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A Message from the Editor

It is my pleasure to welcome you to the April 2012 issue.

We begin this issue with an article by Novicevic, Morf, Evans, Sanders, Sun and Cecil entitled “Adapting Competences for Emerging Markets: The Case of IKEA Entering China.” The article focuses on the Chinese market and analyzes how IKEA adapted its traditional competence base to match the Chinese context. The resulting discussion is useful in understanding how an effective strategy for global expansion is key to renewing and adapting core competences and being effective in capitalizing on new opportunities.

Next, Stephen Ko presents “Entrepreneurial Opportunity Identification: A Motivation-based Cognitive Approach” which relies on a survey of 197 technology entrepreneurs in Hong Kong to examine the relationships among alertness, need for cognition, and identification of entrepreneurial opportunities. The article gives strong support to the notion that both need for cognition and alertness are key to understanding how individuals recognize entrepreneurial opportunities.

In the third article, the team of Humphreys, Pane Haden, Oyler, Cooke, Zhao, Hayek and Little present “Pragmatism and Personalism in Post-Merger Leadership: Lessons from the Founding of LULAC.” The fascinating history of how many Mexican American civil rights groups merged into the League of United Latin American Citizens (LULAC) is used to inform us to how a leadership process steeped in pragmatism and personalism can lead to successful post-merger member/employee identification with the new entity.

Engle, Dimitriadi, and Sadrieh’s article, “Cultural Intelligence: Antecedents and Propensity to Accept a Foreign-Based Job Assignment” follows. The article proposes a model which can be useful in predicting the likelihood of an individual agreeing to a job in a very different culture. The variables of openness to new experience, multicultural behavior and cultural intelligence are studied in France and the United States as to their relationship to such job acceptance.

The final article by Lovett and Otero is entitled “On the Importance of Confidence in Management in Uncertain Times.” Three annual job satisfaction surveys in Mexico were used to investigate the variable of confidence in management and its relationship to job satisfaction and organizational commitment, especially during uncertain economic times.

Co-Interview Editors Roland Kidwell and Jim Cater have provided us with two excellent interviews for this issue. The first is “Critical Concepts Applied to Leadership in Energy and Environmental Design: Insights from Karen Maggio written by Belai Kaifi. This interview is part of a continuing series on the topic of sustainable business practices.

The second interview by Jim Cater is entitled “A Conversation with George Vozikis, Director of the Institute for Family Business at California State University Fresno and represents an addition to our series on family business topics. Vozikis tells an interesting story of the
evolution of the Institute for Family Business at California State University and reflects on his experiences as a family business researcher as well as his own background in a family business.

In our “Books-at-a-Glance” section, six book reviews are offered by our Book Review Editor, Bahaudin Mujtaba. The first, written by Frank Cavico, reviews *Ethics Protocols and Research Ethics Committees: Successfully Obtaining Approval for Your Academic Research* by authors Dan Remenyi, Nicola Swan, and Ben Van Den Assem. The book reflects on the high level of ethics protocols required in universities today in conjunction with academic research.

Next, Guillermo Gibens reviews Altman’s *Outrageous Fortunes: The Twelve Surprising Trends That Will Reshape the Global Economy*. The reviewer informs us that some of these trends are already observable and many especially affect China and the European Union. Third, *Personal Knowledge Management: Individual, Organizational and Social Perspectives* by David Pauleen and G.E. Gorman is reviewed by Donovan McFarlane. Personal Knowledge Management (PKM) is an evolving field standing beside the more-researched topic of organizational knowledge management and the book looks at the complexities of how individuals learn and grow within an organizational environment.

Fourth, Diana McLain Smith’s book, *The Elephant in the Room*, is reviewed by Nearesa Myrie. The book examines how relationships, both formal and informal, impact on a leader’s success and organizational effectiveness. The reviewer particularly likes the real life cases including the relationship between Steve Jobs and John Scully as well as the one between Winston Churchill and Franklin Roosevelt as examples with which we can all identify.

Next, Sami Ullah reviews Marcia Heroux Pounds’ book *I Found a Job! Career Advice from Job Hunters Who Landed on Their Feet*. In this time of dislocated workers and recent college graduates finding the first job to be elusive, a practical guide such as this can be of immense interest to a broad audience.

The sixth book review is written by Bahaudin Mujtaba about Omar Masood’s book, *Islamic Banking and Finance: Definitive Texts and Cases*. This book takes us inside the Islamic-based banking industry and gives many of us an eye-opening look into a world we did not know existed, looking at financial, banking, and mortgage transactions from an Islamic perspective.

Finally, Peggy McGibney reviews *Love as Pedagogy* written by Tim Loreman. While this book primarily focuses on bringing caring relationships to educational experiences with children, the lessons can easily be extrapolated into organizational training and development.

As I read through the final copy of this April issue, I was struck with how international we have become in our authorship and subject matter. In addition to U.S. based universities, our authors and reviewers in this edition come from Hong Kong, Russia, University of the West Indies, and Pakistan. Likewise research was conducted in Mexico, Hong Kong, and France, bringing credence to our contention that applied management and entrepreneurship studies are increasingly of global interest.
I hope you enjoy reading this issue of JAME; as always I can be reached for comment at gibson@huizenga.nova.edu

Jane Whitney Gibson, Editor
Ft. Lauderdale, FL
Adapting Competencies for Emerging Markets: The Case of IKEA’s Entry Into China

Milorad M. Novicevic, University of Mississippi  
Duffy Morf, University of Mississippi  
Monica Evans, University of Mississippi  
Lauren Sanders, University of Mississippi  
Wenbin Sun, University of Mississippi  
Chris Cecil, University of Mississippi

Executive Summary

In this paper we examine IKEA’s global expansion into the Chinese market. We use the institutional competency-based perspective to develop a theoretical explanation of IKEA’s phased-in and learning-oriented entry into China. Specifically, our approach explains how IKEA’s traditional competency base is adapting to match the institutional demands of the Chinese context. The focus of our theory-based analysis is on the development of the Competency Adaptation Framework for IKEA’s successful expansion in the Chinese market. In conclusion, the outcomes of IKEA’s learning are outlined and discussed in terms of IKEA’s concrete plans and actions in the Chinese context.

Increasing cross-border flows of goods, services, capital, and knowledge have rendered a worldwide presence indispensable for all multinational corporations (i.e., MNCs). In particular, MNCs are recognizing the growing importance of pursuing growth in emerging markets (Garten, 1997; Novicevic & Harvey, 2004a,). These emerging markets are characterized by both an underdeveloped infrastructure and an economic growth rate that is double that of the developed economies (Arnold & Quelch, 1998).

As the positions of an MNC in the developed countries become increasingly dependent upon its positions in emerging countries, the process of executing global expansion becomes very complex. Specifically, the transplantation and embedding of the firm’s core business model into the institutional context of emerging countries requires exploration of competencies underlying its model in terms of which practices and processes need to be preserved and which ones should be adapted or reinvented (Gupta & Govindarajan, 2001; Novicevic et al., 2002).

Among the emerging countries, China holds an incomparably high potential for MNCs to leverage their competencies, both as a place to produce and source products and as a consumer market. However, the leveraging of the firm’s competencies to exploit this potential is often constrained not only by unreliable infrastructure and an inadequate supply of managerial talent but also by the lack of transparency in the Chinese institutional (business, legal, and political) environment. Still, China represents the biggest single business opportunity for any MNC, compelling it to engage in exploration, learn how to plan its global expansion, and leverage its
resources and competencies in the challenging Chinese institutional environment (Conklin & Lecraw, 1997; Novicevic & Harvey, 2004b; Samie, Yip & Luk, 2005).

In this paper, we examine IKEA’s expansion into the Chinese market. We use the institutional competency-based perspective to develop a theoretical explanation of IKEA’s exploratory, learning-oriented entry into China. Specifically, our approach explains how IKEA’s traditional competency base needed to be preserved, renewed, adapted, and reinvented to match the market and institutional demands of the Chinese context. The focus of our theory-based analysis is on the identification of the enabling and constraining factors that could influence IKEA’s success in China. Based on this analysis, the specific learning path of IKEA is mapped in terms of how the company penetrates the Chinese market. In conclusion, the outcomes of IKEA’s learning are outlined and illustrated with its concrete plans and actions in the Chinese context.

**Institutional Competency-Based View of Global Expansion Strategy**

An institutional competency-based view of a firm’s strategy posits that the firm’s managerial, organizational and technological resources should operate coherently under the conditions of institutional constraints to create complementary, firm-specific competencies that can produce a sustained competitive advantage (Oliver, 1997). This perspective proposes that changes in cultural and political environments place specific demands upon the extant set of firm competencies to be renewed in order to maintain a competitive advantage amidst the changes. This renewal implies that the firm should reinvent and/or develop new competencies, in addition to adapting those gained in the past (Castanias & Helfat, 2001).

In the case of institutional change experienced during the firm’s global expansion, managers need to reexamine the firm’s competency set and select the one that has the potential to provide enduring resiliency and improved performance. Oliver (1997) argues that this competency selection process is mostly affected by the institutional context, which influences resource decisions to be made during change (e.g., global expansions into new country markets). The decisions are to be made relative to which competencies of the firm need to be adapted and developed in the local institutional context, so that the firm’s business model can be transplanted (Coff & Blyer, 2003).

The adaptation and the development of the firm’s competency set are crucial to ensure maximum utilization and innovation of the firm’s existing resources during the global expansion process that occurs in the face of changing cultural and political aspects of the new institutional environment (Novicevic & Harvey, 2004c). As stated by Oliver (1997: 706), “as rent-producing resources develop over time, their optimization is a function of the political and cultural willingness of firm’s managers and employees to commit to the use of these resources.” This commitment is at the heart of the learning process that occurs during global expansion into new country markets as discussed in this article. The process becomes integral to enabling the firm to develop the intangible capital needed to successfully implement and execute its expansion and thus sustain advantages in the new country market.
The combination of resource-based and institutional views into an institutional competency-based view of global expansion reveals the need for a complementary fit between the firm’s changing resource structure and its external (i.e. cultural and political) context. In this perspective, the firm’s adapted and developed competency set reflects its institutional capital. Oliver (1997: 709) defines institutional capital as the “firm’s capability to support value-enhancing assets and competencies.” Properly adapted and developed competencies will likely have a positive influence on organizational performance and sustain this superior performance if the firm possesses superior institutional capital (i.e., strengths developed properly to explore and exploit opportunities for global expansion across different political and cultural contexts). In summary, the key point of the institutional competency-based perspective is that the firm’s performance will depend primarily on its ability (i.e., institutional capital) to adapt and develop its competency set to insure a complementary fit between its resource structure and the institutional change that it encounters during global expansion into new country markets. As shown in Figure 1, the interaction of these two dimensions (i.e., competency set and institutional environment) results in the firm’s Unconstrained SWOT Framework (i.e., the SWOT unconstrained by specific criteria for coherence across its components) (Novicevic, Harvey, Autry & Bond, 2004).

![Figure 1](image)

**Figure 1**

**SWOT Framework for Global Expansion into Emerging Markets**

*Institutional Environment*

<table>
<thead>
<tr>
<th>Competency Set</th>
<th>Favorable Developments</th>
<th>Unfavorable Developments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing to be Adapted</td>
<td>Cell 1: (STRENGTHS)</td>
<td>Cell 2: (WEAKNESSES)</td>
</tr>
<tr>
<td>New to be Developed</td>
<td>Cell 3: (OPPORTUNITIES)</td>
<td>Cell 4: (THREATS)</td>
</tr>
</tbody>
</table>
The Unconstrained SWOT Framework can be converted into the Competency Adaptation Framework following a two-step procedure suggested by Novicevic et al. (2004). The first step involves examination of all paired combinations of SWOT components (SO; WT; TO; WS; WO; and ST). The examination refers to responding to the following questions: 1) SO (What existing strengths should be preserved or adapted to capture current opportunities? What new strengths should be developed to capture new opportunities?); 2) WT (What existing weaknesses might be exposed to current threats? What future weaknesses might be exposed to future threats? 3) TO (What is the (im)balance between current/future threats and opportunities?); 4) WS (What is the (im)balance between current/future strengths and weaknesses?); 5) WO (What weaknesses should be improved to capture current/future opportunities?); and 6) ST (What strengths should be adapted to neutralize current/future threats?). The second step involves the assessment of the above responses in terms of their coherence to fill in the cells of the Competency Adaptation Framework shown in Figure 2.

**Figure 2**

**Competency Adaptation Framework**

*For Expansion into a New Country Market*

**Institutional Environment**

<table>
<thead>
<tr>
<th>Competency Set</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing</strong> To be Adapted</td>
<td><strong>Future Changes</strong></td>
<td><strong>Existing State</strong> To be Developed</td>
</tr>
<tr>
<td>What is the opportunity for the company to improve its current position in the market embedded in the local institutional environment and better leverage its existing competencies?</td>
<td>What new competencies will the company need to build to capture best opportunities of the future?</td>
<td>What new competencies will the company need to build to protect and extend its current strongholds?</td>
</tr>
</tbody>
</table>
IKEA’s Unique Competencies for Competing in the Global Furniture Industry

In 1994, ten years after entering the U.S. market, IKEA was considering an entry into the Chinese mainland. Having surmounted the challenges of a rocky start in the U.S. market, IKEA seemed ready to engage in the process of learning how to adapt its newly-acquired competency set and thus meet the needs of the Chinese consumer and the motivations of the Chinese workforce. However, the extent to which IKEA was ready for the challenge of entering the complex Chinese market depended on its ability to apply what it had learned from its experiences in Europe and the U.S. prior to 1994 (Grol & Schoch, 1998).

By 1994 IKEA had successfully redefined the furniture industry in both Europe and the United States. Although IKEA as a private company did not reveal its financial information to outsiders, analysts estimated that the company earned around $4.5 billion dollars in sales in 1993, with a net profit margin of around 6 to 7%. At that time, the firm operated 108 wholly-owned subsidiaries in 18 countries around the world, achieving an extent of globalization that put it ahead of its competition on the learning curve for global expansion. With its obsessive cost consciousness, IKEA delivered around 30% more savings to its customers than the competition did because it was effectively operating a global supply chain containing over 2,300 suppliers in 67 countries. IKEA offered over 10,000 products through its various 169,000 square foot retail warehouses and boasted serving 116 million customers from January to August 1994. Although the company eventually solidified its position in Europe and developed an effective business model for the US market, its 1994 expansion into China required a major adaptation of the model (Christianson, 2001; Luce, 2004).

The traditional basis of IKEA’s success was its unique business model that was replicable across most national borders. Before IKEA, the global furniture industry had been largely fragmented and characterized by many local businesses and distribution through large department stores and small family-owned shops that dominated most markets. These stores were typically located in busy downtown areas with little parking, while furniture prices were very high and often protected by local governments. Furthermore, once customers chose a product to purchase, they would have to wait about an entire month to receive it. IKEA’s founder, Ingvar Kamprad, believed that he could challenge these practices and pursue a unique vision “to create a better everyday life for the majority of people.” By challenging the status quo in the global furniture industry, IKEA under Kamprad’s leadership established a global brand that represents quality, style, and low price (Fong, 2006). His solutions, which achieved 80 times the turnover of the average furniture store, provided customers with a new kind of value that involved: ample parking, the ability to take home purchases the same day, a relatively large selection, and prices that undercut traditional furniture retailers by 30% (Blackwell, 2004).

Kamprad accomplished these outstanding results by creating a business model that complemented his low-cost obsession with a customer focus. First, he sent IKEA management team members to scour the globe to find the lowest possible prices on wood, upholstery, and virtually all input materials. Additionally, instead of committing IKEA to buying actual merchandise from suppliers, he rather committed IKEA to purchase unused capacity from
suppliers, even if they manufactured products far different from IKEA’s offerings. Eventually, he ensured that IKEA developed long-term relationships with these suppliers by keeping their production volumes high and helping them redesign and finance their operations to become more efficient. The net result was the significant cost advantage that IKEA held over all its competitors (Edvardsson & Enquist, 2005).

