson and Jundt. (2005) further refined the IPO model by placing it into certain contextual and temporal environments. Elaborating on McGath's seminal work, Ilgen and colleagues developed the Input-Mediator-Outcome Team Effectiveness Framework (IMO Model, see Figure 2) "to reflect the broader range of variables that are important mediational influences with explanatory power for explaining variables in team performance and viability" (p. 520). In the IMO model, individuals, groups, and the organization are shown as nesting with each other, interacting in a variety of give-and-

FIGURE 2
INPUT-MEDIATOR-OUTCOME (IMO) TEAM EFFECTIVENESS FRAMEWORK



Source: Mathieu, J., Maynard, M. T., Rapp, T., & Gilson, L. (2008). Team effectiveness 1997-2007: A review of recent advancements and a glimpse into the future. *Journal of Management, 34*(3), p. 413.

take directions, and being affected by certain contextual factors, such as leadership practices and task design. Influence from the outer layers (solid lines) represents more powerful changes (i.e., hard changes) than in the opposite direction (soft, less potent changes signified by broken lines). Cognitive, motivational, and affective group traits and team processes are mediated by member actions. Qualitative developments are considered to be evidence of team maturity (Kozlowski, Gully, Nason, & Smith, 1999), and effectiveness (Mathieu, et al., 2008, p. 414). Feedback loops exist but are thought to occur only "as teams transition from *one episode to another* not within [the] episodes" themselves (Mathieu, et al., 2008, p. 414). Furthermore, the addition of an extra "I" in the I-M-O-I model acknowledges the cyclical causal impact of feedback and the non-linear or conditional nature of a continually adjusted outcome (Ilgen et al*.,* 2005, p. 520).

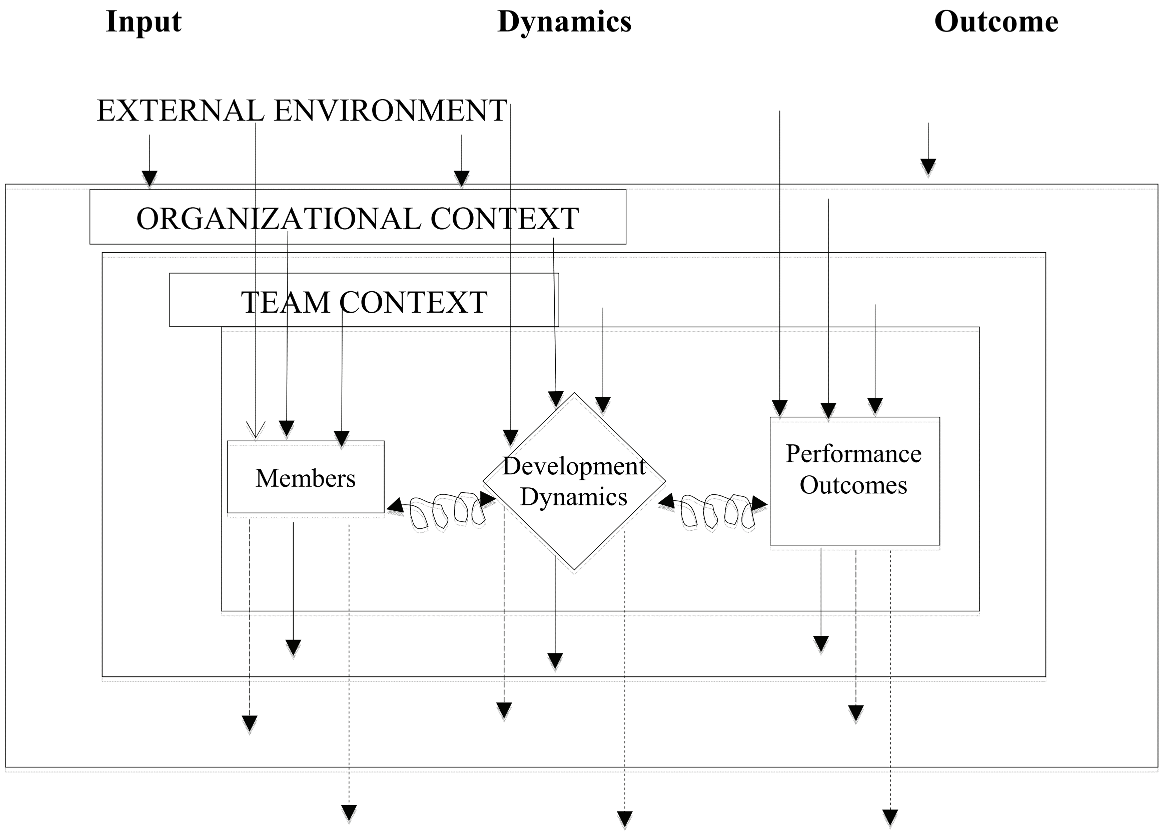
In this paper, we present a further enhancement to the IPO, IMO, and IMOI models that acknowledges all contexts (external, organizational, team, and societal) and interactions relevant *throughout* the team effectiveness framework, and that consultants or consultant teams need to be aware of as they operate within team dimensions. The resultant Input-Dynamics-Outcome model (IDO model, see Figure 3) acknowledges the strong dynamic influence of all contexts on the organization, its teams, and its members; the members' interaction with each other; and the performance outcomes. The nesting arrangement remains and indicates that team, organizational, and environmental contexts affect organizations, teams, and team members. These various influences between members and the environment are interactive and undergoing continuous adjustments and realignments with all the various aspects of context (Mathieu et al., 2008). Individual members are, thus, both influences and outcomes. Spirals indicate ongoing, constantly changing, dialectic discourses (and thus, dynamics) between members, contextual factors, and performance. Similar to the IMO model, directions of influence are multi-faceted and solid lines indicate the more powerful influences. However, a difference from the IMO model is the extent of the influence of context. Under this new model, context is shown as affecting all aspects of the process, including the performance outcomes of the team and, therefore, the organization. Context is also presented as a powerful mitigating factor in the nature of the dynamics of team development and what we perceive it (i.e., the context) to be.

Taking this model one step further, Whatley, (in press) demonstrated that

> a group's performance could be represented with the following equation: GP = $f\,(X_1 + X_2 + \ldots + X_n) \wedge \pm D$ — where GP = group performance; X = the individual's skills, abilities, and behavior; n = number of group members; D = the dynamics of the group, as defined by McGrath, Arrow, and Berdahl (2000); and D is either > 1 or < -1. This formula highlights two important truths of all groups: firstly, that the group's performance is either greater than or less than, but never equal to, the sum of the performance of the individuals; and, secondly, the interaction between group members, or the dynamics of the group (D), has the largest impact on the overall performance of the group." (p. 1)

Consequently, the dynamics of a group are either improving or harming the group's overall performance. As stated previously, our constantly changing context now has even more influence than it has in the past, and is influencing organizations, and their teams, on a consistent basis. Thus, the implication is that a broader understanding of context and its relation to the dynamics of group level phenomena (Cronin, Weingart, & Todorova, 2011) is essential—at the individual (e.g., job design), team (various groups), and organizational levels. To date, the field of OD has predominately looked at context from the systems or organizational level and not at the other echelons presented in the IDO model. The new model, therefore, suggests that organizations and consultants need to engage in change intervention that adjusts to contextual influences. Consultants enhance their effectiveness when they develop an increased awareness of the ever-changing nature and role of the dynamic contextual interactions between and within all levels and aspects of the organization.

FIGURE 3
INPUT-DYNAMICS-OUTCOME (IDO) TEAM EFFECTIVENESS FRAMEWORK



In the 1960s, Cartwright and Zander (1968) already recognized the evolutionary, multilevel nature of group dynamics, but since that time there has been limited expansion on these notions. More recently, though, the importance of group dynamics is receiving greater attention. For example, Cronin et al. (2011) purported that groups demonstrate dynamics features not only in terms of group characteristics and properties attributed to the group as an entity, but also regarding group processes (p. 573). This suggests that group dynamics encompass but are not limited to group processes.

In the IDO model, our revised exemplification of team effectiveness, we used the term 'dynamics' as opposed to 'processes' to reflect the recent work of Cronin and his colleagues. The work of other researchers (e.g., DeShon, Kozlowski, Schmidt, Milner, & Wiechmann, 2004; Kozlowski et al., 1999; Marks, Mathieu, & Zaccaro, 2001) also demonstrates that team dynamics relate to (but are not limited to) the processes that unfold in complex, "larger, systemic contexts of people, tasks, technologies, and settings" (Ilgen et al., 2005, p. 519). Additionally, McGrath, Arrow, and Berdahl's (2000) normative advances also identified numerous causal interactions within teams. These insights all support our suggestion that the IPO model and subsequent enhancements, the IMO and IMOI models, might describe real-life group behaviors even more accurately if these models gave more weight to the fluid interface between contextual and human dynamics and renamed it in the IDO model. The use of the term "dynamics" in the IDO model directs the focus of organizations and OD back to the multilevel, cumulative, and emergent constructs embedded within the systemic feedback loops of environmental, group, and member interactions (Cronin et al*.,* 2011, p. 581). Thus, the integration of dynamics into our model for team effectiveness considers the "multilevel influence relationships … [which] may be recursive: individual elements can affect group-level properties, and group-level properties can also affect the individual elements" (p. 572). This premise is also supported by McGrath, Arrow, and Berdahl's (2000) classification of the various dynamics in group activities: local dynamics, global dynamics, and contextual dynamics:

> Local dynamics involve the activity of a group's constituent elements: members engaged in tasks using tools and resources. Local dynamics give rise to group-level or global dynamics. Global dynamics involve the behavior of system-level variables—such as norms and status structures, group identity and group cohesiveness, leadership, conflict, and task performance effectiveness- that emerge from and subsequently shape and constrain local dynamics. Contextual dynamics refer to the impact of system-level parameters that affect the overall trajectory of global group dynamics over time, and whose values are determined in part by the group's embedding context."(p. 98)

Contextual dynamics emerge from the temporal interaction of embedded values (which are also part of the context) with local and global group dynamics. Thus, context lays the foundation for group interactions and influences team effectiveness.

An additional feature of the IDO model is that it highlights the importance of context, not just on input but on all the elements of the model. Furthermore, our model indicates that the power and potency of the context is far greater in one direction than another. That is, at all levels of groups and organizations, context affects groups more than groups affect context. Thus, context has a significant impact on all aspects of group activities. Acknowledging this backdrop—the importance of context on team effectiveness and OD interventions, it is also important to consider how these features exert a dynamic influence on consultant identity and the potential role of context in the effectiveness of an OD intervention.

CONSULTANT IDENTITY

Consulting or Consultation?

Before delving into consultant identity, it is necessary to delineate change agent responsibilities and clarify the role of consultation. Upholding Kurt Lewin's conviction, Weisbord (2004) declared, "If you want to know the system you must first seek to change it" (p.77). Essentially, Lewin maintained, "not only could you solve the problem, you could simultaneously study your own process and thereby refine the theory and practice of change" (Weisbord, 2004, p. 77). This statement reflects Lewin's extensive influence on modern management and marks the birth of *collaborative consultation* (Weisbord, 2004, p. 77; see also Shani, Mohrman, Pasmore, Stymne, & Adler, 2008). It also denotes a significant departure from the practices—not the intention—of Frederick Taylor and his notion of scientific management (Weisbord, 2004, pp. 27-73). Additionally, Lewin discussed the relationship between environmental context and individual behavior (Weisbord, 2004), a premise that continues to thrive at the forefront of mainstream OD research. A fitting definition of consultation is, therefore, consistent with the collaborative, environmentally interactive nature of OD as determined by its founding fathers. Jamieson and Armstrong (2010) proposed a definition that supports the aforementioned criteria and aligns with the writings of both Weisbord (2004) and McGregor (1960). Thus, for the purposes of this paper, and as itemized by Jamieson and Armstrong, consultation involves:

- working with a client in a relationship;
- not knowing the answers or even what you'll do at the start;
- guiding and influencing the client's work and decisions (as opposed to *doing* [emphasis added] the work);
- expertise being transferred and getting used with and through others:
- client learning, growing insight and capability; and
- continuous diagnosis and customized intervention content, methods and timing. (Jamieson & Armstrong, 2010, pp. 3-4)

These parameters for consultation point to the subtle, yet significant, difference between *doing* consulting and *being available for* consultation. *Doing* consulting entails consultant availability for hire as an extra pair of hands and places the consultant in the position of the expert with the answers. That role is quite different from *being available for* consultation. Tannenbaum and Eisen (2005) used the term 'self-as-instrument' to reflect "the importance of the *being* [emphasis added] [for] the practitioner in achieving effectiveness in the change process" (as cited in Seiling & Stavros, 2009, p. 2). Cheung-Judge (2001); Eisen (2010); and Jamieson, Auron, and Schechtman (2010) also determined that the *use of self* and *self as instrument* is vital to OD professionalism and effectiveness. Indeed, Seiling and Stavros (2009) determined that consultant *use of self* was so important that he declared that "[t]he only tool the consultant has in these [change process] interactions is '*self*'" (p. 2).