At the core of this advantage has also been IKEA’s functional product designs that deliver value in use. IKEA generally offers the same 8,000 or 10,000 products in each store, depending on store size. IKEA’s product range is centered on the “use-value principle,” selling functional furniture items and “equipment” for everyday life at home. Products are designed to possess the quality and durability necessary to survive average usage and an average life span (Weisbord & Janoff, 2005). However, all of IKEA’s products must be assembled by the buyer and are not delivered to the home. This requires a developed infrastructure for access in the area surrounding the IKEA store and for the buyers to be equipped to transport their own products. While opting not to significantly alter products from store to store, IKEA does alter the store layout, design, the “home solutions” offered, and adapts its pricing to local conditions (Miller, 2004)

**IKEA’s Competencies Acquired from its Expansion into the U.S.**

IKEA opened its first store in America in 1985. The 169,000 sq. ft. warehouse store was the first of seven stores opened in rapid succession across the United States. At first, a favorable exchange rate (8.6 SKr to the dollar) might have obscured some ominous signs in the company’s performance in the US. However, by 1989, these signs became visible, revealing obvious trouble in IKEA’s American operations despite its established brand. The company was not turning a profit after the seventh store, whereas its European operations had typically resulted in profitability after the opening of the third or fourth store in a particular country. In addition, the fall of dollar to 5.8 SKr in 1991 made it difficult for the company to maintain its vaunted cost advantage over local competitors. The problem was further worsened by the fact that IKEA still shipped many of its products directly from Sweden (IKEA, 2004).

Even more severe problems became apparent in IKEA’s American operations in the early 1990s. American customers displayed little patience with lines that they found to be too long, often walking out with nothing rather than enduring the wait. By 1993, IKEA responded to these customer concerns. Simply by installing more efficient cash registers in stores that allowed for quicker completion of transactions, and changing the layout of their stores, the company was able to reduce the amount of time customers spent in line. In addition, 45% of IKEA’s materials were then sourced from the U.S., allowing for more cost-effective production. As a result, IKEA’s American operations turned profitable in 1993 (Norman & Ramirez, 1994).

The improvement in performance demonstrates that IKEA has since developed the competencies necessary to transplant its model to culturally and institutionally different regions like the United States, including the ability to adapt its supply chains, product designs, and management styles without compromising its low-cost position. The company would then seek
to bring these newly-acquired competencies to bear on the Chinese market (Bartlett & Nanda, 1996; Goldman, 2001).

Institutional Environment and IKEA’s Competency Adaptation for the Chinese Market

Cultural Aspects of the Chinese Institutional Environment: China has a population of about 1.3 billion and a $15 billion do-it-yourself market that is growing at 10% per year (Fong, 2006). Driven by China’s booming economy, ongoing housing reforms and increasing disposable incomes, demand for furniture has grown rapidly in recent years at 12%-15% annually and is likely to continue growing at that rate for the foreseeable future (Guest, 2006). However, cultural constraints bear important implications when considering IKEA’s competency set to exploit the Chinese market. These constraints can be described in terms of Hofstede’s cultural dimensions, which include: power distance, individualism, masculinity, uncertainty avoidance, and long-term orientation (Hofstede, 2001).

As the Chinese culture’s score is high on power distance, status symbols (brands) matter in Chinese consumer behavior. The Chinese culture, with its high power distance, emphasizes the importance of “the desired,” which refers to modeling one’s behavior and acquisitions after what others perceive as appropriate rather than what individuals want (Li, Tsui & Weldon, 2000). Chinese culture is also noticeably collective, in contrast to the individualistic US culture. Along with the low score on individualism, communication between the Chinese tends to be indirect rather than direct. This practice creates a cultural constraint, where unless a person is a family member or a close friend, it is difficult to get much information from one another, especially when that information is negative. Therefore, building informal communication networks is critical to influencing the perceptions of the Chinese (Tsui et al., 2004). Cultures that are feminine by Hofstede’s dimensions, such as the Chinese culture, are geared more toward doing favors for others based on guanxi rather than primarily pursuing self interest. The tradition of guanxi establishes the social importance of maintaining reciprocity. This means that consumers often purchase things for others rather than for themselves because they in turn expect to receive a gift from the recipients of their gifts. This creates a problem for retailers like IKEA in that they are seldom selling to the actual end user. Also, in a long-term time oriented culture, such as China, people are more concerned about saving for the long run rather than receiving instant gratification like in short-term time orientation countries such as the U.S. The Chinese culture’s focus on the long term also promotes maintenance of the family reputation, which is also reflected in the furniture that the family possesses as common assets. This long-term time orientation thus creates loyal customers since the Chinese have strong and long-term interrelations with their family traditions.

However, while the Chinese culture has these cultural dimensions when taken on average as an aggregate whole, “there are also significant regional differences with ethnic diversity that make the Chinese market very complex. Therefore, companies like IKEA cannot just identically transplant their business models, practices, and process across all areas of China. (Li, Xin, Tsui & Hambrick, 1999).
**Political Aspects of the Chinese Institutional Environment:** Chinese political administrations sometimes tend to impose specific barriers that might constrain new entries into the market in general, and international retailers that want to expand in China in particular. Some companies are thinking twice about expanding into China because of the Chinese currency’s volatility, the lack of a stable set of rules and regulations within which to operate, and difficulties understanding the workings of the tax system. Also strong borders between China’s regions, emphasized by competing administrations and significantly different cultures including Turkish and Mongolian influences to name only two, make expansion difficult (Buckman, 2003).

In addition to these concerns, local retailers have a certain level of protection from competition by foreign retailers, which includes lower rental and real estate arrangements. In one instance, in a 20-year agreement between McDonald’s and the regional Chinese government for a prime real estate position, the regional government only honored 3 years of that agreement. In another retail instance non-Chinese supermarkets were forced to close because local stores did not have the capital to engage in a rivalry against the foreign “invaders,” (Dayul-Gulati, Lee & Finn, 2004). Although regional Chinese governments are trying to attract foreign direct investments, the local policies applicable to foreigners often change due to the different rules being promulgated by different governors at different times.

IKEA therefore faced the challenge of how to leverage its competency set in China and develop its institutional capital to succeed in spite of restrictive government policies attempting to restrain its ability to compete against entrenched companies and in spite of the fact that in China it is perceived as the middle-to-high priced furniture store. This possession of institutional capital is critical because the pace of change in China was unprecedented in comparison to other markets into which the company had entered. For example, Steve Gilman, the CEO for Asia for B & Q’s, a UK home improvement and do-it-yourself store, affirms that in his experience, “Most businesses in the world would probably plan a five- or seven-year revamp of their stores. We are partly revamping most of our stores virtually every year, just because our product ranges and the customers’ requests are evolving so fast” (Desvaux & Ramsey, 2006). To further complicate matters, the nature of this change would be affected by government policies and cultural values that varied from region to region within the country. Given this variety of change, IKEA needed to question whether its usual pattern of entry into a country would succeed in this case or whether they needed to develop an alternate method.

**Alternatives for IKEA’s Expansion into China**

Due to China’s enormous market potential, with over 1 billion consumers of ever-increasing purchasing power due to the annual GDP growth of 7-9%, IKEA’s initial expansion into China promised favorable payoffs in 1994. The Chinese middle class, while a much smaller percent of the population than in developed countries, was growing at a high rate. Also, even though China’s population was traditionally supportive of buying from domestic businesses, the opening of trade inside the country to foreign entrants had been consistently changing this trend. Even when in the mid-1990s, the Chinese government imposed specific institutional constraints upon new entrants to protect domestic businesses; IKEA was not surprised because it had
previously overcome similar constraints in Sweden and throughout Europe in the 1970s and 1980s. Specifically, IKEA had learned how to make the needed modifications to its organizational processes and massive product offerings when making entries across borders. Even more learning outcomes accrued in the United States where after a tough start due to lack of market research, IKEA’s management had successfully overcome challenges in achieving proper market positioning. Therefore, the adaptation of IKEA’s business model would seem necessary to support its expansion into China.

Because in 1994 IKEA had already developed and redefined its industry model that had given it a 30% cost advantage over the competition, an accelerated speed of expansion into China was a very important goal of the company. But IKEA had learned in the US that imitators could sprout quickly and challenge the margins of IKEA if it failed to enter new, strategically important markets and expand globally quickly. Also, the institutional barriers to entry limited IKEA’s ability to exploit the potential of the Chinese market immediately upon entry. Therefore, IKEA was compelled to consider using a phased-in entry approach for its expansion into China, first replicating its traditional business model in similar regional and local markets of China and then rapidly expanding its footprint across China and adapting the model as its knowledge of the market increased.

In 1994, IKEA was prepared to take the lessons learned in the US to heart when expanding into China. Instead of pushing procedures and practices that emphasize the values of the individualist Swedish philosophy, IKEA management undertook to develop a new system of operations that would maintain the strengths of the Swedish business model while being easy to adopt by the managers and employees of an Asian culture. In the case of China, IKEA’s management was facing a culture that vastly differed from theirs not only with regard to collectivism but also with regard to long-term orientation. This was clearly a different set of cultural challenges than those that IKEA faced in the U.S. Such cultural constraints therefore required that IKEA’s management once again develop a new approach in order to adapt successfully to a new foreign market. IKEA specifically recognized that over time it would have to use Asian managers in tandem with experienced Swedish expatriates to expand successfully in China. As the rapidly changing Chinese environment was greatly different from that of Sweden or America, the transfer of the business model from either of those markets without adaptation was doomed to fail.

While in 1994 IKEA’s supply chain in the US relied initially on sourcing most materials from Sweden, this reliance had to be later changed to 45% of supplies sourced from the US due to currency fluctuations that were detrimental to the company’s profits. As local suppliers could be particularly crucial to IKEA in China, the firm would undoubtedly have to recognize the need to incorporate into its choice of entry the lesson learned in the U.S. Up until its entry into the Chinese market, IKEA had been able to present itself as a low-cost competitor regardless of the market it had entered; even after the supply chain problems IKEA initially experienced in the U.S., the company was able to establish a low-cost position for the long term. In China, however, this sort of positioning might be infeasible and the company might need to learn how to
position itself as a differentiator if the lowest-cost provider position required compromising its quality beyond acceptable thresholds due to low local purchasing power. Furthermore, in all countries, IKEA had been able to rely on traditional mass marketing and advertising to the end-user, whereas in China, one could not often be certain one was communicating directly with the end user. To succeed in China, IKEA would be required to develop a competency to cope with the changing environment.

Outcomes of IKEA’s Expansion into the Chinese Market

IKEA formally entered the Chinese market in January 1998 by opening its largest Asian outlet in Shanghai. The next year IKEA opened its second store in Beijing, the Chinese capital, but waited until 2005 to open the third store in Guangzhou. It should be noted that the first two stores are joint ventures, while the more recent third one is wholly owned. This not only an indication of the success of IKEA’s learning in China but also the effect of changing local regulations that in 2005 began allowing foreign entrants to have wholly-owned stores. By focusing on these three stores during the past several years, IKEA clearly took a cautious, learning-oriented approach to expanding in China. Now it seems that IKEA has finally learned how to adapt its business model to the Chinese institutional environment, as it planned to open twelve new branches inside China by 2010 (Fong, 2006). This bold expansion plan will require US$600 million investment underscoring IKEA’S confidence in China’s emerging economy. Still the facts are that IKEA has yet to make a profit in eight years making the China stores the only loss-making stores in the entire group. (Wei and Zou 2007).

Upon IKEA’s initial entry into China, local consumers perceived it as an expensive brand because of their low purchasing power. IKEA responded by cutting its prices by 20% as a result of a shift of 23% of its global sourcing needs to China. In addition, IKEA offered home delivery with assembly services for a fee. The company plans to reduce prices further in the forthcoming years by improving store productivity, by increasing the product share manufactured in China, and by opening only wholly-owned new stores (Guest, 2006).

Although China’s market makes currently only about 1% - 2% of IKEA’s worldwide sales, it is estimated that the Chinese market will be IKEA’s largest sales market in less than fifteen years. In this way, the IKEA brand will eventually flourish as it receives virtually incomparable benefits from IKEA’s early entry and persistence in learning how to adapt to the Chinese institutional environment.

The success of IKEA’s phased-in approach to expansion into the Chinese market can be explained by the application of institutional competency-based theory. This application involves the formation of IKEA’s SWOT components, the examination of the SWOT components’ coherence, and the development of the Competency Adaptation Framework. Each of these application elements is described and analyzed in the remaining part of this section.
Developing IKEA’s Unconstrained SWOT Framework

Strengths. IKEA has four main strengths: capability to outsource redundant parts of the value chain, knowledge to maintain worldwide consistency of brand positioning, ability to thrive in the face of institutional change, and capacity for competency adaptation to both new environments, and a “green” model of furniture production and supply chain management (Mu, 2008). The capability to outsource redundant parts of the value chain consists specifically of doing away with home delivery and assembly, as well as outsourcing production to other manufacturers who use their excess capacity to satisfy IKEA’s needs (as well as maximizing the use of their own facilities). The knowledge to maintain worldwide consistency of brand positioning stems from their clear image as a low-cost furniture producer with appeal to young couples. The company itself has a strong brand image and reputation for innovation in design; these designs center around functionality and usefulness of the product with a distinctive Scandinavian flair. This strong branding can be leveraged in China where brand identity is valued and country and regional images matter. For example, the terms “Sweden” or “Scandinavian” project the image of a high-quality, green, and western lifestyle, which is very attractive to Chinese people. However, as the term “IKEA” produces unfavorable connotations in Chinese, the company uses the term “Yi Jia,” which in Chinese means “suited for home.”

The company’s ability to thrive in the face of institutional change developed early in the company’s history when Swedish furniture cartels tried to stop their growth by preventing IKEA from purchasing from Swedish suppliers. This required IKEA to look to overseas alternatives almost immediately in order to keep the business going; similar problems occurred in other European countries into which IKEA entered. This strength will serve well for dealing with the constantly-shifting Chinese regulatory environment. IKEA finally developed a capacity for competency adaptation during its entry into the US, which aided it in adapting its supply chain and product line to a country significantly different in culture and logistics challenges presented than in Europe. This competency is untested in other situations both in terms of culture and types of challenges presented. For example, IKEA has yet to develop an efficient supply chain management model to integrate its major supply bases in China.

Weaknesses. IKEA’s three main weaknesses are a reactive approach to marketing research, the ethnocentric bias of the corporate culture, and over-commitment to low-cost positioning. Up to this point, IKEA has only undertaken a reactive approach to marketing research when, after entering a market, product lines are shown to be failing. While its American experience taught the company how to diagnose and correct problems in its already-established operations, it has not yet developed a competency for proactive market research prior to entering a market. Without developing a strong market-sensing capability, IKEA will find itself unable to cope with the rapid pace of change in China. Relatedly, the ethnocentric bias of the corporate culture shows a tendency to engender inertia, which could be one of the important reasons for IKEA’s difficulties in China. The culture itself became established as somewhat of a cult of personality surrounding company founder Ingvar Kamprad. His inflexible management style translates into company inflexibility, for instance, in IKEA’s insistence on greenfield
operations and its underutilization of in-country managers who are familiar with the culture of the host country. This bias may interfere with the use of IKEA’s newly developed adaptive competency. Finally, IKEA’s over-commitment to low-cost positioning entails resistance to adopting anything other than its accustomed solutions. Even in the U.S., changes to its supply chain allowed IKEA to maintain its cost advantage; however, in China this may not be possible. If that is the case, IKEA will need to evaluate beforehand whether or not a change to a differentiator position will be necessary for success in that country. For example, the 60 million USD cost of IKEA's store in Shanghai makes the low cost strategy difficult. Therefore, overcommitment to a low-cost strategy could slow IKEA’s move to capitalize on the perceived value of differentiation in emerging markets—furthermore, a head-on confrontation with low-cost local competition could prove dangerous to its profit margins.

**Opportunities.** The three chief opportunities available to IKEA in China include: high growth potential in emerging markets, perceived value of differentiation in emerging markets, and a large segment of highly brand-loyal consumers. The high growth potential in emerging markets like China stems not only from its high annual GDP growth (7-9% on average), but also from the growth in its middle class. This opens a great opportunity for IKEA, particularly as China’s baby-boom generation has reached the appropriate age for building their homes. While the middle class represents a smaller percentage of the population of China than in most developed nations, its growth is almost incomparable worldwide, making it a critical customer base to tap into. IKEA has in China the possibility to capture the perceived value of differentiation in emerging markets and position itself as a differentiator instead of its usual low-cost position. While local competitors largely fill the low-cost position, the growing middle-class consumer base is looking for quality that will last in the long term—a position that IKEA has the potential to fill. While it does not yet have a competency for changing its position, its new adaptive competency could be brought to bear on this opportunity, allowing them to develop a new strength in this area. Finally, China has a large segment of highly brand-loyal consumers as compared to many Western countries. IKEA already has a highly developed branding and marketing capability that it can leverage to gain lasting market share in China as it establishes itself in the country. The company will need to remain vigilant, however, to be sure that as the Chinese consumer preference shifts, that they do not begin to favor other product attributes besides brand.

**Threats.** Several threats face IKEA in the Chinese environment: protectionist government interference, low-cost local competition and imitators, the rapid pace of environmental change, difficulty in differentiating buyers from end users, and infrequent furniture replacement in emerging markets. Government interference in China can come from the local, provincial, and federal levels. This interference is protectionist in nature and favors in-country competitors, and tends to change rapidly. Such interference, if not adequately dealt with, might check IKEA’s expansion in the country at a critical time of national growth. IKEA faces low-cost local competition that has already established guanxi with local suppliers, is also favored by the government, and is taken seriously by the cost-conscious Chinese consumer. The effect of this is that even a “low-cost” position elsewhere in the world becomes an expensive position in China.
and in order to compete, IKEA sacrifices the kind of profit margins it might have in other countries. IKEA stands a chance to mitigate this threat by capitalizing on the middle class’s increasing preference for higher-quality, differentiated items. The rapid pace of change in the preferences and expectations of the Chinese customer base presents a threat both in light of the resources that will be required to revamp their stores and offerings so rapidly, and also the fact that IKEA’s tendency towards inertia may prevent them from updating at the needed pace; placing emphasis upon its new adaptive competency may help to mitigate this threat. Another potential threat for a Western company is the fact that the end customer in China typically does not do his or her own shopping for major purchases—rather, such purchases are often bought as gifts for friends or family. Although this practice is slowly changing, it still presents a challenge to IKEA in difficulty to differentiate buyers from end users—that is, IKEA can identify the buyers, but seldom the end-users. Therefore, IKEA will have to develop a capacity for social networking in an unfamiliar culture to a degree that it has never had to develop before. In addition, unless IKEA develops the capability for proactive market research, it will not be able to locate the buyers. Coupled with the fact that each individual sale offers a lower profit margin than in most developed countries, infrequent furniture replacement in emerging markets is common in countries like China. In other words, Chinese buyers are typically looking for more permanence in their furniture purchases than in other countries. This means that not only are profit margins lower, but the average customer makes fewer purchases over the course of his or her relationship with the company. However, IKEA should be careful to note any changes in consumer behavior that might suggest that the growing middle class’s purchasing mindset is changing to a more short-term orientation lest they miss a major growth opportunity.

Examining of IKEA’s SWOT Components for Coherence

**Strength-Opportunity** Examination: a) IKEA’s strong brand identity can be leveraged in China where brand identity is valued; however, IKEA will need to monitor the market for any changes in this preference; b) While IKEA does not yet possess an evolved competency for agile repositioning, the emphasis on adaptive competency could be brought to bear on any future opportunity in which perceived value for differentiation emerges for IKEA to develop a new strength in this area.

**Weakness-Threat** Examination: a) A head-on confrontation with low-cost local competition due to overcommitment to low-cost positioning could prove dangerous to its profit margins; b) IKEA will have to develop a capacity for social networking in an unfamiliar culture to a degree that it has never had to develop before, due to the difficulty in differentiating buyers from end users.

**Threat-Opportunity** Examination: IKEA should be careful to note any changes in consumer behavior that might suggest that the growing middle class’s purchasing mindset is changing to a more short-term orientation lest it miss a major growth opportunity.

**Weakness-Strength** Examination: This ethnocentric bias of the corporate culture may interfere with the use of IKEA’s newly developed adaptive competency.
Weakness-Opportunity Examination: Overcommitment to low-cost positioning could slow IKEA’s move to capitalize on the perceived value of differentiation in emerging markets.

Strength-Threat Examination: a) IKEA’s ability to thrive in face of institutional change will serve well for dealing with the constantly-shifting Chinese regulatory environment. Even a favorable judgment will not necessarily be acted on; b) Without developing a strong market-sensing capability, IKEA will find itself unable to cope with the rapid pace of change in China. Its adaptive competency may be leveraged for this purpose.

Developing IKEA’s Competency Adaptation Framework

Existing Competencies to be adapted / Current Environment in China: a) IKEA’s strong brand identity can be leveraged in China where brand identity is valued; however, they will need to monitor the market for any lessening of this preference (S → O); b) Their ability to thrive in face of institutional change will serve well for dealing with the constantly-shifting Chinese regulatory environment, where even a favorable judgment will not necessarily be acted on (S → T).

New Competencies to be developed / Current Environment in China: a) A head-on confrontation with low-cost local competition due to overcommitment to low-cost positioning could prove dangerous to its profit margins (W → O); b) IKEA will have to develop a capacity for social networking in an unfamiliar culture to a degree that it has never had to develop before, due to the difficulty to differentiate buyers from end users (W → T).

Existing Competencies to be adapted / Future Environment in China: a) While it does not yet have a competency for changing its position, its new adaptive competency could be brought to bear on any future opportunity in which perceived value for differentiation emerges, allowing them to develop a new strength in this area (S → O); b) Without developing a strong market-sensing capability, IKEA will find itself unable to cope with the rapid pace of change in China. Its adaptive competency may be leveraged for this purpose, to help it develop this market-sensing ability (S → T).

New Competencies to be developed / Future Environment in China: a) Overemphasized commitment to low-cost positioning could slow IKEA’s move to capitalize on the perceived value of differentiation in emerging markets; therefore, they will need to develop a competency to shift from this low-cost position where necessary (W → O); b) The ethnocentric bias of the corporate culture may interfere with the use of IKEA’s newly developed adaptive competency (S → W); and c) IKEA should be careful to note any changes in consumer behavior that might suggest that the growing middle class’s purchasing mindset is changing to a more short-term orientation lest they miss a major growth opportunity (O → T).

Future Research Directions

This study emphasizes the importance of competency adaptation by a multinational firm striving to achieve an effective competency fit to the opportunities that are being opened in the Chinese market. More future work is needed however to examine how this competency adaptation is applicable to IKEA’s entries into other emerging country markets. As emerging
country markets differ considerably regarding natural, economic, cultural, political, and legal factors, a comparative study based on the learning guidelines proposed in the current study would reveal the extent to which we can generalize the proposed framework across markets. Another suggested research direction is to examine if service or business-to-business multinational firms have developed similar patterns of competency adaptation, or unique ones. While IKEA is a consumer product retailer whose market performance is more directly impacted by local environmental conditions and consumer characteristics, many other MNCs are business-to-business and/or service oriented in nature and therefore might require less adaptation. Therefore, to construct a more complete picture of competency adaptation for emerging markets, it is necessary to develop case studies of B2B/service multinationals in future studies.

The markets of developed countries change rapidly; emerging markets seem to change even faster. This difference in the rate of change poses unique challenges to planning the dynamics of market entry into the emerging country markets. For example, due to the significantly higher growth rate of its automotive market, China surpassed the U.S. and became the largest automobile consumption market in 2009. The booming passenger car market has been fueled by the fast-growing high income population, which may entail a profound impact on IKEA’s current business model used in China. Therefore, future studies should explore whether IKEA needs to reposition its brand in China due to the recent rising high income population groups and the resulting income inequality in Chinese society. An alternative research approach is to examine whether IKEA needs to change its strategy of supply chain management because of the rising labor cost in China. This examination should track specific interrelated, yet fast-changing factors and the ways this examination could be incorporated into IKEA’s learning of competency re-adaptation in China. For this examination, the model proposed in the current paper provides a rich foundation.

**Conclusion**

In this paper we have examined IKEA’s global expansion into the Chinese market. Using the institutional competency-based perspective, we have explained IKEA’s learning-oriented entry into China in terms of which of IKEA’s traditional competencies have been preserved, and which ones have been renewed, adapted, and reinvented to match the institutional demands of the Chinese context. Moreover, we have identified the critical enabling and constraining factors that influence IKEA’s success in China. The main contribution of our paper is the mapping of the learning path that has guided IKEA’s competency adaptation to undertake concrete plans and actions in the Chinese context.

IKEA’s experience in winning competitive battles allows it to be optimistic about its prospects in the Chinese market. Specifically, proven strategies of blending product differentiation and cost leadership with the experiences gained in the global retail market equip IKEA to pursue further penetration into the Chinese market by adapting its competencies as necessary (Wei and Zou 2007). This case is illustrative in terms of indicating how in the hypercompetitive marketplace of today’s knowledge-focused global economy, effective global expansion strategy, particularly that emphasizing entry into emerging markets, is becoming the
determining factor in the ability of MNCs to renew and adapt their competencies and exploit new opportunities.

The competency selection and adaptation process, as illustrated by the case of IKEA’s entry into China, accentuates the need for learning by MNCs when exploring and exploiting the neglected opportunities in global markets in general, and emerging markets in particular. Overcoming the institutional constraints of emerging markets through an appropriate competency selection and adaptation process is an important activity in developing an effective global expansion strategy. Therefore, MNCs that develop a learning-intensive competency selection process as an integral component of their global strategic growth programs may achieve a distinct competitive advantage in terms of enhanced planning ability for timely and effective choices of expansion into emerging markets.

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Entrepreneurial Opportunity Identification: 
A Motivation-based Cognitive Approach

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Executive Summary

Prior research has shown that cognition enables entrepreneurial opportunity identification, but a motivation-based cognitive approach, which could lead to a better understanding of what differentiates novelty-seekers from others, has received little attention in the entrepreneurship literature. Drawing from cognitive theory, this study examines the relationships among need for cognition, alertness and entrepreneurial opportunity identification in a mail survey of 197 technology-based entrepreneurs in Hong Kong, China. Results indicate that need for cognition relates positively to entrepreneurial opportunity identification, but that alertness mediates this relationship. This research contributes to current entrepreneurship literature by suggesting the importance of need for cognition and alertness in understanding entrepreneurial behavior, and the profound influence that individual cognition exerts on entrepreneurial opportunity identification. An empirical examination of the mediating effect of alertness also advances existing theory in understanding the process of entrepreneurial opportunity identification.

Introduction

Entrepreneurial opportunity identification lies at the heart of entrepreneurship (Shane & Venkataraman, 2000). Before acting on opportunities, individuals must first identify these opportunities (Shane & Venkataraman, 2000). In recent years, there has been a vast theoretical and empirical literature that addresses the question of why some people and not others are able to identify entrepreneurial opportunities (Baron, 2004, 2006; Haynie, Shepherd, & Patzelt, 2011; Hayton & Cholakova, 2011; Mitchell et al., 2002, 2007; Siu & Lo, 2011). These studies suggest that entrepreneurial cognition enables opportunity identification. However, a motivation-based cognitive approach, which could lead to a better understanding of what differentiates novelty-seekers from others, has received little attention in the entrepreneurship literature.

According to Cacioppo and Petty (1982), there are stable individual differences in people’s intrinsic motivation to engage in and enjoy effortful cognitive activities. Individuals with high need for cognition tend to seek, acquire, think about, and reflect back on information to make sense of stimuli, relationships, and events in their world, whereas individuals low in need for cognition are more likely to rely on others (e.g., celebrities and experts), cognitive heuristics, or social comparison processes (Cacioppo, Petty, Feinstein, & Jarvis, 1996).

This conceptualization of need for cognition lays the foundation for the current study using a motivation-based cognitive approach. This study examines the relationships among need for cognition, alertness and entrepreneurial opportunity identification. It suggests that individuals
with high need for cognition are likely to immerse themselves in cognitive activities, which in turn heighten the propensity of alertness, resulting in entrepreneurial opportunity identification.

This research contributes to current entrepreneurship literature by suggesting that the need for cognition and alertness are important in understanding entrepreneurial behavior. This line of work reemphasizes the profound influence that individual cognition exerts on entrepreneurial opportunity identification. An empirical examination of the mediating effect of alertness also advances existing theory by enhancing our understanding of the entrepreneurial opportunity identification process.

Following this introduction, section two describes the theory and relevant literature. Section three covers the research design to test hypotheses. Section four presents the findings. Section five discusses the results, and presents conclusion with implications for researchers and practitioners, limitations and suggestions for future research.

**Theoretical Framework and Hypotheses Development**

**Entrepreneurial opportunity identification**

To date, many definitions of entrepreneurship have increasingly focused on opportunity identification as central to understanding entrepreneurial behavior (Shane & Venkataraman, 2000). Entrepreneurial opportunity identification is considered as a core attribute of entrepreneurship (Shane & Venkataraman, 2000). Before acting on opportunities, individuals must first identify these opportunities (Shane & Venkataraman, 2000). Shane (2003) defines entrepreneurial opportunity as a situation in which individuals can create a completely new means-ends framework by reassembling resources that they believe will yield a profit.

Given the same set of situations and opportunities, not all people can identify a given entrepreneurial opportunity (Shane & Venkataraman, 2000). Some people are able to identify opportunities that others overlook (Kirzner, 1973). In addressing to why some people and not others are able to identify entrepreneurial opportunities, prior studies lend support to the view that possession of prior knowledge, social networks, and superior cognitive capabilities (Gaglio & Katz, 2001; Kaish & Gilad, 1991; Mitchell et al., 2002; Shane, 2000) helps individuals notice opportunities.

The cognitive perspective suggests that everything people think, say, or do is influenced by mental processes – the cognitive mechanism through which they acquire, store, transform and use information, which can be invaluable to understanding why some people and not others identify opportunities (Baron, 2004, 2006). Cognition is defined as all processes, through which sensory input is transformed, reduced, elaborated, stored, recovered, and used (Neisser, 1967). In the context of entrepreneurship, recent research has drawn heavily upon the field of social cognition, which considers individuals to exist within a configuration of forces impacted by two pairs of factors: the person-in-situation, and motivation and cognition (Mitchell et al., 2007). The current study focuses on the second pair of factors, motivation and cognition, and further develops a motivation-based cognitive model to enhance our understanding of entrepreneurial opportunity identification.
Need for cognition and entrepreneurial opportunity identification

The term *need for cognition* originated in the early work of Cohen, Stotland and Wolfe (1955) in that it is defined as “a need to structure relevant situations in meaningful, integrated ways” and “a need to understand and make reasonable the experimental world” (p. 291). Cacioppo and Petty (1982) further define the need for cognition as a stable individual difference in their intrinsic motivation to engage in and enjoy effortful cognitive activity. Intrinsic motivation refers to the desire to expend effort based on interest in and enjoyment of the work that is being undertaken (Amabile, 1996; Ryan & Deci, 2000). Prior research has indicated that intrinsic motivation impacts the effectiveness of the generation and pursuit of entrepreneurial ideas through such psychological mechanisms as positive affect (Baron, 2008; Hayton & Cholakova, 2011) and cognitive flexibility (Amabile, 1996). Intrinsic motivation is likely to encourage individuals to explore ideas that are novel, original, and unique (Grant & Berry, 2011). Thus Cacioppo and Petty’s (1982) conceptualization of need for cognition lays the foundation for understanding entrepreneurial opportunity identification from a motivation-based cognitive approach.