Context and Consultant Identity

Research has established links between environmental context, group dynamics, and human behavior. However, discussions of behavior are generally limited to individuals and groups within the organization. For instance, Pratt and Ashforth (2003) determined that, in organizational settings, member identity plays a vital role in fostering meaningfulness and sensemaking. However, this application was not extended to the concept of consultant identity. The beginning of a linkage between context and the consultant's role was, however, identified by Beer and Nohria (2000). Their empirical discussion of Theory E (the "hard" approach) programs demonstrated more traditional, directed change with the consultant taking on the role of an expert. The Theory O programs, which exemplified discovery and learning processes, 'supposedly' noted minimal involvement of the consultant. In Theory O programs, consultants "simply led a process of discovery and learning that was intended to change the corporate culture in a way that could not be foreseen at the onset" (p. 137). It is perplexing that the consultant role was minimized and discounted rather than given consideration as a factor that links to successful change dynamics. It is also interesting to note that in the combined Theory E/Theory O programs, Beer and Nohria determined consultants were 'expert' resources who 'empowered' employees (p. 141). Although not presented as such, this description suggests that a combination of consultant as 'doing' (i.e., expert) and consultant as 'being' brought about effective organizational change. Unfortunately, this research did not extend to further exploration of linkages between consultant identity and the varying consultant roles. Nor was the consultant role or identity directly connected to the success or failure of the various change programs. However, despite the lack of further quantitative or qualitative research, these observations nevertheless imply that a change in consultant roles and identity, based on the contextual setting, might enhance change efforts.

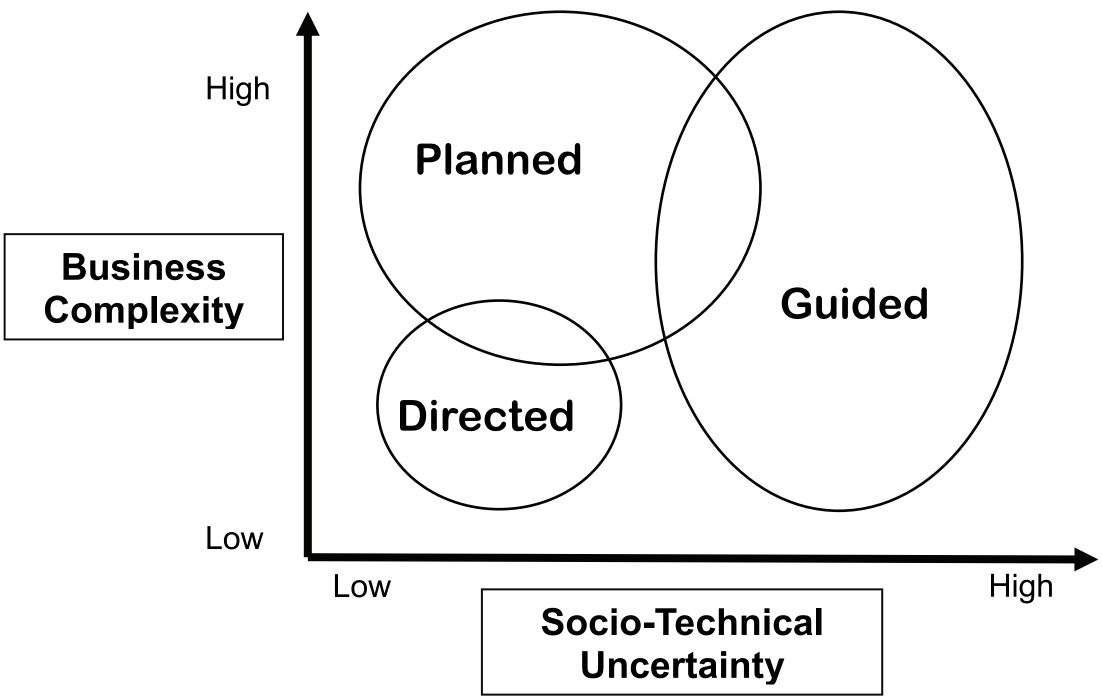
Consultant: Know Thyself

The fact that consultancy characteristics arise at all in the evaluation of change methodology suggests that consultant behavior and identity may play a significant role in the context and dynamics of effective change efforts. As previously stated, Weisbord (2004) asserted, "If you want to know the system you must first seek to change it" (p. 77). To this, Jamieson (1998) would add, if you want to change the system, you must first know yourself. Essentially, the consultant needs to ask the questions: Who is it that you 'be'? What is in your invisible knapsack? What biases, perceptions, and experiences do you carry wherever you go? And, most importantly, as you interact with the world, are you teachable yourself, as Fry (1998) suggested, not to what you want to learn, but to what you need to learn? Are you available to learn from the system and modify your implementation as you go? Who is it that you 'be' and how is your 'identity' shaped by your personal projection? These are tough questions; however, all who desire to be effective consultants must engage in this process of self-reflection at some level. The ability to see self as object, self as subject, and be open to constructive feedback is essential. Vogelsang (2011) stated, "Our society has increasingly embraced the language of data and measurement at the expense of self-awareness" (p. 1). Koestenbaum (2009) asserted, "The greatest risk you will ever have to face is to lead an unexamined life, for, as we all know, [Socrates wrote,] 'the unexamined life is not worth living'" (p. 588). *Nosce te impsum—know thyself*—is an ancient proverb (Jensen, 2011) that delineates the dependency of consultant effectiveness on self-awareness.

Context, Consultant Identity and Intervention Method Alignment

In their model, Complexity, Uncertainty and Approaches to Change (see Figure 4), Kerber and Buono (2005/2010) provided further insight into the complexity of change and change methodology. Their model described context as the functional interaction of two interactive mitigating factors: socio-technical uncertainty and business complexity. Kerber and Buono then ascribed three forms of change efforts resultant contextual interventions: directed, planned, and guided change. This typology is similar to that of Mitki, Shani, and Stjerngerg (2000), who classified change efforts into three categories: limited change, planned change, and holistic change. Kerber and Buono also proposed that to obtain desirable results the varying nature of change requires customized approaches. For example, high levels of both business complexity and socio-technical uncertainty respond best to guided change. An example of guided change is the use of collaborative management research, while an example of planned change is an intervention that uses action research. In contrast to these scenarios, low levels of both business complexity and socio-technical uncertainty are more suited to directed change efforts in which the consultant provides the entire solution as the intervention.

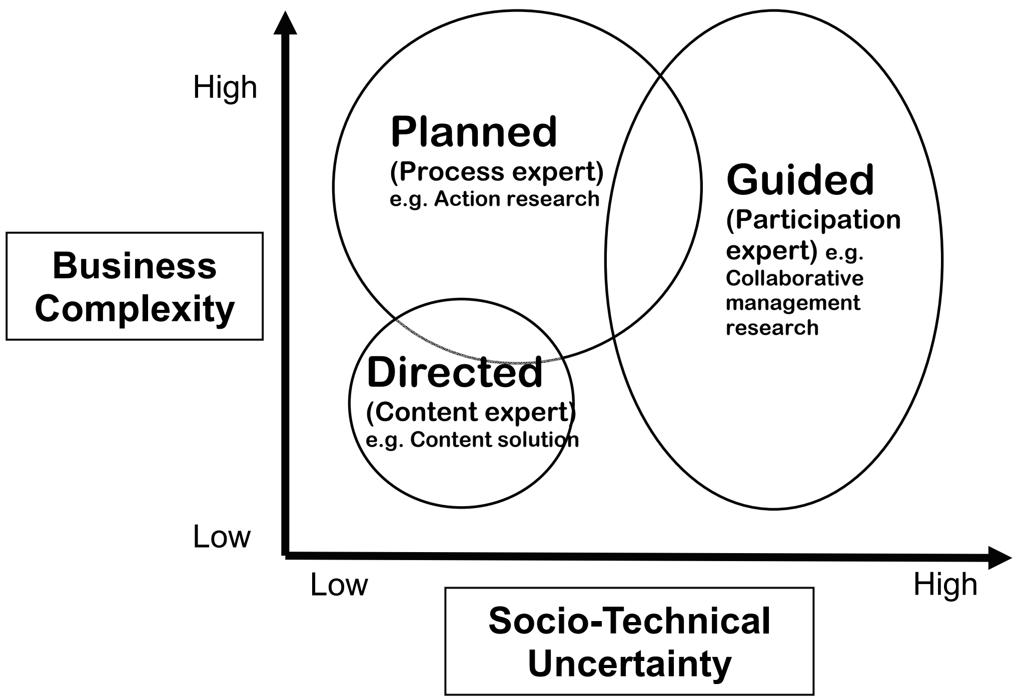
FIGURE 4
COMPLEXITY, UNCERTAINTY AND APPROACHES TO CHANGE



Source: Kerber, K. W., & Buono, A. F. (2005) Rethinking organizational change: Reframing the challenge of change management, *Organization Development* Journal, *23*(3), p. 30.

At different times throughout the dynamic change process, organization members display varying degrees of learning, creativity, improvisation, resistance, reflection, and energy. Kerber and Buono (2005/2010) purported that as consultants move through directed, planned, and guided change with organizations, "significant competence [transfers are passed] from change strategists to change recipients" (p. 35). That is, the ability of change agents to select the most appropriate change approach depends on familiarity with corresponding advantages and constraints and identification of factors that moderate change capacity and urgency of the context. Like Beer and Nohria (2000), Kerber and Buono also sensed a relationship between the consultant's role and change approaches, but limited this association to a specified set of change process skills and knowledge. While there are undoubted benefits to these more objective, rationally-based proficiencies, the writers respectfully suggest that consultants who experience successful change endeavors may have captured and engaged in a more understated, yet remarkable aspect, of consultation. Thus, we propose that the building of organizational change capacity is more accurately reflected by the following extension to Kerber and Buono's (2005/2010) model (see Figure 5). This overlay provides intriguing insight into the dynamic nature of the relationship between the context and the consultant's identity, role, and planned intervention.

FIGURE 5
APPROACHES TO CHANGE: CONSULTANT USE OF SELF IN CHANGE COMPLEXITY



When aligning consultant 'self' with context, a shift from the focus on consultant action (*doing*) is required. In other words, it is important that during change intervention the consultant *self as being*-is tailored to the specific, given organizational context. Directed change is suitable for contexts with low business complexity and low socio-technical uncertainty. These situations require more traditional change approaches in which the consultant 'use of self' presents as a 'content expert' with answers and a specific solution. In contrast, environments with increased complexity and socio-technical uncertainty respond more favorably to either a planned or guided approach to change as a change intervention typology. These types of interventions require the consultant to have a different form of 'self' (consultant identity), either as a process expert, as would be found within action research, or as a participation expert, as would be found in collaborative management research. Consequently, a consultant needs to be mindful of the three different kinds of 'self' (consultant identity). Kerber and Buono's (2005/2010) model indicated that the relationship between context and change intervention typology is moderated by organizational capacity and urgency, to which we add that the change intervention typology in turn determines the appropriate use of consultant identity.

We use action research as an example of planned change under Kerber and Buono's (2005/2010) typology of change. Coghlan (2011) linked "practical knowledge" (p. 58) to action research, via Lonergan's (1971) dynamic cognitive structure model, which requires a dynamics interaction between knowledge, judgment, experience, and action. Coghlan (2011) also expressed action research, as a state of inquiry, as a way of 'being' and, therefore, it is a reflective 'inquiry in action' that uses self as an 'expert-in-process' instrument. Thus, in action research, action is 'being.'

Guided change also requires consultants to use 'self-as-instrument,' but in a further refined sense of 'being.' Here the focus on 'truth' is contextually dependent on the dynamic interpretations of the individual, the individual within groups, the individual within an organization, and the individual within society as influenced by experiences that have helped create perceptions. An example of this is collaborative management research, where collaboration (the state of being) is the core value and action is the dynamic emergent outcome. In this case, the consultant is purely a participant within the intervention dynamics and is neither a context or process expert.

In summary, in directed change the consultant's role is one of 'consulting' or 'doing' — as the content expert. In planned and guided change, the consultant's role is one of 'consultation' or various states of 'being.' There are no universal prescriptions when dealing with complex organization systems, and consultant 'use of self' needs to be dynamic and contextually sensitive. The implications are that consultants need to be prepared and able to move through all three phases (directed, guided, and planned change) as required by contextual factors. They also need to master the various consultant identities required for each type of change typology as reflected by the 'consultant identity continuum' (see Figure 6). This spectrum highlights the necessity of ensuring that consultants travel along the continuum as the context determines. Thus, by combining method typologies of socio-technical systems with consultant identities and intervention methods (e.g., content, action research, participation research) the consultant is able to interact with the dynamics of contextual demands and move effectively up and down the consultant identity continuum.

FIGURE 6
CONSULTANT IDENTIFY CONTINUUM

	Consultant *"doing"* ←-----------	-----------	-----------→ **Consultation** *"being"*
Context	Low STS & Bus. Complexity	Mid STS & Bus. Complexity	High STS & Bus. Complexity
Identity	Agent of change	Facilitator of change	Participant of change
Nature	Content expert	Process expert	Collaboration expert
Method	Content solution	Action research	Collaborative management research

Consultant as "Being"

Values shape individual purpose and meaning. Jamieson and Gellerman (2006) stressed the importance of assuring value alignment between client and consultant. Because "values can have different priorities, at different times, under different conditions," this involves complexity beyond a set of stated values (Jamieson & Gellerman; 2006, p. 2). Palmer (1997) and Kouzes and Posner (2003) believed individual identity and integrity are essential for leadership. The extent to which a consultant or leader is capable of transcending family, workplaces, organizations, and greater society relates directly to the extent of one's willingness to work on oneself. Thus, as consultants, leaders or otherwise, acknowledgement of skills and social constructs brought by individuals to any situation is critical. Additionally, to function as organizational stewards and custodians, a primary requirement of consultants is the desire and intention to serve.