Individual variations in need for cognition are conceptualized as falling along a bipolar continuum (from low to high) (Cacioppo et al., 1996). Low need for cognition is the relative absence of the motivation for effortful cognitive activities that defines high need for cognition. Prior studies have indicated that individuals with high need for cognition process information differently as compared to those with low need for cognition (Hoffmann & Soyez, 2010; Lee & Thorson, 2009). Individuals with high need for cognition acquire and reflect on information to make sense of conflicting stimuli (Sojka & Deeter-Schmelz, 2008), and are able to resolve conflicts in contradictory information (Cacioppo et al., 1996).

Cacioppo et al. (1996) suggest that individuals with high need for cognition are more likely to perform problem-solving activities and that they enjoy thinking and are used to seeing problems as some challenges to be solved. Cacioppo and Petty (1982) also note that individuals with higher need for cognition are likely to consider a larger number of possibilities and to try out alternative hypotheses to make meaningful sense of situations. Nair’s (2000) research effort further indicates that as need for cognition increases, individuals exhibit a greater breadth of coverage in dealing with the problem by collecting information and taking decisions on more aspects of the complex problem. In contrast, individuals with low need for cognition are likely to “rely on others (e.g., celebrities and experts), cognitive heuristics, or social comparison processes to provide this structure” (Cacioppo et al., 1996, p. 198).

The notion of need for cognition has a far-reaching effect on entrepreneurial opportunity identification. Individuals with high need for cognition are more intrinsically motivated to engage in thinking and processing information effortfully, which results in more, or more accessible, information on a range of topics, and enables them to be more sensible in responding to those topics (Cacioppo et al., 1996). Accordingly, they are more likely to expend effort on acquiring information, reasoning, and solving problem to cope with a wide variety of predicaments when they make sense of their world. Thus, the degree to which need for cognition...
affects any individual’s ability to identify entrepreneurial opportunity is particularly relevant in understanding entrepreneurial behavior. Hence:

*Hypothesis 1: Need for cognition relates positively to entrepreneurial opportunity identification.*

**Alertness and entrepreneurial opportunity identification**

Kirzner (1979) defines alertness as “the ability to notice without search opportunities that have been hitherto overlooked” (p. 148). Kirzner (1973) developed this concept and assumed that an individual would have “his eyes and ears open to opportunities that are just around the corner … He is alert, waiting, continually receptive to something that may turn up … this alertness is the entrepreneurial element in human action” (Kirzner, 1979, p. 7). Kirzner (1979) asserts that an entrepreneur is an opportunity identifier who is capable of perceiving and exploiting profitable opportunities whenever the market is in disequilibrium, and that disequilibrium is the normal state of most markets. However, he also admits that individuals exhibit some variations in alertness – only some gifted individuals are able to notice, take advantage of, and pursue those overlooked opportunities (Kirzner, 1979).

Gaglio and Katz (2001), drawing on the work of Kirzner (1973, 1979), argue that some people are better than others at seeing relationships and patterns in information, and integrating any new information into their existing schemas (or mental frameworks) by creating new causal links in their minds, all of which facilitate entrepreneurial opportunity identification. Individuals create their own schemas, which represent their cumulative experiences, learning, feelings and meanings that they have encountered, constructed, or imagined about a specific domain (Fiske & Taylor, 1991).

The schema content and structure for a domain is individualistic in terms of its content (Levine, Resnick & Higgins, 1993), degree of complexity (Markus & Zajonc, 1985), and the number of cross-referenced links to other schemas (Fiske & Taylor, 1991). Baron (2006) further suggests that some individuals possess cognitive frameworks that facilitate the connection of dots among environmental changes, market trends, and customer niches. Such frameworks, which involve alertness and perceived connections, result in entrepreneurial opportunity identification (Busenitz & Arthurs, 2007; Mitchell et al., 2007). Hence,

*Hypothesis 2: Alertness relates positively to entrepreneurial opportunity identification.*

Prior studies have shown that individuals with high need for cognition can recall greater amounts of information to which they have been exposed (Cacioppo, Petty & Morris, 1983; Heslin & Johnson, 1992; Lassiter, Briggs & Bowman, 1991). Individuals who immerse themselves in cognitive efforts are more likely alert to some cues that would trigger identification of entrepreneurial opportunities because the content and complexity of a schema of any individuals depend on the intensity and quality of their efforts in learning about the domain (Gaglio, 1997). Individuals with a high level of alertness are able to recognize facts and linkages that result in entrepreneurial opportunities that others would not recognize. Hence,
Hypothesis 2a: Alertness mediates the relationship between need for cognition and entrepreneurial opportunity identification.

Taken together, all the hypotheses are presented in a framework below for ease of illustration (see Figure 1). Figure 1 presents a motivation-based cognitive model of entrepreneurial opportunity identification. It suggests that individuals with high need for cognition are likely to immerse themselves in cognitive activities, which in turn heighten the propensity of alertness, resulting in entrepreneurial opportunity identification.

FIGURE 1
A Motivation-based Cognitive Model of Entrepreneurial Opportunity Identification

Methods

Sample and data collection

The sample for this study was randomly drawn from the database of the Census and Statistics Department of the government of Hong Kong using industries with the Standard Industrial Classification (SIC) codes that are characterized by a high percentage of technology-based firms. Questionnaires were sent to 2,435 entrepreneurs in these industries, with two follow-up reminders to enhance the response rate. 197 addresses were found to be outdated, which reduced the number of entrepreneurs contacted to 2,238. After three mailings, a total of 223 completed questionnaires were received, representing a 10.0% response rate for the entrepreneurs contacted.

Because the target respondents in this study were entrepreneurs, 26 cases were identified as non-entrepreneurs and therefore removed from subsequent analyses. As a result, usable responses were received from 197 entrepreneurs, representing an effective response rate of 8.9 per cent. This response rate was considered acceptable for this type of research when compared with other mail surveys conducted in Hong Kong (Harzing, 1997). Late-wave analyses were conducted to evaluate non-response bias (Fowler, 1993). Results indicated that late respondents did not differ significantly from the early ones in terms of demographic characteristics. The questionnaire used in the survey was initially developed in English and then translated into Chinese, and then back translated to English to ensure consistency.

Measures

Need for cognition, the independent variable, was assessed from a modified scale originally developed by Cacioppo, Petty and Kao (1984). Sample items were “I like to have the
responsibility of handling a situation that requires a lot of thinking,” “I usually end up deliberating about issues even when they do not affect me personally,” and “thinking is not my idea of fun” (reverse scored). Items were rated on a seven-point Likert scale ranging from “very much like me” (7) to “not at all like me” (1). The ten items measuring need for cognition were subject to an exploratory factor analysis. This resulted in a one-factor solution with eigenvalue more than one. This one-factor model accounted for 58.8% of the total variance. The standardized alpha of this scale was .92.

Alertness, the mediator, was assessed from a modified scale originally developed by Kaish and Gilad (1991). Sample items included “while going about day-to-day activities, I still try to explore new business ideas.” Items were rated on a seven-point Likert scale ranging from “very much like me” (7) to “not at all like me” (1). The three items measuring alertness were subject to an exploratory factor analysis. This resulted in a one-factor solution with eigenvalue more than one. This one-factor model accounted for 82.7% of the total variance. The standardized alpha of this scale was .90.

Entrepreneurial opportunity identification, the dependent variable, was based on the product term of (1) average number of business ideas each month, (2) percentage of these business ideas considered novel, (3) percentage of these novel ideas considered feasible and desirable. The final fraction number was regarded as an index measure of opportunities identified. The natural log transformation of this index was performed and used in subsequent regression analyses accordingly in order to linearize the relationships between the independent and dependent variables (Cohen & Cohen, 1975).

Years of industry experience (mean = 17 years, s.d. = 10.4 years) and number of firms previously founded (mean = 1.3 firms, s.d. = 1.4 firms) were entered first in the hierarchical regression analyses as control variables.

Results

Table 1 presents the means, standard deviations, and “pairwise” correlations of the constructs. Hypotheses were tested using hierarchical regression analyses by first introducing into the equation the block of control variables, followed by the independent and mediating variables. Table 2a (Model 1) shows that venture experience is positively and statistically significant in the initial regression model ($\beta = .21, p < .05$). To examine hypotheses 1 and 2, need for cognition and alertness were entered into the equations respectively (Models 2 and 3). Results indicate that need for cognition and alertness produce positive and statistically significant effects on the number of entrepreneurial opportunities identified ($\beta = .28, p < .01; \beta = .34, p < .001$) respectively. The findings support hypothesis 1, suggesting that need for cognition relates positively to entrepreneurial opportunity identification. The research findings also support hypothesis 2, indicating that alertness relates positively to entrepreneurial opportunity identification.
TABLE 1
Means, Standard Deviations, and Pairwise Correlations

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>s.d.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Industry experience</td>
<td>16.95</td>
<td>10.40</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Venture experience</td>
<td>1.27</td>
<td>1.41</td>
<td>0.07</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Need for cognition</td>
<td>4.84</td>
<td>1.18</td>
<td>0.00</td>
<td>0.21**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Alertness</td>
<td>4.92</td>
<td>1.59</td>
<td>-0.09</td>
<td>0.30***</td>
<td>0.62***</td>
<td></td>
</tr>
<tr>
<td>5. Opportunities identified (LN transformed)</td>
<td>-1.34</td>
<td>1.69</td>
<td>0.00</td>
<td>0.20**</td>
<td>0.30**</td>
<td>0.35***</td>
</tr>
</tbody>
</table>

*p < .05; **p < .01; ***p < .001; One-tailed

TABLE 2a
Results of Hierarchical Regression Analysis of Entrepreneurial Opportunities Identified

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry experience (in years)</td>
<td>-0.03</td>
<td>-0.06</td>
<td>0.00</td>
<td>-0.02</td>
</tr>
<tr>
<td>Venture experience (no. of firms previously founded)</td>
<td>0.21*</td>
<td>0.18*</td>
<td>0.16*</td>
<td>0.15</td>
</tr>
<tr>
<td>Need for cognition</td>
<td>0.28**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alertness</td>
<td></td>
<td>0.34***</td>
<td>0.26**</td>
<td></td>
</tr>
</tbody>
</table>

| R²                                     | 0.04    | 0.12    | 0.15    | 0.17    |
| ΔR²                                    | 0.04    | 0.08    | 0.11    | 0.13    |
| Adjusted R²                            | 0.02    | 0.09    | 0.13    | 0.13    |
| F                                      | 2.19    | 4.63**  | 6.09**  | 5.10**  |
| ΔF                                     | 2.19    | 9.16**  | 13.37***| 7.72**  |

*p < .05; **p < .01; ***p < .001; One-tailed

Following the procedure outlined in Baron and Kenny (1986), the results provide support for a fully mediated model (Hypothesis 2a). The findings show that need for cognition is a significant predictor of the number of entrepreneurial opportunities identified (Model 2, Table 2a) and alertness (Model 2, Table 2b), and alertness is a significant predictor of the number of entrepreneurial opportunities identified (Model 3, Table 2a). However, the presence of alertness significantly reduces the size and significance of need for cognition to entrepreneurial opportunity identification (from $\beta = .28$, $p < .01$ to $\beta = .15$, n.s.) (Model 4, Table 2a). Thus, alertness mediates the relationship between need for cognition and entrepreneurial opportunity identification. This finding supports hypothesis 2a.
TABLE 2b

Results of Hierarchical Regression Analysis of Alertness

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry experience (in years)</td>
<td>-0.13 *</td>
<td>-0.10 *</td>
</tr>
<tr>
<td>Venture experience (no. of firms previously founded)</td>
<td>0.31 ***</td>
<td>0.18 **</td>
</tr>
<tr>
<td>Need for cognition</td>
<td></td>
<td>0.59 ***</td>
</tr>
</tbody>
</table>

\[
R^2
\]

<table>
<thead>
<tr>
<th></th>
<th>0.11</th>
<th>0.43</th>
</tr>
</thead>
<tbody>
<tr>
<td>(\Delta R^2)</td>
<td>0.11</td>
<td>0.33</td>
</tr>
<tr>
<td>Adjusted (R^2)</td>
<td>0.10</td>
<td>0.42</td>
</tr>
<tr>
<td>(F)</td>
<td>10.89 ***</td>
<td>46.23 ***</td>
</tr>
<tr>
<td>(\Delta F)</td>
<td>10.89 ***</td>
<td>104.59 ***</td>
</tr>
</tbody>
</table>

*p < .05; **p < .01; ***p < .001; One-tailed

Discussion and Conclusion

The cognitive approach has long been used to explain how differences in cognitive processing influence people’s abilities to identify opportunities (Baron, 2004, 2006; Haynie, Shepherd, & Patzelt, 2011; Hayton & Cholakova, 2011; Krueger, 2007; Mitchell et al., 2002, 2007; Siu & Lo, 2011). The cognitive perspective emphasizes that everything we think, say, or do is influenced by mental processes – the cognitive mechanism through which we acquire, store, transform and use information, which can be invaluable to understanding why some people are more adept at identifying opportunities than others (Baron, 2004).

However, a motivation-based cognitive approach, which could lead to a better understanding of what differentiates novelty-seekers from others, has received little attention in the entrepreneurship literature. The current research takes a step toward filling this void by suggesting a motivation-based cognitive model of entrepreneurial opportunity identification. The findings of this research support the notion that individuals with high need for cognition are likely to immerse themselves in cognitive activities, which in turn heighten the propensity of alertness, resulting in entrepreneurial opportunity identification. Need for cognition appears to be a necessary but insufficient condition for identifying entrepreneurial opportunities from a motivation-based cognitive perspective. This suggests that entrepreneurs who are intrinsically motivated to engage in cognitive activities may not necessarily notice entrepreneurial opportunities unless they are alert to cues that would trigger identification of entrepreneurial opportunities.

Need for cognition represents intrinsic motivation of individuals to engage in and enjoy effortful cognitive endeavors to seek, acquire, think about, and reflect back on information to
make sense of stimuli, relationships, and events in their world (Cacioppo & Petty, 1982). It serves to activate the recall memory of “dots” to which individuals have been exposed, and heightens the propensity to connect these “dots” (Baron, 2006). Because they are thinking about and elaborating on information, individuals high in need for cognition are generally characterized by active, exploring minds (Cacioppo et al., 1996). Such activated minds increase the probability that unusual events in the environment are noticed, and numerous links and cross-links among “dots” are connected, resulting in a more active, complex, and richer alertness schema concerning markets, industries, and ever-changing environments (Gaglio & Katz, 2001).

This alertness schema predisposes individuals to make good judgments about changes and/or information cues that result in entrepreneurial opportunity identification. Those with a high level of alertness are quicker to detect signals from which they could infer a more complete picture, and most importantly, they are more likely to see the commercial potential of entrepreneurial opportunities that others are not capable of noticing (Gaglio, 2004). This insight helps explain why some individuals appear capable of identifying entrepreneurial opportunity while those with similar backgrounds do not.

**Theoretical implications**

Both researchers and entrepreneurs with substantial interests in entrepreneurial opportunity identification may benefit from this research. This study reemphasizes the centrality of individual cognition to entrepreneurial opportunity identification. It extends the current state of entrepreneurship research by proposing a motivation-based cognitive approach, which could lead to a better understanding of what differentiates novelty-seekers from others in identifying more entrepreneurial opportunities through alertness. Since the work of Cacioppo and Petty (1982), scholars have begun to investigate individual differences in need for cognition in various fields ranging from social, personality, developmental, cognitive psychology to behavioral medicine, education, journalism, marketing, and law (Cacioppo et al., 1996), but need for cognition has been largely ignored in entrepreneurship research. Studying the role of need for cognition and alertness in the context of entrepreneurial opportunity identification has the potential to extend cognitive theory in the entrepreneurship domain.

This stream of research is in line with the growing interest of scholars in recognizing cognition as the critical element driving entrepreneurial action (Mitchell et al., 2007). This study prompts a fruitful development of research and debate that further substantiates existing theories of cognition, entrepreneurial opportunities identification, and entrepreneurship in general. For example, research efforts designed to understand why some individuals are more intrinsically motivated to engage in and enjoy effortful cognitive activity, and to explore the cognitive structure that lies beneath how entrepreneurs structure their dots that are readily connected in a novel way (Baron, 2006; Krueger, 2007) would dramatically add to our understanding of entrepreneurial opportunity identification.

Recently considerable attention has emerged to study the role of affect in entrepreneurial processes (Baron, 2008; Hayton & Cholakova, 2011). Affect is a broad term that includes emotions and moods. Future research, though beyond the scope of the present study, can explore...
how affect might influence need for cognition in the entrepreneurial opportunity identification. Indeed research supports the view that individuals high in need for cognition are more susceptible to the influence of affective states than are individuals low in need for cognition (Cacioppo et al., 1996).

**Practical implications**

This study serves as a potentially useful avenue for training entrepreneurs and employees to be more proficient at entrepreneurial opportunity identification from a motivation-based cognitive perspective. Need for cognition and alertness can be enhanced by the contingencies that foster both feelings of enjoyment in thinking and cognitive development (Cacioppo et al., 1996). Entrepreneurs are advised to widen their exposure by travelling to different places, talking to people from all walks of life, going to art galleries, watching performances, mastering a broad and deep knowledge of one or more areas of expertise. All this could help entrepreneurs gain more, or more accessible, information on a wide range of topics, and enable them to integrate any new information into their existing schemas (or mental frameworks) by creating new causal links in their minds, all of which facilitate entrepreneurial opportunity identification. From a corporate entrepreneurship perspective (Hisrich, Peters, & Shepherd, 2010), appropriate policies (e.g., employee diversity, encouraging sensible risks, allowing mistakes, off-duty time, incentives, multi-disciplinary teamwork approach, encouraging open discussion, autonomy, long time horizon, support of top management, etc.), training programs and hassle-free work environment should be in place to foster employees’ need for cognition and alertness, leading to entrepreneurial opportunity identification.

**Limitations and future directions**

Readers should be aware of certain limitations when interpreting the results of this study. First, one should be careful not to over-interpret the results with regard to causality in the motivation-based cognitive model of entrepreneurial opportunity identification. This causal model was estimated using cross-sectional data. To this end, field experiments and longitudinal research designs might be applied in future research, which may be more conclusive about the causal linkages among the constructs.

Second, one cannot entirely rule out the possibility that common method bias may have augmented the relationships between constructs of the model (Podsakoff, MacKenzie, Lee & Podsakoff, 2003). Because self-report measures were used in this research, the relationships among the predictor (need for cognition), mediator (alertness), and outcome (entrepreneurial opportunity identification) may include common method variance. Since this study measured each of these constructs from only one source (the entrepreneur), these associations could be attributed to a response bias on the part of the entrepreneur.

To address the common method bias, this study conducted a Harmon’s (1960) single-factor test. Results show that no single factor emerges from factor analysis, though Podsakoff, MacKenzie, Lee and Podsakoff (2003) suggest the absence of a single factor may not necessarily mean that the measures are free of common method variance. Nevertheless, a key informant
approach is appropriate in entrepreneurship research because entrepreneurs are more competent and knowledgeable to report the information of interest in this study (Kumar, Stern & Anderson, 1993). Moreover, given a single-blind research technique to measure need for cognition and alertness, it seems unlikely that respondents could structure their responses (Doty, Glick & Huber, 1993). Thus, the likelihood of common method variance is relatively small in this study.

The third limitation is concerned with the generalizability of results. In this study, the sample consisted of technology-based entrepreneurs in Hong Kong. Need for cognition, alertness and entrepreneurial opportunity identification might vary with industries and contexts. It may be intriguing to compare entrepreneurs with non-entrepreneurs as to whether they differ from each other in need for cognition and alertness in relation to entrepreneurial opportunity identification, and to replicate this research in other industries and contexts.

In general, the findings of this study point to several new research agendas. Predicting entrepreneurial opportunity identification from a motivation-based cognitive approach implies that future research should focus on the factors (e.g., regulatory pressure, competitive dynamics, etc.) that potentially necessitate need for cognition and alertness while considering other contextual and personal factors (e.g., social networks, prior knowledge, etc.). All this contributes to a more complete picture of understanding entrepreneurial opportunity identification (Ardichvili, Cardozo & Ray, 2003).

Another promising research agenda is to examine collective cognition at the founding or top management team level (West, 2007). For example, what are antecedents that could potentially activate collective cognition? What are the optimal size and composition of the teams that enable collective cognition to identify more entrepreneurial opportunities? To what extent can the motivation-based cognitive model of entrepreneurial opportunity identification be applied at the team level? What are the dynamics and mechanism underlying collective cognition in relation to entrepreneurial opportunity identification? All this helps contribute to our understanding of what differentiates novelty-seekers from others at both team and firm levels.

Conclusion

This study suggests a motivation-based cognitive model of entrepreneurial opportunity identification. The findings support the notion that individuals with high need for cognition are intrinsically motivated to engage in and enjoy effortful cognitive activities, which in turn heighten the propensity of alertness, resulting in entrepreneurial opportunity identification. This insight helps explain why some individuals appear capable of identifying entrepreneurial opportunity while those with similar backgrounds do not.

References


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Pragmatism and Personalism in Post-Merger Leadership: Lessons from the Founding of LULAC

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Executive Summary

Mergers are intended to create more robust firms, but history shows such combinations routinely fall short of expectations, often due to inadequate employee identification with the new organization. During archival research of the primary Mexican American Civil Rights groups in South Texas in the 1920s, most of which eventually merged into the League of United Latin American Citizens (LULAC), we discovered substantial intimation of the construction and preservation of a leadership identity capable of engendering enhanced post-merger identification. Accordingly, we examined the behaviors and beliefs of the principal founders of LULAC to reveal a process of post-merger leadership grounded in pragmatism and personalism that produced the climate, trust, and commitment needed to enhance the behavior and identification necessary for organizational success and maintenance of the leadership identity.

Introduction

Although mergers are a common growth strategy for many contemporary organizations (Kavanagh & Ashkanasy, 2006), history demonstrates that “such combinations often fall short of expectations” (Stahl, 2004: 3). Mergers are intended to create stronger firms (Lipponen, Olkkonen, & Moilanen, 2004), yet research indicates that most never achieve their objectives with 50 – 80 percent failing to meet anticipated potentials (Marks & Mirvis, 1986). Even mergers that appear to be successful in the short-term routinely turn out to be failed attempts in the long run (Fubini, Price, & Zollo, 2006), often due to inadequate employee identification with the new organization (Creasy, Stull, & Peck, 2009).

While leadership is crucial to the implementation of organizational change, it is follower perceptions of leadership that generally determine post-merger success (Stahl, 2004), suggesting that the leadership needed to enhance the acculturation of followers with a merged organization should be viewed through a lens of social construction. Regrettably, the preponderance of the
leadership literature underestimates the “socially constructed and reciprocal relationship between leaders and followers …” (DeRue & Ashford, 2010: 628). As a result, DeRue and Ashford (2010: 643) called for models of leadership that “illuminate” these processes.

As a step towards such illumination, we argue that historical cases can offer a unique richness (Weick, 2007), identifying issues that require further investigation (Ordóñez, Schweitzer, Galinsky, & Braverman, 2009), and supplying the foundation for further conceptual development (Humphreys, Pane Haden, Novicevic, Clayton, & Gibson, 2011). During archival research of the primary Mexican American Civil Rights groups in South Texas in the 1920s, most of which eventually merged into the League of United Latin American Citizens (LULAC), we uncovered compelling intimation of the construction and preservation of a leadership identity capable of engendering enhanced post-merger follower identification. Accordingly, we examined the behaviors and beliefs of the principal founders of LULAC to reveal a process of post-merger leadership grounded in pragmatism and personalism that engendered the climate, trust, and commitment needed to enhance the behavior and identification necessary for organizational success and the maintenance of the leadership identity.

To afford some context, we begin by describing the Mexican American Civil Rights movement and the founding of LULAC. Next, we review the literature on post-merger leadership and follower identification. We then provide the foundation for the outstanding leaders involved and the pragmatism and personalism exhibited in the successful merger that created the new organization (LULAC). Finally, we reflect upon our interpretation of these leader behaviors to propose a socially constructed post-merger model of leadership.

The Mexican American Civil Rights Movement and the Founding of LULAC

When Americans hear the phrase Civil Rights movement, most immediately think of the struggle for African American Civil Rights. Far fewer, however, are aware that between 1865 and 1920, more people of Mexican origin were lynched in the Southwest than were African Americans in the South (Yarsinske, 2004). According to the New York Times (November 18, 1922), unprovoked killings were so common in the early 1920s in Texas that they generally went unnoticed. As a result, Mexican Americans began to found civic organizations to confront their plight (Yarsinske, 2004). Sadly, many are not familiar with this earlier movement for Civil Rights in the United States. Fortuitously, we discovered Orozco’s (2009) book, No Mexicans, Women, or Dogs Allowed, which detailed and substantiated the previously neglected rise of the Mexican American Civil Rights movement during this period.

Our research of this movement began with the secondary data available in Orozco’s (2009) historical scholarship followed by personal correspondence with the author. In turn, those communications guided us to the primary data found in the LULAC archives at the University of Texas as part of the Nettie Lee Benson Latin American collection. This compilation, housed in the Rare Books and Manuscripts unit of the Benson library, is the official archival repository of LULAC, and contains correspondence, publications, minutes, administrative records, personal papers, and photographs, arranged by leader, donor, and chronology.
The Founding of LULAC

The early 1920s are considered “the darkest period for Hispanic Americans,” particularly in the State of Texas where prejudicial attitudes and overt discrimination had reached extreme levels (Yarsinske, 2004: 16). In a 1974 edition of the LULAC News, M.C. Gonzales recalled:

The horizon of life for the Mexican American, especially in Texas, was dark and dreary. The skies, during the early twenties were menacing; the clouds were fraught with racial discrimination, threats, and economic slavery … Strong tributaries constantly flowing into a river of hate and disdain; almost reaching flood proportions were the public signs along the public highways in front of restaurants: ‘No Mexicans Allowed.’

A review of the LULAC archives confirms this perception, with many signs delivering even more disturbing portraits of what life was like for many Mexican Americans during this era. As a result, civic groups like the Corpus Christi chapter of the Order of Sons of America (OSA), the Order Knights of America of San Antonio (OKA), and the League of Latin American Citizens of South Texas (LLAC) emerged due to “the Mexican problem” – an “ideological construct by whites to … demonize” Mexican Americans as lesser beings (Orozco, 2009: 59). For example, speaking to the encroachment of Mexican heritage in American society, the Eugenist Charles Davenport (Dowd, 1920: 199) warned that:

The United States population could rapidly become darker in pigmentation, smaller in stature, more mercurial, more attached to music and art, more given to crimes of larceny, kidnapping, assault, murder, rape and sex-immorality, and more given to burglary, drunkenness, and vagrancy than were the original English settlers.

Likewise, fear of the “Mexican problem” is encapsulated in a letter to State Representative John Box from the Roddis Lumber and Venner Company in San Antonio (February 22, 1928):

All of South Texas is now overrun with a low caliber of Mexican emigrants who are a decided blight to the American people. …. They are not only a racial problem but a social and economic problem as well. Their ideals are entirely Un-American. They refuse to learn and speak the English language and never will become American citizens. …. Worthless – despicable. Socially they are impudent, sullen and obnoxious. The white people of San Antonio have not a single park or place of amusement where they can go and enjoy themselves without the obnoxious presence. Every day the City papers are full of sensational accounts of thefts, felonious assaults, knife stabbings, automobile wrecks, etc. by Mexicans.
This resulted in the Box immigration bill that plainly stated “the Mexican is an inferior and degenerate race incapable of being assimilated” (Weeks, Box 1, Folder 5). Clearly, ‘Mexicans,’ particularly post 1924, came to be defined as “a problem, nuisance, menace, and liability” to ‘Americans’ (Orozco, 2009: 60). However, the assumption that all individuals of Mexican origin residing in the U.S. were not citizens was flawed. When the U.S. government annexed a considerable parcel of Mexican territory following the Mexican American War, nearly 77,000 Mexicans became U.S. citizens (Yarsinske, 2004). The dominant society, though, simply could not conceptualize these people as citizens, and this profoundly influenced Mexican American identities. As a response, some Mexican Americans embraced their hybrid identity and openly stressed their American citizenship (Orozco, 2009). Founded in 1921, the Order of Sons of America (OSA) first symbolized this emerging identity.

These ideas were clearly unique among Hispanic serving organizations during this period because of the deference to American ideals (Orozco, 2009). While this leaning towards America and away from Mexico was originally a strategy to “placate the American public’s suspicion of the organization’s motives,” the desire to imbue the spirit of American democracy was strong (Yarsinske, 2004: 8). These principles did eventually prevail, as LULAC’s constitution was patterned after the U.S. Constitution; officers and members were required to swear loyalty to the U.S. and its laws, “America” was selected as the official organizational song and English the official language, and “George Washington’s Prayer” its official prayer (Yarsinske, 2004).

In addition, membership was only available to U.S citizens, an issue that was so divisive that it curtailed the initial merger talks at Harlingen, Texas in 1927 (Orozco, 2009), when two factions of the OSA attempted to merge with a unit of the Knights of America (OKA - a splinter group emerging from OSA) and the awkward outcome was the creation of yet another organization - the League of Latin American Citizens (LLAC) (Yarsinske, 2004). This decision also led many to label these groups as sell outs (vendidos), a view that has only recently began to evolve (Orozco, 2009). Nonetheless, it is clear that early groups like the OSA, OKA, and LLAC were at the forefront of the Mexican American Civil Rights movement.

Elements of these groups eventually agreed that they could have greater organizational strength and influence if they merged (Yarsinske, 2004). This was a very delicate and arduous undertaking, however, because, just as with most modern merger partners, “each organization had a very proud history, its own constitution, its own structure, and a strong leader” (League of United Latin American Citizens, 2010). In fact, similar to many contemporary failures, most of the earlier attempts collapsed because of clashes of personality, incompatible vision, and the inability to identify beyond the original affiliations of their labors (Orozco, 2009).

Eventually, though, on February 17, 1929, on a cold, rainy day at Salon Obreros y Obreras, in Corpus Christi, Texas, the League of United Latin American Citizens (LULAC) was established (Yarsinske, 2004). Currently headquartered in Washington, D.C., and with 700 LULAC councils operating throughout the U.S. and Puerto Rico, it has since evolved into the largest organization advocating for civil rights of Latinos worldwide.
Although our initial interests were with the emergence of LULAC as a socially inspired organization, our research led us to ultimately conclude that the exhibition and attribution of the leadership needed to merge these singularly viable groups and successfully engender enhanced post-merger follower identification was the more instructive narrative. We contend this unique historical case provides considerable intimation of the underpinning for conceptualizing what Fubini et al. (2006: 28) characterized as the “elusive art of post-merger leadership.”

Post-Merger Leadership

The merger of business, social, or civil organizations presents special challenges that rarely are effectively navigated by leaders attempting to facilitate the integration (Waldman & Javidan, 2009). In spite of hundreds of books, articles, and consultants providing guidance, few new marriages in the business world meet expectations, “no matter what criteria of success are used” (Lipponen et al., 2004: 391). Mergers that look smart in the short-term, providing real synergies, market power and cost savings, often end up in defections of key players, anxiety-rattled employees, shaken customer confidence, and eroding shareholder value in the long run (Agrawal, Jaffe, & Mandelker, 1992; Messmer, 2006). Leadership too often becomes so engaged in the physical and financial details of the merger, that they overlook a significant issue critical to long-term effectiveness; namely, organizational acculturation into and primary identification with the newly merged entity (Bligh, 2006; Carroll & Harrison, 2002; van Dick et al., 2004).