But, how does one get to know one's own identity? For the writers, understanding a private philosophy of life and business is essential. Confirming this, Jamieson (personal communication, June 24,

2011) recommended that 'want to be' consultants develop three areas of identity: philosophical stance, authority platform, and role/style variation. Authority platform entails possessing an awareness of the mindset a consultant brings to the engagement, knowing one's specialty areas, and recognizing personal knowledge limitations. Role and style may be influenced by client needs and how one wishes to position one's practice. This new focus, ensuring consultant awareness of individual identity, is consist with Lundberg's (2010) assertion that change consultancy requires a refocus on conceptual frameworks that "make sense out of managers and consultants mak[ing] sense of organizational change" (p. 210). This is possible only to the extent that consultants are teachable and willing to question private assumptions. It magnifies the importance of Jamieson's earlier assertions that stress the consultant as 'being,' not as 'doing,' to which we would add that consultants need to modify and adjust who they are as the context warrants, and that a deeper understanding of self is now an essential skill for a sound consultant.

As a result, consultant 'use of self' can entail 'being' a consultant or 'doing' consulting. Doing consulting would imply being an extra pair of hands for hire. However, given today's complicated contextual considerations, the complexity of organizational systems, and the pace of accelerated change, it may be that the task will simply become too large. Perhaps the day of individual consulting is nearing an end. Alternatives would involve team consulting and 'being' a consultant. 'Being' presupposes the existence and development of self-awareness. Coleman (2009) suggested a deep sense of being, an unconscious awareness, develops with "a perpetual state of reflection" (p. 25). Reflection involves recognition and acknowledgement of emotions, intuition, thoughts, strengths and vulnerability, integrity, appreciation, and learning. Who we are, what we carry in our knapsack, and that our state of being always precedes action. Appropriate 'use of self' leads to complementary corresponding actions—listening, perceiving, learning, understanding, knowing, and relating. In turn, these actions, these 'doings,' enhance our 'being,' but only if that process is allowed to happen. When a consultant is in the proper state of being, cognitive, behavioral and affective responses are more in tune with the context and individuals of organizational systems. The internal reality of a consultant, the self-awareness, the 'being,' determines consultant effectiveness, as determined by congruence between appropriate use of 'self' and context.

CONCLUSIONS AND IMPLICATIONS

Contextual Complexity, Change and Team Effectiveness

Change is "a complex [dynamic] responsive process" (Higgs & Rowland, 2010, p. 370) contingent on contextual demands. As the world experiences ongoing, unprecedented, accelerating change, the resultant instability challenges even the experts. Until recently, Lewin's (1947) three-phase model of change (unfreezing, moving/changing, refreezing) had withstood the test of time. However, while the model appears steadfast, definitions within the model may need to be revisited. Unfreezing is often an environmental imposition in today's volatile global economy. Moving or changing has taken on a new nature in that it is not a one-time occurrence in anticipation of, or response to, instability; it is, however, a state of constant (i. e., dynamic) adjustment and ongoing realignment. Moreover, today, refreezing is a limited reprieve and, perhaps, even, a bygone luxury. Alternately, refreezing may very well have taken on a new nature. The new 'status quo,' when attained, is not a state of permanence, but rather a state of dynamic, *permanent adjustments* to change. Nowadays, even the definition of stability has to be challenged, which is supported by Marshak and Grant (2008) when they distinguished new OD versus old OD on the basis of differing philosophical perspectives derived from individual ontological and epistemological assumptions. The importance of the significantly increased role of contextual influences and ongoing dynamic interactions cannot be underestimated and, thus, the IDO model provides a contribution to the field of OD on how context influences the dynamics of consultative efforts and many aspects of team effectiveness, the vehicle through which most of an organization's change efforts occur.

Contextual Complexity and Consultant Identity

A refocusing of the consulting role is required as consultants endeavor to help organizations respond and adapt to extraordinary change. We need a delicate, yet noteworthy, shift from just 'doing' consulting to ‘being’ a consultant, and knowing when to apply either. This customizable capacity to tailor consultant interventions represents the reality that change is ‘social construction in flight’ and requires a fresh vision that acknowledges that the ‘use of self’ or consultant identity encompasses the dynamic role of ‘self as instrument’ in OD professionalism. This paper introduced a ‘consultant identity continuum’ which showcases that contextual circumstances (moderated by organizational capacity and urgency) determine the method/type of intervention, which, in turn, influences the appropriateness of consultant identity. Additionally, this paper highlights that the importance of understanding the dynamic nature of organizational life and the realization that consultant identity is only going to increase in importance.

Research Implications

OD research has already clarified that performance outcomes are affected by context and related organizational dynamics. Worley (2002) suggested that the field of OD needs to develop a more in-depth understanding of the “intertwined nature of practitioner, practice, and theory” (p. 4). For example, Cameron, Dutton, and Quinn (2003) presented several studies that point to a positive correlation between social relationships within corporations and enhanced financial performance and link social context to desirable outputs. The IDO model introduced in this paper is the first team effectiveness model that reflects this relationship, the importance of context, and the ongoing dynamic interactions of these features within organizations.

OD research has also provided extensive qualitative and quantitative data regarding strategy and techno-structural models, as well as the integration of individuals within organizations, and at the multiple levels of organizational associations between individuals and groups, and environmental context. However, to date, there is little research about the consultant ‘use of self’ in relation to these organizations and their increasingly complex and dynamic contexts. To bridge the gap between normative and descriptive theories regarding consultation, this topic needs considerably more attention from both theorists and practitioners.

OD still needs to demonstrate within a theoretical framework the full extent of how context dynamically influences *all* variables within a change effort, including the role of consultant. At the very least, the role of consultant identity and the implications for change methodologies in light of the context, warrant further exploration. Given the unprecedented, perpetually accelerating, and volatile nature of change in the postmodern business environment, it is more critical than ever before that context and the resultant dynamics of various contextual interactions be given significantly more research consideration.

REFERENCES

Ansoff, I. H., & McDonnell, E. J. (1990). *Implanting strategic management*. Englewood Cliffs, NJ: Prentice Hall.

Beer, M., & Nohria, N. (2000). Cracking the code of change. *Harvard Business Review, 78*(3), 133-141.

Bright, D. S. (2009). Appreciative inquiry and positive organizational scholarship: A philosophy of practice for turbulent times. *OD Practitioner*, *41*(3), 2-7.

Cameron, K. S., Dutton, J. E., & Quinn, R. E. (Eds.). (2003*). Positive organizational scholarship: Foundations of a new discipline*. San Francisco, CA: Berrett-Koehler.

Cameron, K. S. (2008). Paradox in positive organizational change. *The Journal of Applied Behavioral Science, 44*(1), 7-24. doi: 10.1177/0021886308314703

Cartwright, D., & Zander, A. (1968). *Group dynamics* (3rd ed.). New York: Harper & Row.

Cheung-Judge, M. (2001). The self as an instrument – A cornerstone for the future of OD. *OD Practitioner*, *33*(3), 11-16.

Clarke, L. (1994). *The essence of change*. Hemel Hempstead, UK: Prentice Hall.

Coghlan, D. (2011). Action research: Exploring perspective on a philosophy of practical knowing. *The Academy of Management Annals, 5*(1), 53-87. doi: 10.1080/19416520.2011.571520

Coleman, M. (2009). Self reflection and the OD practitioner. *OD Practitioner*, *41*(2), 25-29.

Cooperrider, D. L. (2005). Positive image, positive action: Affirmative basis of organizing. In D. L. Cooperrider, P. F. Sorensen, Jr., T. F. Yaeger, & D. Whitney (Eds.), *Appreciative inquiry: Foundations in positive organization development* (pp. 1-17).

Cooperrider, D. L., & Srivastva, S. (1987). Appreciative inquiry in organizational life. In R. W. Pasmore, & W. A. Woodman (Eds.), *Organizational change and development* (Vol. 1, pp. 129-169). San Diego, CA:JAI Press.

Cronin, M. A., Weingart, L. R., & Todorova, G. (2011). Dynamics in groups: Are we there yet? *The Academy of Management Annals*, *5*(1), 571-612. doi: 10.1080/19416520 .2011.590297

Cummings, T. G., & Worley, C. G. (2009). *Organization development & change* (9th ed.). Mason, OH: South-Western Cengage Learning.

DeShon, R. P., Kozlowski, S. W. J., & Schmidt, A. M., Milner, K. R., & Wiechmann, D. (2004). A multiple-goal, multilevel model of feedback effects on the regulation of individual and team performance. *Journal of Applied Psychology*, *89*(6), 1035-1056. doi: 10.1037/0021-9010.89.6.1035

Eisen, S. (2010). The personhood of the OD practitioner. In W. J. Rothwell, J. M. Stavros, R. L. Sullivan & A. Sullivan (Eds.), *Practising organization development: A guide for leading change* (3rd ed., pp. 527-533). San Francisco, CA: Pfeiffer.

Emery, F. E., & Trist, E. L. (1965). The causal texture of organizational environments. *Human Relations*, *18*(1), 21-32. doi: 10.1177/001872676501800103

Fry, T. (Ed.). (1998). *The rule of Saint Benedict in English*. New York, NY: Vintage Books.

Gibbons, M., Limoges, H., Nowotny, H., Schwartzman, S., Scott, P., & Trow, M. (1994). *The new production of knowledge: The dynamics of science and research in contemporary societies.* London, England: Sage.

Higgs, M., & Rowland, D. (2010). Emperors with clothes on: The role of self-awareness in developing effective leadership. *Journal of Change Management*, *10*(4), 369-385. doi: 10.1080/14697017.2010.516483

Ilgen, D. R., Hollenbeck, J. R., Johnson, M., & Jundt, D. (2005). Teams in organizations: From input-process-output models to IMOI models. *Annual Review of Psychology, 56*, 517-543.

Jamieson, D. W. (1998). Your consulting style. *Consulting today, 2*(1), p.1-2.

Jamieson, D. W. (2009). Front-end work: Effectively engaging with the client system. In W. J. Rothwell, J. M. Stavros, R. L. Sullivan, & A. Sullivan, (Eds.), *Practicing organization development: A guide for leading change* (3rd ed., pp.204-233). San Francisco, CA: Pfeiffer.

Jamieson, D. W., & Armstrong, T. R. (2010). Consulting for change: Creating value through client consultant engagement. In A. F. Buono & D. W. Jamieson (Eds.), *Consultation for organizational change* (pp. 3-13). Charlotte, NC: Information Age Publishing.

Jamieson, D. W., Auron, M., & Schechtman, D. (2010). Managing use of self for masterful professional practice. *OD Practitioner*, *42*(3), pp. 4-11.

Jamieson, D. W., & Gellerman, B. (2006). Values, ethics and OD practice. In B.B. Jones & M. Brazzel (Eds.), *The NTL handbook of organization development and change* (pp. 46-68). San Francisco, CA: Jossey-Bass.

Jensen, M. L. (2011). Nurturing self-knowledge: The impact of a leadership development program. *OD Practitioner, 43*(3), 30-35.

Kerber, K. W., & Buono, A. F. (2005). Rethinking organizational change: Reframing the challenge of change management. *Organization Development Journal*, *23*(3), 23-38.

Kerber, K. W., & Buono, A. F. (2010). Intervention and organizational change: Building organizational change capacity. In A.F. Buono & D. W. Jamieson (Eds.), *Consultation for organizational change.* A volume in *Research in management consulting and contemporary trends in organization development and change* (pp. 79-112). Charlotte, NC: Information Age Publishing.

Koestenbaum, P. (2009). Four risk factors of the unexamined life: Be-Know-Do. In W. J. Rothwell, J. M. Stavros, R. L. Sullivan, & A. Sullivan (Eds.), *Practicing organization development: A guide to leading change* (pp. 588-593). San Francisco, CA: Pfeiffer.

Kouzes. J. M., & Posner, B. Z. (2003). *Credibility: How leaders gain and lost it, why people demand it.* San Francisco, CA: Jossey-Bass.

Kozlowski, S. W. J., Gully, S. M., Nason, E. R., & Smith, E. M. (1999). Developing adaptive teams: A theory of compilation and performance across levels and time. In D. R. Ilgen & E. D. Pulakos (Eds.), *The changing nature of performance* (pp. 240-292). San Francisco, CA: Jossey-Bass.

Lewin, K. (1947). Frontiers in group dynamics. *Human Relations, 1*(2), 143-153. doi: 10.1177 /001872674700100201

Lonergan, B. (1971). *Method in theology.* Toronto, Canada: University of Toronto Press.

Lundberg, C. C. (2010). Consulting processes for organization change. In A. F. Buono & D. W. Jamieson (Eds.), *Consultation of organizational change* (pp. 15-40). Charlotte, NC: Information Age Publishing.

Marks, M. A., Mathieu, J. E., & Zaccaro, S. J. (2001). A temporally based framework and taxonomy of team processes. *Academy of Management Review*, *26*(3), 356-376. doi: 10.5465/AMR.2001.4845785

Marshak, R. J., & Grant, D. (2008). Organizational discourse and new organization development practices. *British Journal of Management*, *19*, 7-19. doi:10.1111/j.1467-8551.2008.00567.x

Mathieu, J., Maynard, M. T., Rapp, T., & Gilson, L. (2008). Team effectiveness 1997-2007: A review of recent advancements and a glimpse into the future. *Journal of Management, 34*(3), 410-476.

McGrath, J. E. (1964). *Social psychology: A brief introduction.* New York: Holt, Rinehart & Winston.

McGrath, J. E., Arrow, H., & Berdahl, J. L. (2000). The study of groups: Past, present, and future. *Personality and Social Psychology Review (Lawrence Erlbaum Associates), 4*(1), 95-105.

McGregor, D. (1960). *The human side of enterprise*. New York: McGraw-Hill.

Mitki, Y., Shani, A. B. (Rami), & Stjernberg, T. (2000). A typology of change programs: A road map to change programs and their differences from a global perspective. In R. T. Golembiewski (Ed.), *Organization Consultation (*2nd ed., pp. 777-785). New York: Marcel Dekker.