Leadership issues, however, have generally taken a back seat to financial and economic concerns in the scholarly literature. Waldman and Javidan (2009: 131) asserted that the merger literature “tends to either ignore leadership or make cursory reference to it …” This is unfortunate since successful organizational and cultural integration is largely dependent on the post-merger leadership provided and perceived by followers (Fubini et al., 2006), many of whom may experience a loss of psychological attachment because of the merger (Cartwright & Cooper, 1992). Specifically, mergers can result in significant declines in commitment, satisfaction, and productivity and corresponding increases in absenteeism, turnover, and attitudinal issues (Buono, Bowditch, & Lewis, 1985; Schweiger & Denisi, 1991), effectively raising the cost of the merger. Integration into the new organization largely succeeds or fails on the basis of the ability of the leader to communicate the new vision (Fubini et al., 2006), as well as follower perceptions of leadership’s competence and fairness (Creasy et al., 2009).

Even though we know of the critical importance of followers identifying with a newly merged organization (Carroll & Harrison, 2002; Creasy et al., 2009; Waldman & Javidan, 2009), Epstein (2004: 174) asserted that the “post-merger integration process appears to have the least understanding.” This too is regrettable, as effective acculturation clearly influences favorable follower behaviors and outcomes. van Dick et al. (2004: 123) explained:

The more the members of the postmerger organization feel like members of a new common, ingroup, the more they can identify with the new organization … Social identity research on mergers … has demonstrated that identification
with the postmerger organization is related to higher job satisfaction, more extra-role behavior, and lower turnover and absenteeism …

We agree with this assessment but conclude that social identity theory discounts the critical role of leadership. Yet, while “increasing evidence points toward organizational integration as a key ingredient” of effective merger implementation, “there is little theory to guide our understanding” of the promotion of such integration when firms merge, especially “with regard to the relevance of alternative forms of leadership” (Waldman & Javidan, 2009: 131-132). Accordingly, in search of such alternative forms, our examination of the LULAC leadership was grounded in the framework of Mumford and colleagues (e.g., Mumford, 2006; Mumford, Antes, Caughron, & Friedrich, 2008) and their studies of the emergence of outstanding leadership.

**Outstanding Leadership**

Although recent research has emphasized the role of charisma in outstanding leadership (Mumford et al., 2008), there have certainly been historically notable cases (see Mumford & Van Doorn, 2001) where outstanding leadership also surfaced from ideological and pragmatic leaders (Ligon, Hunter, & Mumford, 2008). Mumford and colleagues operationalized this manifestation by specifically describing the behavioral and cognitive differences between these three leadership archetypes (see Bedell-Avers, Hunter, Angie, Eubanks, & Mumford, 2009).

**Charismatic Leaders**

Charismatic leaders rely on inspirational communication to offer followers a passionate vision that promises a radically better future than the current state of existence, provided that they accept the leader’s vision (Shamir, House, & Arthur, 1993). Based upon the experience of positivity, they are defined by a future orientation within their “emotionally evocative” appeals and oratorical eloquence in the attempt to target the masses (Bedell-Avers et al., 2009: 300).

Also, charismatic leadership is discernable in personalized or socialized forms (Choi, 2006). Personalized charismatic relationships are focused on followers’ identification with the leader. Since followers generate a myopic focus on the persona and priorities of the leader (Howell & Shamir, 2005), follower dependency is common (Choi, 2006).

In contrast, socialized charismatic relationships are thought to provide followers with a process for expressing their values within a framework of a collective action. Based upon this conceptualization, and the lack of blind dependence created among followers, socialized charisma is considered non-exploitive and more focused on follower needs (Howell & Shamir, 2005). While the personalized versus socialized dimensions are well established within the charismatic leadership literature, Ligon et al. (2008) contend that ideological and pragmatic leaders can also evidence either of these orientations towards followers.
Ideological Leaders

Ideological leaders are mainly defined by an embedded commitment to their beliefs (Strange & Mumford, 2002). Like charismatic leaders, ideologues are vision-based, but they tend to focus on past conditions and often look to positive examples or status of their group (Ligon et al., 2008). These leaders develop “emotionally evocative, tradition-oriented visions that place an emphasis on a shared collective past and the values and standards necessary for a just society … Accordingly, the ideologue’s visionary appeal is often focused toward developing a base cadre of followers willing to make strong commitments to the cause” (Bedell-Avers et al., 2009: 300).

Ideological leaders tend to allow their belief systems to guide their decision-making, which often directs them to ignore alternative perspectives or approaches and dismiss individuals who do not share in their beliefs (Post, Ruby, & Shaw, 2002). This outlook can influence these leaders to maintain tight group boundaries and present an oppositional face to the world around them (Mumford, 2006).

Pragmatic Leaders

Pragmatic leadership is grounded more in social utility rather than leader vision, resulting in less personal investment in the leader and a stronger appeal to functional needs. Pragmatic leaders tend to be functional problem-solvers, preferring “logical argumentation to emotionally evocative arguments” (Mumford et al., 2008: 145). In sharp contrast to ideological leaders, pragmatic leaders are more flexible in decision-making (Mumford & Van Doorn, 2001) and more adaptable with respect to boundary spanning (Mumford, 2006).

“Pragmatic leaders … do not articulate a vision for their followers” (Bedell-Avers et al., 2009: 300), clearly differentiating them from ideologues and charismatics (Ligon et al., 2008). However, these leaders have the ability to exert profound influence through an intensive grasp of the social system and the variables within that system (Mumford & Van Doorn, 2001).

These three leadership archetypes have been applied to many notable business leaders (Ligon et al., 2008) and historical figures (Mumford & Van Doorn, 2001) as well. For example, Bedell-Avers et al. (2009) recently used these distinctions to classify early leaders of the African American Civil Rights movement (They determined that Frederick Douglas was a charismatic leader, W.E.B. Dubois was an ideological leader, and Booker T. Washington was a pragmatic leader). Building upon these works, we applied the CIP model (charismatic, ideological, pragmatic – Hunter et al., 2009) to generally classify the founding leaders of LULAC.

The Founding Leaders of LULAC

The February 1940 issue of the LULAC News considered the founders of LULAC to have been Manuel Gonzales, Mauro Machado, John Solis, Ben Garza, Andres de Luna, Sr., Jose Canales, and Alonso Perales. Of these founders, though, it was Gonzales (OKA – San Antonio), Perales (LLAC – South Texas), and Garza (OSA – Corpus Christi) that held the top leadership positions in their respective organizations and represented their umbrella groups as the final
discussions of a merger of equals was pushed to fruition (League of United Latin American Citizens, 2010). Therefore, these three men were the focus of our examination.

**Manual Gonzales**

Manuel C. Gonzales (1900-1986) led the oldest of these specific organizations (OKA – San Antonio). Although he came from very humble beginnings, he was a lawyer, a veteran, secretary at U.S. Embassies in Spain and France, secretary to Senator Harry Howe (St. Louis, MO), a newspaper founder, and a poetic writer in English and Spanish. He saw himself as a defender of his people and a true believer in the cause (Orozco, 2009). Canales called him “an intelligent, smart, and smooth speaker” (LULAC proceedings at San Diego, Texas, February 16, 1930). His archival photos create the perception of confidence and sophistication. He was also considered very articulate with both the spoken and written word and inspired those around him with the compelling vision of “building a better race” (Orozco, 2009: 106).

Both primary and secondary sources suggest that Gonzales offered an emotionally redolent vision to his followers, based on a past orientation, and focused on shared heritage and ideals. Applying the CIP framework (Hunter et al., 2009), these behaviors would classify him as an ideological leader. However, Gonzales was also charismatic and from the descriptions of his relationships we surmise that he likely offered a more personalized orientation to followers.

**Alonso Perales**

Alonso S. Perales (1898-1960), led the youngest, but fastest growing, of the competing organizations, the LLAC. He was a veteran and held a B.A. and law degree from George Washington University. He worked for the Latin American affairs office in Washington, D.C. and built a successful career as a diplomat with postings in thirteen different missions in Latin America. He was also an author and Orozco (2009: 112) described him as a “master of the media.” Perales was a “magnificent orator,” and a man of “distinguished appearance” that created a persuasive vision, as he “spoke with great enthusiasm” (Orozco, 2009: 113). He was also a man of great ego, at one point declaring himself as the founder of LULAC (Perales, 1930: 112). In 1930, however, during Congressional testimony he revised his statement and offered that he was one of the founders. His influence, though, is not in question. In 1942, an unknown author paid homage to him with a Day of the Dead poem (*calavera*):

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From the beginning
A symbol of correction
with powerful words
said with conviction
A Tejano patriot
who defended the Mexicano
in any given moment
He was a mover and a man of ideas
A powerful man, a 100%
in the court, in a fight.
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In his inspiring oration, Perales was prone to encouraging all followers to create their own futures and not be solely defined by their past.

Primary and secondary sources portray Perales as a leader who offered all Mexican Americans an eloquent, emotionally evocative vision, with a future orientation, and focused on followers’ personal and social needs. Applying the CIP model (Hunter et al., 2009), these behaviors would label him as a charismatic leader. He did clearly exhibit some ideological tendencies, though, and from the descriptions of his rhetoric and relationships he offered a strong personalized orientation to followers.

**Ben Garza**

Bernardo F. (Ben) Garza (1892-1937) was an entrepreneur and head of Council Number 4 of the OSA – Corpus Christi. Although he only had a sixth grade education in a Mexican school, he was considered “intelligent, energetic, honest, and sincere” (Perales, 1930: 106-107) and was successful in the restaurant and real estate businesses. Garza is remembered as a “sincere servant of the needy and a philanthropist” and a “personable and generous man” (Orozco, 2009: 117). His influence was so notable that a monument in Corpus Christi stands today commemorating the work of this “truly great leader” for his concern and capacity to love those around him (*LULAC News*, February, 1979).

Various letters in the archives regarding Garza (Garza, Album 1) use the term “mediator” and describe his interactions as being “constructive.” For example, in a 1979 newspaper article, de Luna recalled: “One trait set Corpus Christi restaurateur Ben Garza apart from other Mexican American leaders of the 1920s – his ability to mediate.” In a letter (October 19, 1939) to de Luna, Machado declared, “In all his letters to me, he preaches nothing but constructive ideas.”

Congressional testimony from him in 1930 revealed his passion for business, especially issues focusing on the welfare of workers. In addition, it is noted that although his education was extremely limited, his calm nature and involvement in service to others allowed him to cross racial boundaries more easily than others in the Mexican American Civil Rights movement (Orozco, 2009). As a result, he accomplished many of his philanthropic goals by working closely with the leaders of other organizations such as the Chamber of Commerce and the Salvation Army (Orozco, 2009). In fact, Yarsinske (2004) held he is best remembered for his ability to bring together the Anglo and Spanish communities.

We found that Garza targeted other influence leaders, with a present orientation, and a focus on followers’ functional needs. He did not exhibit strong ideological or charismatic behaviors, and he clearly was focused more on rational problem-solving than emotional appeals, although he did inspire many around him with the idea of what they could accomplish together (Orozco, 2009). Applying the CIP paradigm (Hunter et al., 2009), these behaviors would classify him a pragmatic leader. Moreover, Garza exhibited a very strong socialized orientation to followers, and other leaders, alike, throughout the turbulent talks of merger.

We find this significant, as Mumford et al. (2008: 145) rightly concluded that, “Perhaps the most straightforward conclusion one can draw about outstanding leadership is that it requires
placing the right person in the right situation.” Realizing the right person to lead the movement during this critical context was both essential and unclear. The merger of the organizations these gentlemen sought was anything but certain. “By 1928 prospects for a merger looked dim” because of personal conflicts and the inability of many to cede power (Orozco, 2009: 157). Even Canales, who pushed hard for the merger at Harlingen (1927), had become “lukewarm” to the idea (Yarsinske, 2004: 24).

During every step of the journey, it was Garza who emerged as the pivotal leader in pushing the merger forward and keeping the combined organization together. “After eight years of splintering organizations and dueling egos, the League of United Latin American Citizens was … born” (Orozco, 2009: 165). Although he initially declined the offer to become the first president of LULAC, because of the superior education of the other leaders, he ultimately relented after being unanimously elected (Garza, Album 2). Historical outcomes demonstrate he was successful in merging the organizations and, as the immediate post-merger leader, acculturating the disparate followers into the new organization.

On the surface, Ben Garza appeared to be the least likely of these three leaders to be perceived by followers as the optimal choice to lead the merged organization, as we know a great deal about the extraordinary power and influence of charismatic (Cha & Edmondson, 2006) and ideological (Post et al., 2002) leaders. Also, Gonzales led the oldest of the groups and Perales the fastest growing of the rival organizations (Yarsinske, 2004), so one would think these variables might also disadvantage Garza. In addition, he was not a veteran, far less educated, and lacked the oratorical and writing skills of either Gonzales or Perales; so why Garza?

We argue that for one, it was his pragmatism that encouraged followers to identify him as the leader. We found evidence suggesting that many followers, particularly the thought leaders within the groups, were seeking ethical, functional problem-solvers. For example, from the Weeks file, Box 1, Folder 5: “We will elevate as leaders those among us who by their integrity and actions show themselves capable of guiding and directing us aright.” Gonzales (Weeks, Box 1, Folder 12) declared his interest in “entrusting the work to the care of competent and trustworthy leaders.” There is evidence suggesting that pragmatic approaches may be more effective than charismatic leadership in “situations characterized by uncertainty (Khurana, 2002; Pasternack & O’Toole, 2002)” (Hunter et al., 2009: 384). Therefore, we posit that the turbulence of the merger situation likely influenced the desirability of pragmatic leadership.

Yet, we cannot quite reconcile Ben Garza with the idea that pragmatic leaders are conceptualized as not articulating a vision for their followers (Bedell-Avers et al., 2009). Although he was most concerned about the characteristics of the present situation and did not offer the eloquent, emotionally evocative vision of Perales or Gonzales, in our assessment, it is too simplistic to claim that he offered no vision. There is evidence that he was considered visionary by his peers. Machado, writing to de Luna (1939, Machado file), asserted that, “Ben’s shrewd mind could easily see ten years ahead.” Moreover, we assume that vision can be an important leadership element, particularly within dynamic environments (Tikhomirov & Spangler, 2010).
It could be that Garza exhibited a mixture of pragmatic and charismatic leadership that would account for this quandary. Strange and Mumford (2002) admitted that despite the clear, observable distinctions, mixtures do exist, although they are likely to be combinations of charismatic and ideological leadership (Bedell-Avers et al., 2009), which we believe aptly described the leadership of Gonzales and Perales. We found no compelling evidence, however, that Garza exhibited behaviors consistent with conventional notions of charismatic leadership. Instead, our examination led us to conclude that the mixed leadership of Ben Garza was not of pragmatism and charisma per se but, rather, a permutation of pragmatism and personalism.

**Leadership Grounded in Personalism**

Personalism is a moral philosophy that views persons and relationships as the starting point of social theory (Bartnik, 1995). This philosophy emerged as a reaction to the intellectual tendency to treat people as objects of scientific study and/or economic functions. Personalism is a perspective that “makes explicit the duty of respect, benevolence, and care for people, emphasizing human dignity and the innate rights of every human being” (Mele, 2009: 229).

Whetstone (2002: 390) examined several normative leadership paradigms to determine which would prove most congruent with a philosophy of personalism. He concluded that our contemporary understanding of servant leadership was the most consistent with personalism:

… genuine servant leadership is consistent with the five themes of the philosophy of personalism. The servant leader focuses on himself as a person and how he can beneficially serve others, whom he values for their dignity as persons, helping them to exercise freely their personal subjectivity and autonomy in a morally responsible manner. He seeks to build true community, one involving full participation and solidarity.