Nadler, D. A., & Tushman, M. L. (1999). The organization of the future: Strategic imperatives and core competencies for the 21st century. *Organizational Dynamics, 28*(1), 71-80.

Palmer, P. J. (1997). *The courage to teach: Exploring the inner landscape of a teacher's life*. San Francisco, CA: Jossey-Bass.

Pettigrew, A. M., Woodman, R. W., & Cameron; K. S. (2001). Studying organizational change and development: Challenges for future research. *Academy of Management Journal*, *44*(4), 697-713. doi:10.2307/3069411

Pratt, M. G., & Ashforth, B. E. (2003). Fostering meaningfulness in working and at work. In K. S. Cameron, J. E. Dutton, & R. E. Quinn (Eds.), *Positive organizational scholarship: Foundations for a new discipline,* (pp. 309-327). San Francisco, CA: Berrett-Koehler.

Seiling, J. G., & Stavros, J. M. (2009). Becoming an instrument for change: Assessing self for leading change. Retrieved August 22, 2011 from http://www.midwestacademy.org /Proceedings/2009/papers/Seiling_37.pdf

Senior, B., & Swailes, S. (2010). *Organizational change*. Essex, England: Pearson Education.

Shani, A. B. (Rami), Mohrman, S. A., Pasmore, B. A., Stymne, B., & Adler, N. (2008). *Handbook of collaborative management research.* Los Angeles, CA: Sage.

Smollan, R. K. (2006). Minds, hearts and deeds: Cognitive, affective and behavioural responses to change. *Journal of Change Management*, *6*(2), 143-158. doi: 10.1080/14697010600725400

Stacey, R. D. (1996). *Strategic management and organizational dynamics* (2nd ed.). London, England: Pitman.

Tannenbaum, T., with Eisen, S. (2005). The personhood of the consultant: The OD practitioner as human being. In W. J. Rothwell & R. Sulivan (Eds.), *Practicing organization development: A guide for consultants (*2nd ed., pp. 583-606). San Francisco, CA: Pfeiffer.

Vaill, P. B. (1996). *Learning as a way of being: Strategies for survival in a world of permanent white water.* San Francisco, CA: Jossey-Bass.

Vogelsang, J. (2011). From the editor. *OD Practitioner, 43*(3), 1.

Warrick, D. D. (2009). Developing organization change champions: A high payoff investment! *OD Practitioner*, *41*(1), 14-19.

Weisbord, M. R. (2004). *Productive workplaces revisited: Dignity, meaning & community in the 21st century.* San Francisco, CA: Jossey-Bass.

Whatley, L. R. (in press). Individual "states" model for healthy group dynamics. *OD Practitioner.*

Worley, C. G. (2002). Is OD still relevant today? *Consulting Today*. Retrieved March 12, 2012 from http://www.consultingtoday.com/Freebees.htm

The Impact of Situational Factors on Pre-Training Motivation

Khai T. Nguyen
Louisiana Tech University

Kyungmoon Kim
Louisiana Tech University

This conceptual paper proposes a model examining the effect of environmental and organizational structure characteristics as well as the effect of organizational strategic choice on pre-training motivation. Positive relationships between the stable-dynamic dimension of the environment, the organic-mechanic dimension of the organizational structure are proposed. The moderating role of organizational strategic choice in the proposed relationships is also discussed. Pre-training motivation is also predicted to be higher in organizations following a differentiation strategy than that in organization following a low-cost strategy.

INTRODUCTION

Training motivation can be conceptualized as the direction, effort, intensity, and persistence that trainees apply to learning-oriented activities before, during, and after training (Kanfer 1991, Tannenbaum & Yukl 1992). Several studies have found (and supported) that trainees' motivation to learn and attend training has an effect on their skill acquisition, retention, and willingness to apply the newly acquired KSAs on the job (e.g. Martocchio & Webster 1992, Mathieu et al., 1992). Whereas the literature is, in general, clear about the influence of training motivation on learning outcomes, an adequate model that helps understand the antecedents of training motivation has not emerged yet. Recent research has shown big effort placed on understanding effects of individual characteristics but little effort on effects of situational characteristics, especially on the environmental and organizational characteristics.

Consistent with Salas and Cannon (2003), there is little effort in recent research to understand the effects that situational factors (i.e. environmental and organizational characteristics) have on training motivation. The only considerable effort is made by Colquitt, LePine, and Noe (2000) who have shed light on the underlying processes and variables involved in understanding training motivation throughout the training process. Their integrative narrative and meta-analytic review suggest that training motivation is multifaceted and influenced by a set of individual (e.g. cognitive ability, self-efficacy, anxiety, age, conscientiousness) and situational (e.g. climate) characteristics. This effort provides the beginnings of an integrative theory of training motivation, a much needed synthesis and organization.

In term of situational characteristics, Colquitt and his colleagues found that supervisor support, peer support and positive climate were moderately related to "motivation to learn", or "training motivation" in their study. This finding accounted for a very small portion of the study analysis and considered "not examined with enough frequency to be included in the path analysis" (p.682).

As conceptualized above, training motivation needs to be examined before, during and after the training program. As a consequence, its antecedents across three stages will be different and should be examined differently. However, research on situational effects on training motivation also focuses only on this relationship during and after training. For example, Tracey, Tannenbaum, and Kavanagh (1995) examined an organization's climate for transfer, which refers to trainees' perceptions about characteristics of the work environment that influence the use of training content on the job. The main features of a positive climate may include adequate resources, cues that serve to remind trainees of what they have learned, opportunities to use skills, frequent feedback, and favorable consequences for using training content. Tracey et al. (1995) found that such a climate predicted the extent to which employees engaged in trained behaviors on the job. Similarly, Rouiller and Goldstein (1993) found that a positive climate was associated with transfer of managerial skills in the fast-food industry.

The final gap in training motivation research is that the absence of the external environment analysis. A few researchers have examined some internal environment factors such as the perceived presence of manager support or peer support for participation in learning activities (e.g., Birdi, Allan, & Warr, 1997; Facteau et al., 1995). Facteau et al. (1995) argued that both managers and peers could help trainees, particularly in transferring learned skills on the job (see also Baldwin & Ford, 1988). Their study of 967 managers in departments within state government agencies showed a positive link between peer support and transfer and a positive link between manager support and motivation to learn. Birdi et al. (1997) linked manager support (though not peer support) to increased on- and off-job learning, increased development, and increased career planning. Finally, Clark et al. (1993) indicated that supportive managers can emphasize the utility of training to the job, thus impacting trainee motivation.

Generally, the gaps in training motivation research can be summarized in threefold. First, there is a lack of efforts to understand the effect of situational characteristics compared with those placed on individual characteristics. Second, among the rare research about situational effects on training motivation, there are none discussing pre-training context motivation. Finally, situational researches just focused on internally environmental effects on training motivation.

The main purpose of this paper is to develop propositions about the effects of environmental characteristics (i.e. perceived of environment uncertainty), organizational characteristics (i.e. organic versus mechanic) and organizational strategic choices (differentiation versus low-cost) on pre-training motivation of organizational members. It is important to note that the paper only focuses on the pre-training motivation which is defined as the general feeling of training need. This need is usually stated by the organizational members through the statement “I/we need to be trained to work better”. The training motivation during the actual training program and the training motivation to transfer the training content to the job are not in the scope of this paper.

ENVIRONMENTAL AND ORGANIZATIONAL INFLUENCES ON PRE-TRAINING MOTIVATION

According to Blanchard (2007), the feeling of training need comes from a triggering event that the organizational members does not have adequate knowledge, skill and ability (KSAs) to meet the job performance expectation. Assuming that an individual can benefit from gaining adequate KSAs to perform the job and thus, benefit the organization, it is predicted that the individual will seek for devices to enhance their KSAs. Training, in practice, is perceived by organizational members as the most useful way for this purpose (Blanchard, 2007).

The assumption above is consistent with the expectancy theory (Vroom, 1964). On the basis of this theory, researchers have suggested that when an employee has strong preference for the outcome contingent on performance improvement (Valence), he will seek training to fill in the gap of KSAs deficiencies (Instrumentality) with a strong belief that improving KSAs will lead to improving performance (Expectancy). For example, Mathieu et al. (1992) found that motivation was a function of perceptions that increased job performance (facilitated by training) led to feelings of accomplishment, higher pay, and greater potential for promotion. Colquitt and Simmering (1998) found that trainees who valued outcomes linked to learning showed increased motivation levels. Departing from this point, I argue that given the organizational member's belief that training can be beneficial, any factor regardless its departure should be consider as having effects on pre-training motivation if that factor could make the organizational members think that they are lacking/or will lack of adequate KSAs to meet the job performance.

Perceived Environment Uncertainty and Pre-Training Motivation

For the purposes of this paper, perceived environment uncertainty will be defined as an individual's perceived inability to predict something accurately (Milliken, 1987). An individual experiences uncertainty because he/she perceives himself/herself to be lacking sufficient information to predict accurately or because he/she feels unable to discriminate between relevant data and irrelevant data. It is clear that perceived environment uncertainty will be high in the environment which is characterized as highly uncertain. Duncan (1972), synthesizing from previous studies, identified two environmental dimensions: the simple-complex and the static-dynamic dimensions. The simple part of the simple-complex dimension deals with the degree to which the factors in the decision unit's environment are few in number and are similar to one another in that they are located in a few components. The complex phase indicates that the factors in the decision unit's environment are large in number. The static-dynamic dimension indicates the degree to which the factors of the decision unit's internal and external environment remain basically the same over time or are in a continual process of change. The dynamic-static dimension was proposed to have more significant effects on perceived environment uncertainty than did the simple-complex dimension. Duncan (1972) also identified the following main characteristics of an uncertainty environment: (1) an inability to assign probabilities as to the likelihood of future events, (2) a lack of information about cause-effect relationships and/or (3) an inability to predict accurately what the outcomes of a decision might be.

Milliken (1987) developed three types of perceived uncertainty about the environment. The "state uncertainty " is experienced by the administrator when they perceive the organizational environment, or a particular component of that environment, to be unpredictable. "Effect uncertainty" is defined as an inability to predict what the nature of the impact of a future state of the environment or environmental change will be on the organization. The third one, "Response uncertainty" is defined as a lack of knowledge of response options and/or an inability to predict the likely consequences of a response choice (Duncan, 1972). In sum, the characteristics of an uncertainty environment identified by both Milliken (1987) and Duncan (1972) contribute to the increment of organizational members' perceived environment uncertainty. Also, when the organizational members experience the high perceived environment uncertainty, they will face some performance deficiency – or at least feel that they will – because the inability of predict future (Duncan, 1972) or lack of knowledge of response options (Milliken, 1987). Thus, they will have higher feeling of training need than when the environment is highly certain.

Environmental uncertainty can be defined broadly as the predictability and change expected in the environment (Duncan 1972; Milliken 1978) and also can be defined more narrowly, in terms of information availability (Yasai- Ardekani 1986). If information about the firm's task environment (customers, technology, government regulation, and suppliers) is readily available, managers can develop predictable expectations about the environment and design systems to exploit those expectations. When information is scarce, however, managers have difficulty planning and setting goals related to productivity and efficiency. The development of systems and technologies to bring the environment under control becomes problematic, undermining the rational goal value. A paucity of information may simultaneously shift the organization toward a dependency on key personnel and their individual judgment and experience. Such a situation would likely lead to a greater emphasis on the human relations value. Buenger et al (1996), in an empirical study of United States Air Force, found a significant positive relationship between information scarcity from the external environment and an emphasis on human relation value. According to Qinn & Rohrbaugh (1983), an organization with focus on human relation value will emphasize flexibility, stress cohesion, morale and human resources development, which in turn, create a favor environment for training activities.

Consider the stable-dynamic dimension of the environmental uncertainty, Buenger et al (1996) asserted that managers must also contend with environmental turbulence. While unpredictable and rapid change in the external environment disrupt planning processes and make gains in productivity problematic, the need for those processes intensifies (Kukalis 1991). Faced with uncertainty, managers must spend more time and resources on scanning and forecasting than on under-standing and predicting their environment (Milliken, 1987). Additionally, Cameron (1986) reported that environmental turbulence was a major negative influence on morale in organizations. The reason may be that it distracts managers from the human relations values. The result is an increased emphasis on the rational goal value. Buenger et al (1996) proposed two opposite relationships: (1) a positive relationship between an emphasis on human relation value and complex training demand of an organization and (2) a negative relationship between an emphasis on rational goal value emphasizing control, planning and productivity and complex training demand of an organization (Qinn & Rohrbaugh, 1983). Surprisingly, their analysis found that both relationships were significantly positive. This result showed that, as a reaction to environment uncertainty, either an emphasis on human relation value or on rational goal value will lead to high complex training demand which can be considered to have interactional relationship with pre-training motivation of the organizational members.

In sum, the environment uncertainty has either direct effects on organizational members' pre-training motivation by decreasing their KSAs or indirect effects on pre-training motivation through the organization emphasized values systems. That allows me to propose the following proposition.

> *Proposition 1: Given the organizational member's belief that training can be beneficial, the organizational members' perceived environment uncertainty is positively associated with organizational members' pre-training motivation.*

The Organizational Structure and Pre-Training Motivation

Organizational structure, defined as "the recurrent set of relationships between organization members" (Donaldson, 1996, p. 57), is one of the most ubiquitous aspects of organizations. Donaldson noted that structure includes—but is not limited to—power and reporting relationships such as those identified in organization charts, behaviors required of organization members by organizational rules, and patterns of decision making (e.g., decentralization) and communication among organization members. Further, it encompasses both formal and informal aspects of relationships between members. The most prevalent distinction for describing fundamental differences in organizational structure is that of mechanistic and organic structural forms. It is important to note that these two structural forms represent ends of a continuum, not a dichotomy. No organization is perfectly organic or mechanistic; most display some characteristics of both, and intermediate stages exist between the two archetypes (Ambrose & Schminke, 2003).

Mechanistic structure is characterized as rigid, tight, and traditional bureaucracy. In mechanistic settings, power is centralized, communications follow rigid hierarchical channels, managerial styles and job descriptions are uniform, and formal rules and regulations predominate decision making (Burns & Stalker, 1961; Lawrence & Lorsch, 1967). Organizational members will be likely dependent on their top managers in decision making when facing a performance deficiency s rather than looking for an innovative solution or think about develop their own KSAs to meet the performance expectation. Furthermore, because in mechanistic structure formal rules and regulations predominate decision making, it is likely that the mechanistic organization will emphasize the goal rational value system which pay less effort on developing the internal human resources than do the other system such as human relation value or open system (Milliken, 1987).

By contrast, organic organizations are characterized by flexible, loose, decentralized structures. Formal lines of authority are less clear, power is decentralized, communication channels are open and more flexible, and formal rules and regulations take a back seat to adaptability in helping employees accomplish goals (Burns & Stalker, 1961; Lawrence & Lorsch, 1967). It is clear that this kind of structure supports the human relation value and encourages the self development of organizational members as well. Employees have more authority to make decision and thus, more self-efficacy to solve the performance deficiency by self-development rather than relying on the top managers. Colquitt et al (2000) found a significantly positive relationship between pre-training self-efficacy and pre-training motivation. Based on those premises, I argue that the members of organic organizations will have higher pre-training motivation than that of the members of the mechanistic organizations. Thus, the following proposition is offered:

> *Proposition 2: Given the organizational member's belief that training can be beneficial, the dimension organic-mechanistic of organizational structure will be associated with motivation of the organizational members.*

The Mediating Role of Organizational Structure in the Relationship Between Perceived Environment Uncertainty and Pre-Training Motivation

Contingency theory suggest that perceived environment uncertainty affects organizational structure, that administrators de-sign organizational structures such that the organization will be able to more effectively respond to environmental demands, and that they do this in accord with their perceptions of the environment. In general, it is argued that the more uncertainty that is perceived, the more will be the looseness or flexibility or "organicness" of the organizational structure, that is, that a positive relationship exists between these variables. For example, on the basis of a number of field studies Osborn and Hunt (1974) concluded that either perceived or objective environmental uncertainty is a determinant of organizational structure. In particular they stated (1 974: 232):

> "The work of Burns and Stalker (1961), Chandler (1962), Emery and Trist (1965), Lawrence and Lorsch (1967), and Neghandi and Reiman (1973), among others, has indicated that as [the task environment] becomes more dynamic, the organization must become not only more receptive to change, but alter its internal structure and operations to maintain and/or establish a high survival potential."

If various structures are differentially effective in processing information to reduce decision-making uncertainty, then the information processing capabilities of structure would need to be consistent with the uncertainty perceived in the environment (Koberg, 1987). An organic structure, with its low degree of formality and high degree of information sharing and decentralization, enhances an organization's flexibility and ability to adapt to continual environmental and uncertainty (Mintzberg, 1979). Thus, the conceptual studies support the positive relationship between perceived environment uncertainty and organic organizational structure.

From the empirical perspective, the field studies of Duncan (1971), using data from 22 decision groups, and Khandwalla (1972), using data from 29 manufacturing firms, both found that increased perceived uncertainty was correlated with less mechanistic structures for effective organizations, thus apparently supporting the perceived environment uncertainty influences structure argument. Leifer and Huber (1977) in a field study comprising 12 work units (182 people) working in a health and welfare organization found supports for the positive relationship between perceived environment uncertainty and organic organizational structure.

> *Proposition 3: The organic – mechanic dimension of the organizational structure will mediate the relationship between perceived environment uncertainty and pre-training motivation of the organizational members.*

The Organizational Strategic Choice and Pre-Training Motivation

This part is to examine the effects of organizational strategic choice on the organizational members' pre-training motivation. There are two dimensions of the organizational strategic choice discussed in theory: build versus harvest and differentiation versus low cost. The mission of the "build" strategy is to gain market share often at the expense of short-term profitability and cash flow. The mission of the "harvest" strategy is to maximize short-term profits and cash flow, often sacrificing market share (Glueck & Jauch, 1984; Govindarajan, 1986; Hofer & Schendel, 1978). The build/harvest strategic missions do not describe how the firms compete, but only indicate the intended outcomes (Govindarajan, 1986). Thus, this dimension is not appropriate to be considered for its effects on the pre-training motivation of the organizational members which is depending on how the organization selects a long-term strategy to achieve the strategic goals.

Porter (1985) proposed two generic competitive strategies that describe a means for attaining the desired outcomes: low-cost and differentiation. This dimension is more appropriate for a discussion about its effects on pre-training motivation because it emphasize on the means, rather than the expected outcomes. For this reason, only the low-cost and differentiation strategies are considered in this paper.

A strategy of differentiation is defined as an attempt to offer a product that is perceived industry-wide as being unique (Porter, 1980). This strategy requires an external orientation and a creative flair in order to deliver a unique product to the customer. Since the differentiating firm does not make standard products, it needs to know both what types of products customers want and what customers think about the products it makes. There are multiple approaches to differentiation; it can be based on the product itself (i.e., technology, design, quality), marketing approach, delivery system, or customer service. A successful differentiator will seek approaches that lead to a price premium greater than the cost of differentiating. Considering that there are numerous ways of achieving and maintaining uniqueness in the marketplace, a differentiator will require a relatively large information-processing capacity to deal with the many available options. The logic of the differentiation strategy requires that a firm choose attributes on which to differentiate itself that are different from its rivals. The options available to a differentiator with respect to what unique product features to offer normally would be greater than those available in the case of a low-cost strategy. Thus, information-processing requirements will be huge in the case of organization following a differentiation strategy. The consequence is that, the member of the organization following the differentiation strategy will need great competency in all information related task such as colleting and processing.

Achieving differentiation sometimes may preclude gaining a high market share. It often requires a perception of exclusivity which is incompatible with high market share (Porter, 1980). This exclusivity, in turn, may require unique product design, distinctive styling, and sophisticated promotional appeal as well as manufacturing craftsmanship, multipurpose equipment, high quality materials, and extensive product research and development. The lower volume of production, combined with an organizational emphasis on special product characteristics and flexibility/adaptiveness toward the marketplace, suggests that differentiation strategy will lead the organization to an emphasis on human relational value system, which in turn creates a favorable environment for a complex training demand to develop (Buenger et al., 1996).

In contrast, a strategy of low cost signifies an attempt to sell an essentially undifferentiated product at lower-than-average market price (Porter, 1985). Low-cost producers typically sell a standard, or no-frills, product and place considerable emphasis on reaping scale or absolute-cost advantages from all sources. Low-cost strategy implies tight control systems, overhead minimization, pursuit of scale economies, and dedication to the learning curve; these could be counterproductive for a firm attempting to differentiate itself through a constant stream of creative new products (Porter, 1985). For a low-cost strategy to be successful, managers must direct their attention to the internal aspects of their organization, primarily to the production and engineering functions.

Achieving a low-cost position often requires a high, relative, market share or other advantages, such as favorable access to raw materials. It may require designing standard products for ease in manufacturing, maintaining a wide line of related products to spread costs, and servicing all major customer groups in order to build volume (Porter, 1980). Large production volume justifies investing in modern, efficient equipment using conveyorized assembly lines with modularized components for easy expansion of capacity. Equipment is usually of a highly specialized type (although this can be overcome with more expensive flexible manufacturing systems) and the skills required to operate it are generally low. Workers can be relatively unskilled and the discretion of people will be limited. Hence, in terms of competitive strategy, a strategy of differentiation is likely to make the intra-organization's technology more akin to a job shop, small volume, batch type of operation. On the other hand, a low-cost strategy is more likely to require a greater reliance on standardization, routinization, and mass production. Thus, it is clear that organizations following a low-cost strategy do not create an environment that favors the learning activities as well as the pre-training motivation of the organizational members. Generally, differentiation and low-cost strategies are distinct and have different effects on pre-training motivation of the organizational members as proposed in the following proposition.

> *Proposition 4: The pre-training motivation of organizational members in the organization following the differentiation strategy will be higher than that of organizational members in the organization following the low-cost strategy.*

The Moderating Role of Strategic Choice in the Relationships Between Perceived Environment Uncertainty and Pre-Training Motivation

The characteristic of uncertainty environment which is mostly related to a differentiation strategy is the information scarcity. Given that the organization does not change from differentiation to low-cost strategy, the increase of perceived environment uncertainty place a greater demand of on the organizational members' competency to collect, to filter and to process the required information to maintain the competitive advantage. Eisenhardt (1989) found that successful decision-makers in high-velocity environments use more information, consider more alternatives, and seek a greater amount of advice. Instead of departing from the analytical requirements of comprehensive decision-making, they accelerate their cognitive processes. The quick decisions resulting from comprehensive decision processes lead to better performance (Goll & Rasheed, 1997). Further, differentiation firms rely most on the application of unique technology to win the target market; in the high uncertainty environment, that the technology changes rapidly forces the firm keep continue training their employees to acquire adequate KSAs to run the new technology. In contrast, when the environment becomes highly unfavorable (i.e. high uncertainty), the low-cost firms may try to reduce the cost by cutting-off production or decreasing market size. Those reactions will lead to the decrease of the pre-training motivation of the employees.

According to the expectancy theory (Vroom, 1964), because improving the organizational members' competency in information related task will help improve the differentiation organization's performance, both the organization and its members will favor the employee development activities. In contrast, the low-cost organization will not favor training their employees in uncertainty environment because of the cost increasing; that will decrease the pre-training motivation of their employees. It is predicted that, when the environment is highly uncertain, the pre-training motivation is expected to be higher in differentiation than that in the low-cost organizations. Thus, the strategic choice of the organization will significantly affect the relationship between the perceived environment uncertainty and pre-training motivation of the organizational members. That allows me to propose the following proposition about the role of strategic choice in the relationships between perceived environment uncertainty and pre-training motivation.

> *Proposition 5: Organizational Strategic Choice will moderate the relationship between perceived environment uncertainty and pre-training motivation of the organizational members. Particularly, the relationship between perceived environment uncertainty and pre-training motivation of the organizational members will be stronger in differentiation organizations than that in the low-cost organizations.*

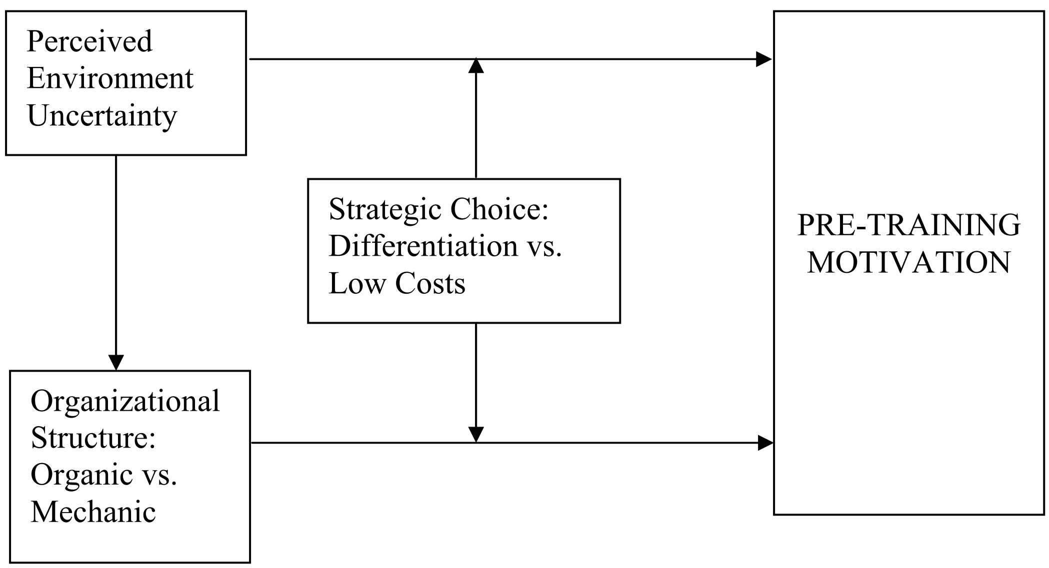
The Moderating Role of Strategic Choice in the Relationships Between Organizational Structure and Pre-Training Motivation

There is theoretical foundation for the argument that the differentiation strategy favors the highly organic organizational (low mechanic) structure and the low-cost strategy favors the low organic structure (high mechanic). The differentiation strategy relies on the less formalized structure and gives more autonomy to the employees whereas the low-cost emphasize the standardization of the production process and limit the discretion of people (Govindarajan, 1986). Furthermore, as argued above, the differentiation firms tend to emphasize the development of their human resources while the low-cost firms tend to cut any activities that may increase their production costs. It is clear that given a constant level of an organization in the dimension organic-mechanic structure, the organizational strategic choice significantly affect the relationship between this dimension and pre-training motivation of organizational members.

> *Proposition 6: Organizational Strategic Choice will moderate the relationship between the dimension organic-mechanic of organizational structure and pre-training motivation of the organizational members. Particularly, the relationship between this dimension and pre-training motivation of the organizational members will be stronger in differentiation organizations than that in the low-cost organizations.*

The relation of propositions in this paper is depicted in Figure 1.