Placing himself at the service of the people and demonstrating his ability to reconcile differences for the communal good reflects Ben Garza’s leadership grounded in a personalism philosophy. We suggest that the personification of this philosophy led Orozco (2009) to refer to him as an authentic servant. This would indicate that Garza did offer vision, but that, consistent with his strong socialized orientation, the vision would not be leader-centric and would emerge as a “shared vision” from the ongoing interactions with followers (Kiechel, 1995: 125).

Whetstone (2002), however, in recognizing some of the limitations of servant leadership, proposed that a theoretically superior form of leader personalism might be achieved with the combination of a morally tough servant leader with a more active, and even inspirational, altruistic vision. This type of vision would be based on an appeal to interest in the common good rather than an appeal to the leader’s identity. “The leader and the follower would focus on the vision jointly formulated and refined, avoiding manipulation by any party through a mutual commitment to participation, solidarity of community, and respect for each person grounded in the philosophy of personalism” (Whetstone, 2002: 391). Our examination of Garza suggested
that his leadership foreshadowed Whetstone’s (2002) superior approach, albeit with greater focus on functionality, and moves this admonition from the realm of theory to reality.

Specifically, we identified facets of pragmatism and personalism within Garza’s leadership and argue that a combination of these elements produced the vision and communication required to stimulate the climate and trust needed to promote a degree of follower identification necessary for organizational success and survival. Our task, then, was to interpret how and by what mechanisms he was able to accomplish and maintain such a feat of outstanding leadership that is so rarely replicated by highly educated and trained post-merger leaders in the current milieu (Lipponen et al., 2004).

A Framework for Effective Post-Merger Leadership

Because of the importance of follower identification in the merger implementation process (Creasy et al., 2009), and the lack of explicable theory (Epstein, 2004), Waldman and Javidan (2009) called for conceptualizations of alternative forms of leadership appropriate for “the critical post-merger integration phase” (Clemente, 2001: 35). In addition, DeRue and Ashford (2010) have called for more socially-constructed leadership models. Based upon our interpretation of the leader behaviors of Ben Garza within the context of the LULAC merger, we offer our representation (Figure 1) of a socially constructed post-merger model of leader pragmatism and personalism capable of engendering the climate and commitment needed to enhance follower organizational identification and maintain the leadership identity.

We begin with the perceptions of leader personalism and pragmatism generated by Garza. By all accounts, he was a leader of great compassion, integrity, competence, kindness, and agreeableness (Orozco, 2009), thus supporting the perception of leader personalism. As evidence, Washington, Sutton, and Field (2006) empirically determined that followers’ ratings of servant leadership were positively related to their ratings of leaders’ values of empathy, integrity, and competence, and leaders’ ratings of their agreeableness. In addition, Kalshoven, Den Hartog, and De Hoogh (2010) found that agreeableness was consistently related to ethical leadership.

Garza, though, was also unmistakably a pragmatic leader. His followers, and even other leaders, perceived him as a rational, functional problem-solver (Orozco, 2009). Those around him also took note of his exceptional ability to span boundaries (Yarsinkse, 2004), which allowed him to further the shared vision (Yip, Wong, & Ernst, 2008) and more successfully advocate for those he sought to serve (Miller, 2008).

We argue that follower perceptions of Garza’s pragmatism and personalism created the clarity needed for the construction of the leadership identity and, therefore, the justification to exert influence over those constructed as followers. This is critical, as the leadership (and followership) identity can impact subsequent motivation and actions (Day & Harrison, 2007). Without this clarity, the potential for conflict increases (Collinson, 2005). Such continuing tension, exacerbated by the tribalism of prior group affiliations (Shapiro, 2010), would be common within a post-merger situation (Stahl, 2004).
Although Garza was initially hesitant to perceive himself as the leader (Orozco, 2009), we posit that it was through the social interface and consequent relational recognition that his individual internalization of pragmatism and personlism in leader identity became an integral part of his self-concept (DeRue, Ashford, & Cotton, 2009). “Prior theory suggests that the designation of these personal attributes to the self is not simply a cognitive, intraindividual assessment but, rather, is embedded in specific contexts where an identity is asserted and ascertained in the course of social interaction …” (DeRue & Ashford, 2010: 629). This embeddedness speaks to the more relational portion of leader identity construction, whereby leader and followers mutually recognize their roles (Ashforth, 2001). “In this sense, leadership ‘is not something the leader possesses’ (Hollander, 1993: 29); rather, it expresses a recognized relationship among individuals (Shamir & Eilam, 2005)” (DeRue & Ashford, 2010: 629).

With Garza and his diverse followers recognizing and accepting their relational roles, his ability to send, and his followers’ capacity to receive, his vision would be enhanced. Based upon his personalism and pragmatism, this vision would have been socialized and rational, and effectively communicated as such. Whereas the bold, charismatic, and/or ideological communication of Perales and Gonzales would promote a personalized vision, and thus possible
tribal loyalties (Shapiro, 2010), Garza’s socialized vision would consist of “such elements as altruism or social responsibility, the inclusion and support of empowered others as a necessary component to organizational success, and a focus on serving the interests and goals of the greater collective (House & Howell, 1992)” (Galvin, Waldman, & Balthazard, 2010: 513).

Expanding the figure of Walumbwa, Hartnell, and Oke (2010), we argue that the socialized, rational vision consistent with personalism and pragmatism promoted organizational climates of service and procedural justice. Previous authors (e.g., Kozlowski & Doherty, 1989) have contended that climate formation is an implied feature of leadership, as leaders “shape the meaning that followers attribute to these organizational characteristics” (Naumann & Bennett, 2000: 883).

Service climate is the shared perceptions of followers as to the practices that are expected in the service of others (see Schneider, Salvaggio, & Subirats, 2002). Servant leaders, as personalists, are thought to imbue service values by their integrity (Walumbwa et al., 2010). Moreover, their functional focus on helping followers develop (Liden, Wayne, Zhao, & Henderson, 2008) is congruent with pragmatic leadership.

In addition, servant leadership has also been related to followers’ perceptions of procedural justice climate (Ehrhart, 2004). This is important for our context, as Lipponen et al. (2004) found that procedural justice was positively related to post-merger organizational identification. Since servant leadership is consistent with personalism, such leaders set high ethical standards and value followers’ input collectively, thereby enhancing procedural justice climate (Walumbwa et al., 2010). Furthermore, we contend that the boundary spanning ability inherent within pragmatism allows followers to perceive fairness across a broader spectrum, thereby also enhancing their perceptions of procedural justice at the organizational level.

We also maintain that the climate of procedural justice enhanced organizational trust. Lewis and Weigert (1985) described this as systems trust. This collective form of trust is thought to reduce social complexity and increase the toleration of environmental uncertainty (Straiter, 2005), a crucial element in any post-merger scenario (Kavanagh & Ashkanasy, 2006).

The socialized, rational vision that is communicated by leadership grounded in pragmatism and personalism, however, also impacts the dyadic level (Washington et al., 2006). Therefore, we argue that such vision promotes interactional justice perceptions (see Lipponen et al., 2004). If followers are satisfied with the fairness of their interpersonal treatment, trust is engendered (Luhmann, 1979). In particular, the communicative and supportive behaviors of servant leaders are major determinants of follower trust (Joseph & Winston, 2005). Gauging from the interactions of Garza, it appeared the pragmatism perceived by followers had a pointed influence on the level of trust exhibited in his leadership as well. There is support for this proposition, as Busch and Wilson (1976: 10) indicated that “expert power was more important than referent power as a factor affecting trust.” Moreover, Humphreys, Zhao, Ingram, Gladstone, and Basham (2010) hypothesized that such pragmatic expertise could result in some degree of attributed socialized charisma, even for leaders who are not characteristically charismatic.
The significant degree of interpersonal trust initiated by the pragmatism and personalism exhibited by the leader prompts socialized commitment, rather than the myopic personalized commitment that would be expected from a personalized charismatic leader (Humphreys et al., 2010) such as Perales. This socialized commitment fueled by trust and satisfaction with leadership, and augmented by service and procedural justice climates, leads to the exhibition of organizational citizenship behavior (OCB – Walumbwa et al., 2010) and extra role behavior (Lipponen et al., 2004). We find support in Walumbwa et al. (2010: 519) who offered that, “Servant leaders transcend self-interest, express genuine care and concern, and act in the best interest of followers . . ., thereby creating a social context in which followers reciprocate by engaging in extra-role prosocial behavior.” These authors also found that the service and procedural justice climates created by such leadership served to amplify the individual follower’s OCB based upon their perception of, and commitment to, the servant leader.

In turn, organizational citizenship behavior (OCB) and extra role behavior enhance the identification of followers with the new, merged entity (Creasy et al., 2009). We show this relationship going in both directions; however, as we know that positive post-merger identification is also related to the self-reporting of extra role behavior (Lipponen et al., 2004).

Finally, the more followers identify with the new organization, the more they construct follower identities and collectively endorse the identity of the leader (see Brewer & Gardner, 1996). The more the leadership identity is collectively endorsed, the more it is strengthened, stabilized, and accepted by the leader. Thus, we show the collective endorsement of the acculturated followers looping back to reinforce the leadership identity construction process.

In summary, we argue that although an unlikely leader, Ben Garza’s leadership was instrumental in allowing the newly merged LULAC to survive and thrive. We agree with DeRue and Ashford (2010) in that what it takes to be a leader, and who will assume a leadership role, is often contextual and socially constructed. We maintain that in the post-merger context, it was Garza’s pragmatism and personalism within his leadership that initiated the successful acculturation of the disparate group members. Therefore, based upon our interpretation of his leadership behaviors we offer our conceptualization of a socially-constructed process of post-merger leadership, grounded in pragmatism and personalism, capable of engendering the climate, trust, and commitment needed to enhance the behavior and identification of followers necessary for organizational success and maintenance of the leadership identity.

Contributions, Limitations, Implications, and Future Research

“Given the impact on our lives, the study of outstanding leaders seems to be of considerable importance” (Bedell-Avers et al., 2009: 299), particularly as it relates to frameworks of outstanding leadership capable of enhancing the post-merger identification of followers. If members of a newly formed organization maintain excessive relational identity with their former group, intergroup polarization and subsequent conflict is likely (Shapiro, 2010). Consequently, researchers are searching for alternative forms of leadership capable of engendering follower identification (Waldman & Javidan, 2009). Based upon the successful
merger and follower acculturation exhibited within the LULAC case, we have identified one such leadership style and offered a framework explaining the mechanism by which leader pragmatism and personalism may impact post-merger success. In doing so, we have also heeded the call of DeRue and Ashford (2010) for more socially-constructed models of leadership.

We also expect that our conceptualization will prompt further study with regard to pragmatic leadership. Although charismatic leaders may be more likely to initiate mass movements, pragmatic leaders are more apt to build lasting institutions (Mumford et al., 2008). This was certainly the case with LULAC, which recently celebrated its 81st year of advocacy. Therefore, as with the development of most conceptual paradigms, we see the primary contributions of our depiction in the debate and subsequent empirical studies that will attempt to support or refute the relationships of the many leader and follower variables presented.

Based upon our examination of Gonzales, Perales, and Garza within the merger context, one could conclude that while charismatic, ideologues may benefit their current firms by forcefully and eloquently inspiring their people, these same behaviors may in fact diminish their capacity to enhance the identification of pre-aligned followers within the new, merged organization. If so, then practically, it might behoove merging organizations to consider leader characteristics and behaviors that more closely align with pragmatism. Empirically establishing this observation could prove profound.

From our interpretation, it was Garza’s integrity, competence, concern, functional problem-solving, socialized orientation, and effective boundary spanning that strengthened his leadership identity and allowed him to successfully acculturate the diverse groups, suggesting the important roles of both pragmatism and personalism. We agree with Andersen (2009: 10) that the “challenge for future organizations will be developing leaders who can both create adaptable systems and maintain the dignity of individuals.” We think this argues for future research that continues to consider Strange and Mumford’s (2002) notions of mixed leadership. While we think we have made a persuasive argument for Garza’s leadership identity being grounded in pragmatism and personalism, this is but one of many prospective blends of effective leader behaviors that should be examined. In doing so, scholars should also consider examining these various forms of leadership (i.e., servant, pragmatic, charismatic, ideological) as continuous, rather than categorical, variables (Andersen, 2009).

While we support the use of historical discovery as an exploratory methodology useful in furthering leadership research, we do recognize the limitations inherent with historical case studies. For one, some scholars consider anything outside of the natural science model to be anecdotalism (see Schultz, 2010). Since socially constructed models of effective post-merger leadership are currently undeveloped, however, we maintain that a historical case study is appropriate (Lieberman, 2008), particularly because our effort was grounded in inductive logic. Inductive conceptualization inspired from specific cases can offer insights that might not be achieved with other methods (Rowley, 2002), approaching theoretical constructs more directly than broad empirical studies can (Siggelkow, 2007). In fact, articles building theory from cases...
often yield the greatest interest (Bartunek, Rynes, & Ireland, 2006), impact (Eisenhardt, 1989), and insight (Prahalad & Hamel, 1990).

This acknowledged; we also subscribe to Weick’s (1989) view that plausibility may be a more significant criterion than validity at the earliest junctures of conceptual development. We argue that historical case studies can serve as effective conduits from interpretive qualitative evidence to subsequent deductive empirical research (Eisenhardt & Graebner, 2007), a progression that is crucial in the “knowledge production process …” (Adcroft & Willis, 2008:317). Therefore, we ask readers to judge the persuasiveness (Siggelkow, 2007) and plausibility (Weick, 1989) of our conceptualization on this basis.

Moreover, we note Glynn and Raffaelli’s (2010) call for theoretical creativity as a mechanism for advancing our conceptualizations of leadership, echoing Sutton and Staw’s (1995:38) prior declaration that, “Authors should be rewarded rather than punished for developing strong conceptual arguments that dig deeper and extend more broadly than the data will justify.” We assert it is through such extensions that historical researchers may go beyond simple contemplation of the past to create conceptual advancements. As this is the case, we agree with Ordonez et al. (2009:82) that “… case studies, journalistic accounts, and anecdotes should all be used to raise questions, focus attention, and develop ideas …” that should then be tested.

Conclusion

Although mergers are a common growth strategy for many firms, most fail, often due to the lack of follower identification with the new organization. Regrettably, credible depictions of relational leadership processes with respect to post-merger identification are lacking. In view of that, we interpreted the leader behaviors of Ben Garza within the context of the LULAC merger and answered the call to consider broader conceptualizations of outstanding leadership (Mumford, 2006), socially constructed models (DeRue & Ashford, 2010), and alternative frameworks for the acculturation of followers into newly merged organizations (Creasy et al., 2009). We offer our representation of a socially constructed leadership process, grounded in pragmatism and personalism, capable of engendering the climate and commitment needed to enhance follower organizational identification and maintain the leadership identity.
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Authors’ Notes

In the attempt to assist future researchers we have listed the specific box, album, folder, and/or file when quoting individual archival materials that would be unavailable in any other form (e.g., Garcia, Album 1; Weeks, Box 1, Folder 12).

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Cultural Intelligence: Antecedents and Propensity to Accept a Foreign-Based Job Assignment

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Executive Summary

This study proposes a model and examines the relationships between a personality trait (openness), multicultural behavior, and cultural intelligence and their impact on the likelihood of an individual accepting a job in a country with a very different culture. The proposed model is tested using 279 university business students in France and the United States. This is the first study to examine the role of multicultural behavior and the likelihood of job acceptance. The results suggest that while a significant variance in the likelihood of job acceptance was explained by the afore-mentioned variables, the relationships of the variables differed between the two countries with multicultural behavior having a significant impact in both countries and cultural intelligence being significant only in the United States. In addition, personality tended to play a more central role in France than in the U.S. The results also found mean scores to be higher in France than in the U.S. in all variables except the personality factor of openness to experience. Results are discussed as well as limitations and suggestions for future research.