FIGURE 1
THE MODEL OF ANTECEDENT OF PRE-TRAINING MOTIVATION FROM SITUATIONAL FACTORS



DISCUSSION

The primary relevance of this paper is in its extension of the expectancy theory linking pre-training motivation to situational factors from the environmental to the organizational context. Theoretical arguments in support of the interactive effects of the perceived environment uncertainty, organizational structure and organizational strategic choice on the pre-training motivation of organizational members have been presented. The proposition developed here should serve as a foundation for new empirical research.

Historically, as part of the development of the theory of pre-training motivation, considerable research efforts were devoted to identifying the factors on which pre-training motivation may be dependent. Several factors related to individual characteristics such as personality (Colquitt & Simmering, 1998), locus of control (Noe, 1986), self-efficacy (Martocchio & Webber, 1992; Quinoes, 1995) and aging (Stern & Doverspike, 1989) so far have been identified. Colquitt et al. (2000) develop an integrative model which proposed training motivation as a multifaceted variable and called for a comprehensive approach which recognizes both individual and situational characteristics effects on this variable. This paper inherits and extends the importance of Colquitt et al.'s (2000) approach by first pointing out that perceived environment uncertainty is a preeminent source of variation for the pre-training motivation of the organizational members and further suggesting that the training complex demand are affected by the organization's chosen competitive strategy and organizational structure as well as by the interaction among those factors. Future theoretical developments in the area of training motivation might benefit from focusing explicitly on the organizational variables as the source of variation rather than only examining individual variables such as age, personality, and self-efficacy. Thus, a more comprehensive approach of training motivation will help understand training motivation from a situational perspective.

The propositions in this paper have practical importance as well. The general contribution is that managers need to recognize that training motivation is a multi faceted variable and situational factors has important effects on training motivation as do the individual factors. The more particular application is about the training decision and its effectiveness. Training is costly but there has been a lack of comprehensive typology to evaluate the training outcomes (Salas & Cannon 2003). The training cost $59 billion was spent by the US employer on formal training in 1996. This number increased to $129.6 billion in 2006 and $134.39 billion in 2007 (ASTD Industry Report 1996, 2006, and 2007. The training cost in US companies is huge but not much when compared with other countries. Noe (1998) pointed out that US companies only spend about one-third as much as Japanese companies do on training. This information indicates that training is really considered important to organization through the world and companies are willing to invest a large amount of money in training activities. They key question here is: Are there some cases that the managers make wrong training decision (i.e. implement a training program while there is not a real training need)? This paper partially helps address this question by reminding the managers that situational factors may lead to high pre-training motivation. Managers can benefit from the proposed model to understand the organizational pre-training motivation in their actual contexts. Practices of either low or high pre-training motivation affect the training decision and training performance. It is clear that low pre-training motivation may lead to poor training performance but the pressure of high training demand also force the managers to make the wrong decisions as well. Members of organizations with organic structure and differentiation strategy will feel that they always need training to perform better whereas they may possess enough job competencies and training may not be the best solution or in other words, high pre-training motivation may become a false indicator of training need.

Limitation and Future Research Recommendation

This paper has some limitations. First, because this is the first paper attempting to examine the relationship between environmental and organizational factors on pre-training motivation, the theoretical background supporting the arguments is limited. Second, the distinction between the conceptualizations of perceived environment uncertainty and environment uncertainty is not cleared. Both the two terms are mutually used as one construct here but in fact, they are two different concepts. Environment uncertainty is the characteristics of the external environment in a period. According to Duncan (1972), uncertainty and the degree of the complexity and dynamics of the environment should not be considered as constant features in an organization. Rather, they are dependent on the perceptions of organization members and thus can vary in their incidence to the extent that individuals differ in their perceptions. Some individuals may have a very high tolerance for ambiguity and uncertainty so they may perceive situations as less uncertain than others with lower tolerances. As a consequence, pre-training motivation might be different from one individual to another; that challenge the validity of the model proposed in this paper. Finally, whether organizational strategic choice is a dichotomy or continuous variables is still a debate; its nature, when finally defined and widely accepted, may affect its proposed moderating role.

This paper also has some implications for future research. First, there is a need for empirical study to define the perceived environment uncertainty construct as well as to test for the construct's reliability and validity. Second, there are others situational variables that may affect the pre-training motivation but are not included in the model. Cultural effects and organizational compensation policy are examples. More empirical and conceptual studies should be developed to provide a more completed understanding of pre-training motivation. Finally, how perception of organizational members about organizations' characteristics differs from the actual ones and whether this difference affects the pre-training motivation of the organizational members is a potential area for future research.

NOTE

A version of this study was presented at the 2012 Annual Conference of the Southwest Academy of Management, New Orleans, Louisiana, March 2012. April 1998.

REFERENCES

Ambrose, M.L., & Schminke, M. (2001). Organization structure as a moderator of the relationship between procedural justice, interactional justice, perceived organizational support, and supervisory trust. *Journal of Applied Psychology*, 88, 295 – 305.

Ambrose, M.L., & Schminke, M. (2001). Are flexible organizations the death knell for the future of procedural justice? *In R.Cropanzano .Ed., Justice in the work place II, From theory to practice* .pp.229–244. Hillsdale, NJ, Erlbaum.

ASTD Industrial Report. (1996), (2006), (2007).

Birdi, K., Allan, C., & Warr, P. (1997). Correlates of perceived outcomes of four types of employee development activity. *Journal of Applied Psychology*, 82, 845-857.

Blanchard, P. N. & Thacker, J. W. (2007). *Effective Training, Systems, Strategies and Practices*, 2nd Edition, Prentice Hall, Upper Saddle, N.J.

Buenger, V., Daft R.L., Conlon, J.C, Austin J. (1996). Competing values in organizations, contextual influences and structural consequences. *Organization Science*, 7, 557-576.

Burns, T., & Stalker, G.M. (1961). *The management of innovation*. London, Tavistock.

Clark, C. S., Dobbins, G. H., & Ladd, R. T. (1993). Exploratory field study of training motivation, Influence of involvement, credibility, and transfer climate. *Group & Organization Management*, 18, 292-307.

Colquitt, J. A., LePine J. A., & Noe, R.A. (2000). Toward an Integrative Theory of Training Motivation, A Meta-Analytic Path Analysis of 20 Years of Research. *Journal of Applied Psychology*, 85, 678-707.

Colquitt, J. A., & Simmering, M. S. (1998). Conscientiousness, goal orientation, and motivation to learn during the learning process, A longitudinal study. *Journal of Applied Psychology*, 83, 654-665.

Duncan, R. (1972). Characteristics of organizational environments and perceived environmental uncertainty. *Administrative Science Quarterly*, 17, 313-327.

Duncan, R.G. (1971). *Multiple Decision-Making Structures in Adapting to Environmental Uncertainty, The Impact on Organizational Effectiveness*. Working Paper, Northwestern University, 54-71.

Salas, E. & Cannon, J. (2000). The science of training, a decade of progress, *Annual Psychology Review,* 52, 471-499.

Goll, I. & Rasheed, M.A. (1997). Rational decision-making and firm performance, the moderating role of environment. *Strategic Management Journal*, 18, 583-591.

Govindarajan, V. (1986). Decentralization, strategy, and effectiveness of strategic business units in multibusiness organizations. *Academy of Management Review*, 11, 844-856.

Kanfer, R. (1991). Motivation theory and industrial and organizational psychology. *In M. D. Dunnette & L. M. Hough .Eds., Handbook of industrial and organizational psychology* .Vol. 1, pp. 75—170. Palo Alto, CA, Consulting Psychologists Pres.

Khandwalla, P.N. (1972). *Uncertainty and the optimal design of organization.* Paper presented at TIMS meeting, Houston.

Koberg. C.S . (1987). Resource Scarcity, Environmental Uncertainty, and Adaptive Organizational Behavior. *The Academy of Management Journal*, 30, 798-807.

Kukalis, S.(1991). Determinants of strategic planning systems in large organizations, a contingency approach. *Journal of Management Studies*, 28, 143-160.

Leifer, R. & Huber, G.P. (1977). Relations among perceived environmental uncertainty, organization structure, and boundary-spanning behavior. *Administrative Science Quarterly*, 22, 235-247.

Martocchio, J. J., & Webster, J. (1992). Effects of feedback and cognitive playfulness on performance in microcomputer training. *Personnel Psychology*, 45, 553-578.

Mathieu, J. E., Tannenbaum, S. I., & Salas, E. (1992). Influences of individual and situational characteristics on measures of training effectiveness. *Academy of Management Journal*, 35, 828-847.

Milliken, F.J. (1987). Three types of perceived uncertainty about the environment, state, effect, and response uncertainty. *Academy of Management Journal*, 12, 133-143.

Mintzberg, H. (1979). *The structuring of Organizations*. Englewood Cliffs, N.J., Prentice Hall.

Noe, R. A. (1986). Trainee attributes and attitudes, Neglected influences on training effectiveness. *Academy of Management Review*, 11, 736—749.

Noe, R.A. (1999). *Employee Training and Development* .1st ed.. Burr Ridge, IL, Irwin McGraw-Hill.

Porter, M. E. (1980). *Competitive strategy*. New York, Free Press.

Porter, M. E. (1985). *Competitive advantage*. New York, Free Press.

Quinn, R. E. & Rohrbaugh J. (1983). A spatial model of effectiveness criteria, Towards a competing values approach to organizational analysis. *Management Science*, 29, 363–377.

Quinones, M. A. (1995). Pre-training context effects, Training assignment as feedback. *Journal of Applied Psychology*, 80, 226-238.

Rouiller, J. Z., & Goldstein, I. L. (1993). The relationship between organizational transfer climate and positive transfer of training. *Human Resources Development Quarterly*, 4, 377-390.

Saari LM, Terry RJ, Steven DM, Denise MZ. (1988). A survey of management training and education practices in U.S. Companies. *Personal Psychology,* 41,731-743.

Sterns, H. L., & Doverspike, D. (1989). Aging and the training and learning process. *In I. Goldstein .Ed., Training and development in organizations* .pp. 299-332. San Francisco, Jossey-Bass.

Tannenbaum, S. I., & Yukl, G. (1992). Training and development in work organizations. *Annual Review of Psychology*, 43, 399-441.

Tracey, J. B., Tannenbaum, S. I., & Kavanagh, M. J. (1995). Applying trained skills on the job, The importance of the work environment. *Journal of Applied Psychology*, 80, 239-252.

Vroom, V. H. (1964). *Work and motivation.* New York, Wiley.

Yasai-Ardekani, M. (1986). Structural Adaptations to Environments. *Academy of Management Review*, 11, 9-21.

How Do We Build Self-Esteem in Girls Before They Age Out of Foster Care?

Gardenia Burks
Benedictine University, Springfield

With a myriad of speculations on how self-esteem may be formed in girls journeying through and exiting the foster care system no research claims an absolute time when self-esteem is formed. There are inferences to multiple causes playing pivotal roles in identifying how girls view themselves and their worth laying the groundwork for self-esteem, not only as children, but as they move towards adulthood. Because phenomenological studies seek the human experience as described by the participants, studies framed around this research method may present more accurate information as opposed to literature written by those never being part of foster care.

INTRODUCTION

The topic of mentoring to build self-esteem is the focus for this research, in selecting this topic it was necessary to combine several other areas of study to pull the subject of mentoring young girls in foster care into a meaningful and explainable paper. The search for literature focusing on mentoring girls from an early age and its affect on their self-esteem was not an easy quest. While there are individual studies regarding mentoring, self-esteem, the effects of parental involvement on the outcome of girls, as well as the difference in development and self-esteem in girls and boys, none targeted the prolonged effect of consistent mentoring from an early age. The studies described in this paper include a myriad of speculations of how self-esteem may possibly be formed and effected in these girls as they journey through and exit the foster care system, and presents the question, 'how can mentoring be helpful at each stage'? While no research claims an absolute point in time when self-esteem is formed, there are inferences as to multiple causes that play pivotal roles in identifying how secure these girls are with themselves and their worth, which in turn lays the groundwork for their self-esteem, not only as children, but as they move into adolescence and adulthood. A mentor may close the gap of positive adult involvement and guidance which may be missing or not present in their lives. After careful review of the studies presented in the literature the current hypothesis is phenomenological studies would provide more sound and accurate data on how and when to mentor girls before they leave foster care by better preparing them to enter adulthood with the same skills and confidence level as girls not exposed to foster care.

OVERVIEW

In the United States there was an estimated 423,773 children in foster care on September 30, 2009, of which 47 percent were female. Approximately 276,266 children exited foster care during Fiscal Year (FY) 2009, (Gateway Child Welfare, 2011). Exiting foster care may imply the child has reunified with their family, emancipated or "aged out" (child is no longer the responsibility of the foster care system).

Current literature reveals that girls transition from foster care into society as young adults with little to no self-esteem, despite the programs foster care has in place to prepare them for life beyond the system. Some studies point to biological parents and families taking a more active and participatory role in their lives as well as foster parents being more involved in day to day activities essential in making a difference in reunification, and possibly limiting their stay in foster care, (Alpert & Britner, 2009).

Others believe girls develop differently than boys and therefore are in need of different motivators to build their self-esteem (Nelson, 1996). The critical time for development of girls starts in early childhood when they are separating from their female caregivers (Powell, 2004). Girl's build and hold on to relationships in a differently than boys, therefore attention should be placed on how girls are taught to separate and move forward once a relationship comes to an end (Chodorow, 1978). Girls as early as age four begin to internalize problems as a result of socialization (Keenan & Shaw, 1997). The Keenan & Shaw study also suggests that at age 5 girls show lower rates of externalizing problems. With the classroom as a peer group, children form a network of interpersonal ties and develop social status among their friends.

A mentor at this stage in the life of a young girl in foster care may prove to be a beneficial source of support. Because phenomenological studies seek the human experience as described by the participants themselves, studies framed around this research method may present more accurate and sound information as opposed to literature that is written based on assumptions from individuals who write about but were never part of foster care.

STUDY REVIEWS

Early socialization of empathy for girls may lead to the development of higher rates of internalizing disorders in adolescence (Zahn-Waxler, Cole, & Barrett, 1991). They also proposed that for girls exposed to the extreme chronic distress of others, empathic feelings may develop into feelings of responsibility and guilt. Girls, over internalize others problems as their own. Throughout girls' development, individual achievement has not been tied to their self-concept. Instead, they have been socialized to guide themselves by understanding how their behavior affects others Gilligan, 1982). Children learn skills during preschool that assist with expressing and managing how to respond to situations where emotions are involved, (Ahrens, DuBois, Richardson, Fan, & Lozano, 2008),(Saarni, 1997).

Girls in this population could very well benefit from having a mentor to teach them how to appreciate their uniqueness as individuals. Each girl is an individual with her own unique personality, abilities and emotionally scars. Many circumstances play a role in building of self-esteem, yet most articles choose to showcase one or two possible contributors. Studies from the 1990's discuss the self-esteem of girls in foster care and a few factors that may be the basis for the negative reports surrounding their self-esteem, but offer little if any solutions. The earlier articles spoke about John Bowlby's attachment theory and the role the theory played in a child's development. Newer research and studies focus on development factors and parental involvement necessary in better preparing girls to live on their own after foster care and the need of mentors as they are transitioning into young adulthood, as a way to establish their self-esteem. More research will need to be conducted that looks at the constructs of self-esteem with young girls in foster care to determine how and when mentoring would be most effective within this population.

Girls in foster care enter adulthood with more preconceived labels and expectations than non fostered girls and are reported to not only have low self-esteem, but also a high rate of un-wed pregnancies, drug problems, homelessness, along with encountering difficulty locating employment, unlikely to pursue a higher education and other negative characteristics (Ahrens, DuBois, Garrison, Spencer, Richardson, & Lozano, 2011). Separate literature speaks to different aspects of how the formulation of self-esteem affects girls and boys differently, with girls' self-esteem being affected at an earlier age than boys (Powell, 2004). Some reports state that girls' on average are 1 full year ahead of boys, in terms of physical, social and emotional development by the time they are school age.

Although the first epidemiological studies of early childhood was conducted in the mid 1970's, there is still no literature that suggests any one possible solution to how this set of girls may be guided and supported down pathways to improve their chances of exiting the system with a clearer set of directions and a vision of how to navigate through foster care and transition positively into adulthood. The purpose of this paper is to establish what factors may attribute to the self-esteem of girls as they go through foster care, and will mentoring from an early age affect their self-esteem and better prepare them for exiting the foster care system? This is also an attempt to pull together studies from different disciplines that provide a more intimate look into how and when girls in foster care may be better served with a consistent adult mentor in her life. If future literature that reflects a more positive outcome of these girls is to occur, a more diligent effort needs to be placed on a collaboration of several disciplines working together with a clear focus and understanding or perception that girls are developmentally and emotionally different and as part of foster care there may be an even more complicated set of variables taking place. Pairing these studies with phenomenological research could very well answer questions that will affect a large number of young girls in foster care.

Accounting for Self-Esteem and Mentors

A conversation with an individual who journeyed through the California foster care system from age eleven through the age of eight-teen, and a second conversation with a former foster parent in New York, described how mentoring this group of girls from as early an age as possible might have an overall effect as the girls navigate from childhood, pre-teen and teen years and into young adulthood. While neither are writers or scholars, foster care was an intricate part of their lives. To ignore their input discounts what they experienced from a firsthand account. Both individuals shared similar opinions, reflections and conclusions regarding why girls in foster care are exiting the system with low self-esteem and negative expectations for themselves. While each provided her perception through a different set of lens, the variance in age range, race and geographic locations became apparent that their differences were actually similarities which resulted in the desire to further explore the context of our conversations. Combining their insight with existing literature made it easier to focus on addressing conceivable causes for low self-esteem in this group of girls. Both conversations led to girls in foster care not only desiring but deserving to be treated with dignity, respect, and having consistent positive influences from adults in their lives. There have been implications that the self-esteem of girls in foster care may be enhanced by a stronger emotional investment on the part of the biological and foster parents. A clear understanding of where and how the child fits in the family structure also has an impact on how the girls view themselves not only as children, but as they move through the many developmental stages that occur from childhood to adulthood (Chodorow, 1978).

Interestingly, reports show 25% to 40% of adolescent girls have experienced depressed moods as compared to 20-35% of boys (Marcotte, Fortin, Potvin, & Papillon, 2002). The depressive disorders have been documented in girls as young as ten. The physical changes that occur during this time to any girls' body may also lead to a negative body image. According to one study (Allgood-Merten, Lewisohn, & Hops, 1990) body image and self-esteem are the two most important gender differences in depressive feelings, and Nolen-Hoeksema & Girgus,(1994) considered the multiple transitions occuring with a girls body during adolescence and pre-adolescence combined with the uncertainties surrounding entering high school during adolescencts as another contributor to periods of depression. Girls experiencing rejection and neglect exhibit anxiety, depression and withdrawal (Downey, Feldman, Khuri, & Friedman, 1994). With girls being labeled as emotional, these signs can be missed by parents and caregivers as normal behavior. Younger children are susceptible to negative images about their bodies, (Collins, 1991). Collins found that girls as young as 6 years of age showed a discrepancy between their own body type and their ideal body type, with the ideal type being thinner than their own. As children age they report more negative body image (O'Dea & Abraham, 1999).

Studies in the US show that girls are more likely to have the negative body image more so than boys. Would a mentoring relationship assist in building a strong self-esteem in this population of girls, if mentoring begins as girls begin to socialize, or enter a daily school routine, as suggested in the two conversations? Socialization is described as the process by which an individual learns to behave in a manner consistent with societal standards (Grusec & Lytton, 1988).

Research was conducted to determine if girls change more than boys as it relates to identities and behaviors (Lee, 2005). Using survey responses from 320 students in a summer program, Lee concluded that the female students were more communally oriented, that girls self-esteem is linked to parental support and involvement, girls are quicker than boys to take on new relationships,were more self conscious in social situations and more sensitive to the opinions and reactions of others. They were also more actively averse to noncomforming behavior. While there was no indication if any of the partcipating girls were in foster care, the report did suggest a change of relationships have a more stressful effect on girls in general. If girls are indeed apt to become more emotionally connected and involved in relationships, the stress and disruptions of placement changes during foster care may have an effect on their sense of belonging to and being accepted by a group (family), in turn effecting their self-esteem (Nolen-Hoeksema & Girgus, 1994). Fomby & Cherlin, (2007) refer to an "instability hypothesis" when children are affected by the multiple disruptions in their family structure. Girls in foster care are likely to be exposed to multiple disruptions, some more often and at earlier ages than others. This too could affect the formation of their opinions of self.

In reality some girls in foster care do not have access to or relationships with their biological families or a constant and positive adult figure present in their lives. These two factors could very well make a difference in how girls view themselves and their abilities not only as children and adolescents, but carry the feelings over into how they form relationships in their adult lives as well (Chodorow, 1978).

Previous studies have expressed different variables that affect ones self-esteem but none have produced an absolute remedy stating how any one or two combinations are the perfect solutions needed to build this characteristic in girls, specifically those in foster care. Self-esteem refers to self-worth, self-respect or how one regards or feels about oneself. Self-concept refers to perception about identity and achievements (Powell, 2004). If girls in foster care have access to an adult mentor while in care this may allow an opportunity to build their self-esteem while learning to also build trusting relationships before transitioning into mainstream society as adults.

This is not a proclamation that the problem of self-esteem will ever be "solved", but by linking and connecting the areas of so many studies with a solid mentoring model throughout the foster care journey it is conceivable that a different approach may reach a greater number of girls, resulting in a change in perception of their post foster care outcome, and possibly generate updated literature reviews of a more positive transition into adulthood. Conducting phenomenological studies would help address this issue.

Participatory Inquiry

A participatory inquiry study was reviewed which focused on how a childs attachment to her caregiver affords emotional support and a secure base which enhances self-esteem (Fernandez, 2007). It described, the more placements children have, the lower their peer self-esteem.The study goes on to include a small portion of a twelve year old girl's interview relating to her many placement changes. The girl reported " It's like we're second hand kids; unless that's how all kids feel who are my age" , (Fernandez, 2007). Surprisingly, this same quote was used in an episode of a 1960's TV series, *"My Three Sons",* forty years earlier and yet foster children are still looked upon as second hand. When individuals who sincerely care about the future of girls aging out of foster care and those who were formerly in care are included in implementing programs maybe more attention will be placed on qualities or issues affecting not only their outcome, but their emotional well being while in care. As former foster children enter the real world, they are making known what they felt was missing or what could have made a difference in their lives, as they traveled through the system. More phenomenological studies and input from their point of view may change the direction of literature regarding the outcome of this population of children in general. Who can better tell you what is needed than someone who has experienced the phenomena first hand?

Additional Study Reviews

Not knowing at what specific point in time self-esteem begins to emerge has become evident in the studies, but a more factual dilemma is in determining when, and where to begin focusing attention on these girls to ensure they are exiting foster care with a sense of self-esteem. Studies were reviewed that suggest building girls self-esteem should start when they are young, which supports the two conversations spoken of earlier. Both women believe mentoring or a committed and positive adult should be introduced to girls as early as age five, as this is when girls are going to kindergarten, and socializing on a daily basis. This was also supported by several studies presented in this paper. Each woman also stated that having a dependable adult to turn to throughout their childhood would provide a sense of security and support for these vulnerable girls. Based on their experience, providing a secure and dependable adult in their lives at an early age would lay the foundation for their self-esteem. The studies presented in this paper suggest these ladies and their insights may be correct, the earlier and more consistent, the more likely these girls will exit foster care with a strong sense of self with the ability to externalize rather than internalize emotions and situations.

Most theorists are in agreement that attachment relationships are important and coupled with the fact that foster children are moved around quite a bit may affect those relationships and in turn affect the girl's ability to build effective relationships (Nolen-Hoeksema & Girgus, 1994).

The attachment theory claims children develop affectional ties to caregivers, a secure base which attributes to their "internal working model" which serves as a guide to other relationships, (Bowlby, 1969). Bowlby stated for a person to know that an attachment figure is available and responsive provides a strong and pervasive feeling of security and encourages one to value and continue the relationship. This relationship is important for preparing girls to interact and participate in future relationships throughout their lives.

Several literary studies following Bowlby have also provided an analysis of how attachment and lack of parental involvement may affect children in foster care. Dr. Malerstein proposes after age seven attachment theory's predictions of social functions are unpredictable, and that is when Cognitive-Motivational Structure Theory (CMS) begins. CMS, differs from attachment theory in that it looks at when during ones development the sense of self is formed (Malerstein, 2005).The literature of Dr.Malerstein also believes between the ages of eight and eleven is a critical period when the formation of CMS patterns within the childs development carrys over into adulthood. This is more support that suggests a mentoring relationship early on may make a difference in a foster girls adult outcome.

Before John Bowlby wrote about attachment theory and Dr.Malerstein about CMS, Sigmund Freud, in 1894 discussed in his final theory of anxiety "The Neuro-psychoses of Defense, the piecemeal manner in which separation anxiety, mourning and defense were being reviewed, even though they were all related. This suggests information has been available for some time that bridges anxiety with mourning and defensive attitudes or behaviors. He further writes "missing someone who is loved and longed for is the key to an understanding of anxiety" (Freud). Freud himself dealt with the question, "Does defense precede anxiety or anxiety defense? If the response to separation is pain and mourning, how can it also be anxiety?", which leads to the question, could the thought of self-esteem fit into Freud's inverse recognition that the end result of other factors affecting the lives of girls in foster care push self-esteem to the forefront and make that quality the more ubiquitous issue? It may be plausible that the individuals are in a perpetual state of mourning for their families, like a young child is for its caregiver and are unknowingly holding on to the anxiety of not being embraced by that biological family which then presents anxiety in other areas of their lives, resulting in a combination of all of these areas revealing themselves as lack of self-esteem by those looking on from the outside.

There are qualitative studies suggesting more involvement is needed from parents in programs and services that support reunification between them and their children as it may contribute more to the overall well being of the children. However, one study provided information in regards to the parent's perception and interpretation of their treatment from caseworkers. Parents of forty six children in foster care revealed that they feel a sense of state power over them, the threat of having their children permanently removed pervades the foster care process for the parents (Alpert & Britner, 2009). Many parents felt the caseworkers were yielding power over them and began to feign cooperation, even though they wanted to be more involved with their children. They expressed a feeling of being underserved and overlooked by child protection services and were sometimes fearful of caseworkers and their power. If parents are to be involved, steps should be taken to ensure they are comfortable in working with the caseworkers that are assigned to their cases without fear of the case-workers power over them or the future with their children.

Getting parents involved in activities outside of the home, in activities that allows the child to showcase her talents while interacting with other girls their ages may help buid confidence and social skills. Leisure time, interests and activities that the youth finds of value may offer opportunities that help them find a more positive way through life in foster care (Gilligan, 1999). Achievement and performance, without pressure, in areas of interest to the child can be key ways of building self-esteem, (Gilligan, 1999). Gilligan goes on to say “sensitive mentoring by concerned adults can foster self-esteem, strengthen mental health and open new social relationships beyond the care system”. The mentor may provide valuable opportunities in this area. Involvement in activities of interest serve to prepare youth with life after care and allows the child to rehearse, observe and discuss problem solving skills and strategies. “Positive leisure time interest and hobbies are significant” (Gilligan, 1999).

There are little, if any arguments in regards to self-esteem being at its lowest during adolescence, for both boys and girls (Powell, 2004). Stanrock,(2001) cites a study suggesting that resolving conflicts during adolescence helps individuals become who they will be, unique individuals progressing further into higher developmental stages. For teens to become independent their self concept and self-esteem have to be strong to overcome adolescent conflcits. As referenced before, the critical time for development of girls start early in childhood when they are trying to form their own personailites at the same time as they are learning to separate from the adult female caretaker in their lives. The conflict is understanding how to remain close or connected to the caretaker while forming their individuation. The process is not as complex for boys because the gender of the primary caretaker is usually different , which makes the separation from the caregiver easier (Powell, 2004). According to Fomby & Cherlin, (2007) girls in foster care are likely to be exposed to multiple disruptions, connecting with an adult female and then having to separate may be conflicting for young girls. According to Chodorow (1978), the process of becoming an individual from age three and older is more conflicting and complex for girls than boys. She also believes that generally girls have a harder time with seperating, as a basic sense of self for females is through connection to the world, while for boys it is to separate from the world. Nelson (1996) states that girls have a need to develop relational competence, and express a delicate balance between girls need for connection and boundary, and how it may effect their self-esteem. Girls, per Nelson need a different style of interaction. That interaction could be an ongoing mentoring relationship.

MENTORING PROGRAMS

There are no shortage of articles surrounding the topic of mentoring and researchers giving their definition of mentoring. Mentoring is used to refer to the encouragement and support of the young person in care’s talents, interests and leisure activities by a committed adult (Gilligan, 1999). In order to maximize the mentoring relationship the mentor should be aware of the girl’s expectations as well as assigning her responsibilities to the relationship. Giving the girls a responsibility will allow them to have some control over the relationship, something many of them may have never experienced. Studies show former foster girls stating their need for help was the highest as teens when they transitioned from one foster setting to another and when exiting from foster care (Fernandez, 2007). The individuals spoke of what they specifically needed from the adult mentors in their lives because they were able to verbalize their feelings. Girls who have yet to reach the teen years are not quite as eloquent in their delivery but may also benefit from a secure attachment relationship with a committed mentor as well. Most mentoring studies focus on adolescence and are somewhat surprised when the individual chooses not to continue the relationship. If trusting mentoring relationships were built and nurtured when these girls are younger, by the time they are ready to transition into adulthood mentoring would have a more positive meaning. One study, (Ahrens, DuBois, Garrison, Spencer, Richardson, & Lozano, 2011) suggested in a conclusion statement that action research systematically explores the feasibility and impact of mentoring and has the potential to significantly advance the efforts to improve the outcome for this group of individuals.

According to DuBois, et al., the increase in the quantity of mentoring has outpaced the quality of mentoring. Programs tend to be more successful when there is more intense training for mentors, structured activities, high expectations for frequent contact, greater support for parents and monitoring of overall program implementation. (Ahrems, DuBois, Richardson, Fan, & Lozano, 2008) indicated that youths who have at least one positive and significant naturally occurring mentoring relationship tend to fare better in their transition into adulthood.

Mentoring programs like Big Brother Big Sister (BBBS) has resulted in many positive and socially important effects on the lives of its participants. There are reports from young people who often attribute their success to having an adult in their lives that paid attention and provided support to them (Grossman & Tierney, 1998). Mentoring programs such as the one through BBBS facilitates long lasting adult/youth relationships that make a difference. BBBS does not target specific problems. Their goal is to provide youth with an adult friend, which provides the framework through which the mentor can support and aid the youth (Grossman & Tierney, 1998). According to the BBBS study, girls are far more likely to be matched with mentors than boys and are also more likely to retain longer relationships with the mentors.

While the actual impact of mentoring may not show up for immediately, it is also important to note that not all matches will have the length and intensity to be effective for youth (Pedersen, Woolum, Gagne, & Coleman, 2009).

Research on mentoring has moved to specific questions relating to how, under what conditions and what the outcome is, as opposed to whether mentoring works (Nakklua & Harris, 2005). The idea is to better understand how to form quality mentoring relationships.

Having a successful relationship may carry over to other relationships by helping the youth trust others, express anger more productively and generally be able to relate more effectively (Grossman & Tierney,1998).

Mentoring is the willingness to take risks with intamacy which is a major factor in assessing and forecasting mentee involvement in mentor relationships (Kalsbfleisch & Davies, 1993). Having a trusting adult mentor to confide in would allow these girls to talk through situations and feelings and teach them early on how to handle negative comments about issues and situations for which they have no control. As discussed earlier the sooner these girls can handle conflict and move on the sooner they will develop a sense of self and their own self worth (Grossman & Tierney, 1998).

Although leadership and self-esteem are different, it is important to look at a survey conducted by The Girl Scouts (Girls Scouts of America, 2008). They surveyed over 4000 girls ages 14-17 and provided the following four viewpoints of what girls feel is needed to assist them in becoming confident [leaders]. Some would separate leadership abilities from self-esteem, but in foster girls and the age group surveyed, the two are closely linked. The four points below were the end results of what the girls believed they needed in order to become leaders, and surprisingly the same points made by the two women formerly affiliated with foster care spoken about earlier:

- The greatest single barrier to leadership is their self-perception; they lack self-confidence in their own skills and leadership competencies.
- Providing supportive environments in which they can acquire leadership experience is essential.
- A successful leadership program must address their need for emotional safety, *and* desire for social and personal development.
- Girls report that environments in which they can develop leadership skills are scarce. They want more leadership opportunities offered at younger ages.

The aim of this paper is to review how the many facets that make up mentoring may positively affect the self-esteem of young girls as they journey through foster care and move through the developmental stages leading up to the pre-teen and teen years and the continual effect it may have on a successful transition from foster care into young adulthood. If mentoring can be adapted to have the potentail to increase a young person's chances in life, the question becomes "Can we afford not to try it?" remains paramount (Bennets, 2003).

SUMMARY

Realistically, this is not a situation where there will be a resolution, but instead where an overall improvement may be accomplished. Because each girl is an individual, there will remain variable reasons to what can be done to ensure girls coming through the system has as many opportunities and resources available to address their self-confidence and self- esteem issues. This paper suggests mentoring early and consistently in the lives of girls in care may increase their chances of a high level of self-esteem as they journey through and exit the system. The hope is, if girls are provided consistent adult involvement during early childhood and throughout their stay in care, their chances of transitioning into adulthood with a strong sense of self will be increased. Mentoring will allow them to learn how to build trusting relationships and understand how to settle disagreements effectively and most of all understand their worth as an individual. Women tend to learn as much from men as they do women in job functions. However, women and girls do tend to have a stronger sense of accomplishment when another female extends a compliment or suggests approval.

Real world outcome of girls transitioning in to adulthood drove my research. In doing so, new organizational realities were uncovered. The many studies that are going on in search of the effects of mentoring, parental involvement, attachment relations, girl's development, etc. are the results of a fascination on what can be done to better prepare this population of girls as they transition into adulthood. Up to this point most studies have focused on adolescent and pre-adolescent girls, but maybe a closer view of mentoring younger girls may indicate an implementation of programs that target them may be necessary to see a trend of a high level of self-esteem in girls leaving foster care.

Given the fact that there are numerous speculations as to why the negative literature continues, those not directly involved or interested in this area may very well accept a theory or well written literature covering the subject without question. Some, however; after interfacing with girls from this background may encounter individuals who do not fit into the negative stereotyped category. Through this interaction hopefully curiosity will set in and new research will begin. The research should include the effect ones culture has on self-esteem. Does low self-esteem in one culture equate to low self-esteem in another? Would mentoring really be necessary if this is the case, or would another type of intervention be more productive in reversing the negative literature into a more thought provoking and interesting read?

There are several qualitative studies surrounding former foster girls and their mentoring experiences, their feedback and input on its effects, after they have left state care. Because no phenomenological studies were located, the initial hypothesis stands, phenomenological studies are needed to provide more sound and accurate data on how and when to mentor girls before they leave foster care by better preparing them to enter adulthood with the same skills and confidence level as girls not exposed to foster care.

REFERENCES

Ahrems, K., DuBois, D., Richardson, L., Fan, M., & Lozano, P. (2008). Youth in Foster Care with Adult Mentors During Adolescence Have Improved Adult Outcomes. *Pediatrics*, Vol 121, e246-e252.

Ahrens, K. R., DuBois, D. L., Garrison, M., Spencer, R., Richardson, L. P., & Lozano, P. (2011). Qualitative exploration of relationships with important non-parental adults in the lives of youth in foster care. *Children and Youthb Services Review*, Vol 33, 1012-1023.

Allgood-Merten, B., Lewinsohn, P., & Hops, H. (1990). Sex differences and adolescent depression. *Journal of Abnormal Psychology* , 55-63.

Alpert, L., & Britner, P. (2009). Measuring Parent Engagement in Foster Care. *Social Work Research Vol 33* , 135-145

Bennets, C. (2003). Mentoring Youth: Trend and Tradition. *British Journal of Guidance and Counseling* , 63-76.

Borba, M. (2010, June 27). *Change It Up! What Girls Say About Redefining Leadership*. Retrieved September 14, 2010, from Girl Scouts of America: http://www.girlscouts.org/research/pdf/change_it_up_executive_summary_english.pdf

Bowlby, J. (1969). *Attachment and loss:Attachment.* New York: Basic Books.

Chodorow, N. (1978). *The Reproduction of Mothering: Psychoanalysis and the Sociology of Gender.* Berkley: University of California Press.

Collins, M. (1991). Body figure perceptions and preferences among preadolescent children. *International Journal of Eating Disorders* , 199-208.

Downey, G., Feldman, S., Khuri, J., & Friedman, S. (1994). Maltreatment and childhood depression. In W. Reynolds, & H. Johnson, *Handbook of depression in children* (pp. 481-508). New York: Plenum.

Fernandez, E. (2007). How Children Experience Fostering Outcomes: Participatory Research With Children. *Child and Family Social Work* , 349-359.

Fomby, P., & Cherlin, A. (2007). Family Instability and Child Well-Being. *American Sociological Review* , 181-204.

Freud, S. *Inhibitions, Symptoms and Anxiety, The Complete Psychological Works of Sigmund Freud.* London: Hogarth Press Ltd.

Gateway, C. W. (2011). *Foster care statistics 2009.* Washington,DC: Department of Health and Human Services.

Gilligan, C. (1982). *In a different voice: psychological theory and women's development.* Cambridge: Harvard University Press.

Gilligan, R. (1999). Enhancing the resilience of children and young people in public care by mentoring their talents and interests. *Child and Family Social Work* , 187-196.

Grossman, J. B., & Tierney, J. P. (1998). Does Mentoring Work?: An Impact Study of the Big Brother Bid Sister Program. *Sage Publication* , 403-426.

Grusec, J., & Lytton, H. (1988). *Social development: History,theory and research.* New york: Springer-Verlag.

Kalsbfleisch, P., & Davies, A. (1993). An Interpersonal model for participation in mentoring relationships. *Western Journal of Communication* , 399-415.

Keenan, K., & Shaw, D. (1997). Developmental and Social Influences on Young Girls' Early Problem Behavior. *Pshychological Bulletin Vol 123* , 95-113.

Lee, J. D. (2005). Do Girls Change More Than Boys? Gender Deifferences and Similarities in the Impact of New Relationships on Identities and Behaviors. *Psychology Press* , 131-147.

Malerstein, A. (2005). Comparison of Attachment Theory and Cognitive-Motivational Structure Theory. *American Journal of Psychotherapy, Vol 59* , 307-317.

Mansbacher, J. P. (2011). Raising Children with Healthy Self-Esteem. *Pediatrics for Parents* , 17-18.

Marcotte, D., Fortin, L., Potvin, P., & Papillon, M. (2002). Gender Differences in Depressive Symptoms During Adolescence: Role of Gender-Typed Characteristics,Self-Esteem, Body Image, Stressful Life Events, and Pubertal Status. *Journal of Emotional and Behavioral Disorders* , 29-42.

Nakklua, M., & Harris, T. (2005). *Assesment of mentoring relationships. In DuBois, & Karcher(Eds.),Handbook of Youth Mentoring.*

Nelson, M. (1996). Separation versus connection: the gender controversy:Implications for counseling women. *Journal of Counseling and Development, 74* , 339-344.

Nolen-Hoeksema, S., & Girgus, J. (1994). The emergence of gender differences in depression during adolscence. *Psychological Bulletin* , 424-443.

O'Dea, J., & Abraham, S. (1999). Association between self-concept and body weight, gender and pubertal development among male and female adolescents. *Adolescence* , 69-70.

Pedersen, P. J., Woolum, S., Gagne, B., & Coleman, M. (2009). Beyond the Norm: Extraordinary Relationships in Youth Mentoring. *Children and Youth Services* , 1307-1313.

Powell, K. (2004). Developmental Psychology of Adolescent Girls: Conflicts and Identiy Issues. *Education* , 77-87.

Saarni, C. (1997). Emotional competence and self-regulation in childhood. In S. Salovey, & S. (Eds), *Emotional development and emotional intelligence: Educational implications.* New York: Basic Books.

Stanrock, J. (2001). *Educational Psychology.* New York: McGraw-Hill Companies,Inc.

Zahn-Waxler, C., Cole, P., & Barrett, K. (1991). Guilt and Empathy:Sex Differences and Implications for the Development of Depression. In K. Dodge, & J. Garber, *Emotional regulation and dysregulation* (pp. 243-267). London: Cambridge University Press.