Introduction

In light of the ever increasing pace of globalization and especially given the sharp increase in the levels of foreign direct investment from developed and developing countries alike, the role of the expatriate has never been as important as it is today. It has been argued that the expatriates play an especially important role in a corporation’s competitiveness (Takeuchi et al., 2005) with estimates of as high as 80% of middle and large companies sending their professionals abroad (Black & Gregersen, 1999). The cost of an overseas assignment is typically very high for the corporation, with estimates of 150% to 200% of salaries being required per year to maintain an expatriate (Downes, Varner & Hemmasi, 2010) and when seen from the perspective of a 4 year assignment estimates of costs can be as high as US$2 million (Klaff, 2002). Evidently, given the importance of institutional knowledge gained through such assignments, companies often consider them as being essential to their business, and the importance of getting the best qualified employees to fill such positions may be considered critical. However, there have been continuing reports of expatriate performance issues and even failure (Downes, Varner & Hemmasi, 2010) and that a number of problems have contributed to expatriate performance issues including cultural shock, stress, and cultural adaptation (Carraher, Sullivan, & Carraher, 2004; Chen, Lin & Sawangpattanakul, 2010).
Given these performance issues, the question arises as to whether or not the firm’s best employees would accept an offer to take an assignment abroad. Further, companies need to know what factors would increase the likelihood of accepting such a position. It has been argued that cultural intelligence and relevant previous experience lead to successful expatriate performance, retention, and overall career success (Shaffer and Miller, 2008). Given their importance for expatriate success, could it be that these factors may also make a person more likely to accept a position overseas in the first place? This area of research, having been introduced by Earley and Ang (2003) less than ten years ago, is relatively unexplored and, to our knowledge no research to date has examined specifically these potential antecedents to an employee’s decision to accept a job in a foreign country.

This study proposes a unique model (Figure 1) and uses university business students in the United States and France to test the model’s relationships. The paper investigates whether or not personality has an impact on cultural intelligence and multicultural behavior, as well as whether or not cultural intelligence and multicultural experiences can predict the propensity of a subject to accept an offer for assignment in a country with a culture very different from his/her own. The specific variables examined in this study include: openness to experience (openness); multicultural behavior; cultural intelligence; and likelihood of accepting a job in a country with a very different culture. The implications from such research may give companies further insight into how to develop and select expatriates as well as assist teachers and researchers in building expatriate development models.

We will begin with a brief review of cultural intelligence and what we suggest may be key antecedents and then introduce a model from which research hypotheses are developed. We then review the sample and methodology used in testing the research followed by the presentation of results, before discussing of these results as well as underlying the study’s limitations and offering suggestions for future research.

**Cultural Intelligence**

Cultural intelligence (CQ) is defined as an individual’s capability to function and manage effectively in culturally diverse settings (Early & Ang, 2003). This definition is consistent with Schmidt and Hunter’s (2000) definition of general intelligence as “the ability to grasp and reason correctly with abstractions (concepts) and solve problems”(3). It also seems fitting the more global approach to intelligence as suggested by theories of practical and multiple intelligences (Sternberg & Wagner, 1986; Sternberg & Detterman, 1986). Cultural intelligence is not only seen as one of these “multiple intelligences”, it is also seen as conceptually and measurably distinct from others such as general or analytical intelligence (IQ), social intelligence (SI), and emotional intelligence (EQ) (Elenkov and Pimentel, 2008) with a distinguishing characteristic being that cultural intelligence applies to multiple cultural settings while social and emotional intelligence may not apply in another cultural setting (Thomas, 2006).

As conceived by Earley and Ang (2003) and developed by Van Dyne, Ang, and Koh (2008), the factors that make up the discrete construct of the broad measure of cultural
intelligence (Total Cultural Intelligence or TCQ) include: Metacognitive CQ; Cognitive CQ; Motivational CQ; and Behavioral CQ. Metacognitive CQ refers to the conscious awareness which an individual has regarding cultural interactions. Cognitive CQ is seen to reflect the knowledge of a group’s values, beliefs, and norms. Motivational CQ reflects the capability to direct energy to learning about cultural differences. Finally, behavioral CQ reflects the capability to choose appropriate verbal and physical actions when interacting with people of different cultures.

In order to measure these factors a 20 item instrument was developed and extensively tested for reliability and validity (see Van Dyne, Ang, & Koh, 2008). The results indicated a robust instrument with a high degree of validity and reliability. Additional research (Shannon & Begley, 2008) confirmed this instrument to have “strong psychometric characteristics with a stable factor structure” (51). This construct and instrument were used in this study.

Research has suggested that CQ has an impact on cross-cultural adaptation (Ward & Fischer, 2008), on trust (Rockstuhl & Ng, 2008), on group performance (Huber & Lewis, 2010), expatriate performance (Lee & Sukoco, 2010), and global leadership skills (Ng, VanDyne & Ang, 2009). There are also a number of antecedents of CQ that have been identified and/or proposed. These include international travel, work experience, study abroad, and perceived self-efficacy (MacNab, B. & Worthley, 2011; Crowne, K. 2008), language skills, living in diverse cultural settings, cross-cultural work experience (Triandis, 2008) parental and educational experiences (Shannon & Begley, 2008), and personality (Ang & Van Dyne, 2008; Shaffer & Miller, 2008).

Given that CQ has been found to be positively associated with cross-cultural adaptation and expatriate performance we suggest the following hypothesis:

*H1: The level of cultural intelligence (TCQ) of university business students will have a significant positive relationship with the likelihood that a subject would accept a foreign job assignment.*

**The role of personality and multicultural behavior**

It is well known in the Western-based literature that personality can predict behavior and performance (Barrick & Mount, 1991). While there is little agreement among psychologists as to the definition of personality, within the area of industrial and organizational psychology personality descriptions tend to focus on personality traits and the generally agreed upon structure of personality traits known as the “Big Five” (Heggstad, 2007). The Big Five framework has considerable support among a wide range of psychologists and has become the most widely used and extensively researched model of personality (Gosling, Rentfrow, & Swann, 2003). McCrae and Costa (1987) labeled the five trait dimensions as: neuroticism versus emotional stability; extraversion or surgency; openness to experience; agreeableness versus antagonism; and conscientiousness versus undirectedness.
It has been suggested that some of these personality dimensions could be antecedents of cultural intelligence (Ang & Van Dyne, 2008) and researchers have also concluded that understanding the relationship between CQ and personality is a key issue for the theoretical and empirical precision of CQ research (Ward & Fischer, 2008). Triandis (2008) suggested one personality dimension in particular, openness to experience (referred to in this paper as “openness”), may reduce the negative effects of an individual’s interaction with different cultures and thus contribute to a higher CQ. According to McCrae and Costa (1987) and Oolders, Chernyshenko, and Stark (2008) openness to experience (openness) includes traits such as being curious, imaginative, excitable, artistic, having wide interests, and being unconventional as well as possessing high levels of intellectual efficiency, tolerance, flexibility, depth, and ingenuity. While Ang, Van Dyne, and Koh (2006) found that of all five dimensions, openness had the strongest connection with CQ, Dowes and Varner (2008) found no significant connection between openness and expatriate performance, suggesting perhaps that openness would impact CQ which in turn would have an impact on expatriate performance. While openness is found to impact CQ, Ward and Fischer (2008) found that among the four factors constituting TCQ, openness impacted the motivational CQ factor. This would seem to make sense since motivational CQ addresses the strength of the orientation one has to learning about other cultures, something an individual who is very tolerant, curious and has wide interests (openness) would seem likely to be willing to do.

It is likely that people with a high degree of openness would also tend to behave in such a way as to expose themselves to situations that would allow them to satisfy their curiosity and interests. Motivational CQ is defined by Ang and Van Dyne (2008) as the capability to direct energy to learning about cultural differences. This “capability” would suggest specific behavior and experiences that would lead individuals to develop their ability – a position taken by Ang and Van Dyne (2008). It appears that such behavior or experiences also need not be work-related based on Tarique and Takeuchi (2008) findings that culturally-related non-work experiences do influence all four facets of cultural intelligence. So, what specific behaviors can lead to and/or reinforce such a capability? The authors conducted preliminary pilot studies to better understand this issue.

As part of one pilot study 102 university business students in the United States were administered the Ang and Van Dyne (2008) CQ instrument to assess their overall cultural intelligence (TCQ). The 15 students with the highest CQ scores and the 15 students with the lowest CQ scores were personally interviewed with the intent of identifying potential behavior or experiences that might contribute to their comparatively high or low score. The interviews suggested that the degree they socialized with people from cultures different from their own might constitute a differentiating behavior as 13 of 15 subjects with high scores indicated such behavior and only 5 of 15 students that represented the bottom 15 indicated such behavior. As a result we decided to add the question: “To what extent do you interact socially with people from different countries?” with a scale of “1” (very little extent) to “6” (very great extent).
A second pilot study was then conducted using 88 university business students in the United States who were again administered the Ang and Van Dyne instrument with the above multicultural behavior question added. Results of a simple linear regression indicated that the question explained 27% of the variance in TCQ with an F-score of 44.1 (p<.001).

This result along with the fact that a number of researchers in the field have concluded that various behaviors and experiences do seem to influence TCQ, led us to allow the response to the aforementioned question to represent the multicultural behavior (MCB) construct.

**H2a:** The multicultural behavior (MCB) of university business students will have a significant impact on their cultural intelligence (TCQ).

**H2b:** The multicultural behavior (MCB) of the university business students will have a significant impact on their likelihood to accept a foreign job assignment.

**H3a:** The higher the level of openness of university business students, the higher their level of cultural intelligence (TCQ.)

**H3b:** The higher the level of openness of university business students, the higher their level of multicultural behavior (MCB).

### The role of national culture

Geert Hofstede has been called the “father of cross-cultural research” and has developed one of the most commonly used models of cultural values (Carraher, 2003). Hofstede (2001) views cultural differences as resulting from the “mental programs” people carry around that were developed in family, school, and organizational environments. As a result, he defines culture as “the collective programming of the mind that distinguishes the members of one group or category of people from another” (p. 9). His studies found four dimensions along which the two countries in this study may be compared. These included:

1. **Power distance,** described as “the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally.”
2. **Uncertainty avoidance,** described as “the extent to which a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, different from usual.”
3. **Individualism-Collectivism,** described as “the degree to which individuals are supposed to look after themselves or remain integrated into groups.”
4. **Masculinity-Femininity,** described as “the distribution of emotional roles between genders.” (pp. xix-xx)

The cultural differences between the United States and France along these dimensions may be characterized as low to moderate, considering that the mean overall “cultural distance” score between the U.S. and 67 other countries studied by Hofstede is 17 (www.geert-
Among the four cultural dimensions, uncertainty avoidance produces the highest difference in scores, with the U.S. recording 86 and France measuring only 46. This difference in uncertainty avoidance should be expected to impact the variables in this study. However, it may be argued that the French would not necessarily see exposure to multicultural activity as “uncertain”.

In fact, according to the World Tourism and Travel Council (2010), France has one of the highest rates of tourism in the world with nearly 70 million visitors per year, about 20 million more than the United States. In addition, France is a European country and a relatively prosperous member of the European Union, which gives its citizens the ability to easily access other countries and their cultures. This latter facility, along with the cultural exposure from incoming tourism is likely to greatly reduce any feeling of uncertainty resulting from multicultural exposure and activity. Since the population studied in this paper is made of university business students, any such uncertainty may be further mitigated when compared to older French subjects, who may be more reluctant to leave their home environment.

**H4:** French university business students will have a higher level of openness than the U.S. subjects.

**H5:** French university business students will have a higher level of multicultural behavior (MCB) than the U.S. subjects.

**H6:** French university business students will have a higher level of cultural intelligence (TCQ) than the U.S. subjects.

**H7:** French university business students will have a greater likelihood of accepting a job in a country with a very different culture than will U.S. subjects.

The model predicting the likelihood to accept a foreign-based job assignment is presented below (Figure 1). The model includes four elements, namely openness, multicultural behavior (MCB), cultural intelligence (TCQ), and the likelihood of accepting a job offer in a very different culture.

**Methodology**

France and the United States were chosen for an initial analysis. Both countries are part of distinctly different regional cultural clusters, namely the Latin European cluster and the Anglo cluster (House et al., 2004). Another factor contributing to this selection was the ability of the same researcher to gather data from the two countries, thus helping to ensure a common method. The survey was classroom administered and included a non-specific introduction to the subjects about a general cross-country study examining various individual characteristics of university business students. While participation in the survey was voluntary, all subjects present chose to participate. One university in each country was targeted in the study. Participants were senior undergraduate and first or second year graduate students at both locations. Only responses from
each country’s citizens were retained for the purposes of the investigation, resulting in the exclusion of 7 questionnaires from the U.S. data and 41 from the French data. The answers to the biographical question regarding year in university for French respondents, included the two years of post-high school university preparation (thus French students were expected, on average, to be somewhat older than U.S. students). The result was a sample of 166 subjects from the U.S. and 113 from France (see Table 1 for details).

**Figure 1**

Propensity to Accept a Foreign-Based Job Offer

Cultural intelligence was measured using the self-report instrument developed and validated by Van Dyne, Ang, and Koh (2008). During the validation process these authors identified the 20 items with the strongest psychometric properties with a Chi-square of 822.26 ($164 \text{ df}$), CFI of 0.92, and RMSEA of 0.08. Nested model comparisons demonstrated the superiority of the hypothesized four-factor CQ model. The instrument, tested for generalizability across samples and analysis using structured equation modeling (SEM) demonstrated good fit, also finding acceptable Cronbach alphas along with Chi-Square of 381.28, CFI of .96, and RMSEA of .05. These researchers also completed an analysis of generalizability across time, generalizability across countries, generalizability across methods (observer report and self-report), as well as discriminant validity, incremental validity, and predictive validity (with cultural decision-making, interactional adjustment, and mental well-being as dependent variables). Their study concludes that the construct appears to have a clear, robust, and

Openness was measured using a Big Five personality scale developed by Gosling, Rentfrow, and Swan (2003). As noted earlier, the Big Five structure enjoys considerable support among international psychologists who have developed a number of instruments, ranging from 240 item scales to just 5 item scales. A number of factors inform the selection of the appropriate instrument, including the purpose or objective of administering the instrument (diagnoses of a suspected psychological illness or general employment selection process), the need for very high levels of psychometric preciseness, the concern of the researcher over the length of the questionnaire being administered and possible subject concentration and fatigue given a large number of questions. Gosling et al. (2003) developed and tested the 10 item measurement used in the present study and found satisfactory convergence validity with the often used and highly regarded Big Five Inventory (BFI) of John and Srivastava (1999). They point out that the BFI, in turn, shows high convergent validity with other self-report scales and peer rating scales of the Big Five. They also found the 10-item scale (TIPI) to have test-retest reliability, satisfactory patterns of predicted external correlations, and convergence between self-rated and observer ratings.

Since pilot tests of the instrument in the present investigation revealed that subjects were taking between 25 and 30 minutes to complete the questionnaire, the authors became concerned about subject fatigue and followed Gosling et al.’s (2003) recommendation to use this instrument (TIPI) in such a situation. Thus two items were used to measure openness, the measurement being based the extent to which the pair of traits apply to the subject (1 = strongly disagree to 7=strongly agree). The two items were: Question 5- Open to new experiences, complex; Question 10- Conventional, uncreative (reverse scored).

Multicultural behavior and the likelihood of a subject’s accepting a foreign job offer were each measured by one question. The former was gauged by responses to the following question “To what extent do you interact socially with people from different countries and cultures?”, while the latter was appraised according to answers provided to the question “To what extent would you be willing to accept a job requiring you to work in a country with a very different culture?” These questions were derived by researchers from several countries including the two countries used in this study and pilot tested as described earlier.

In addition, several other constructs not included in this study as well as biographical questions were included resulting in a survey containing 61 questions and requiring approximately 25-30 minutes to complete.
Results

As can be seen in Table 1 there were a total of 279 subjects with 113 from France and 166 from the United States. There were an equal number of women represented in each country but fewer men in France than in the U.S. The average age was 23.5 for France and 21.7 for the U.S. Since the French sample came from a private university, many students had completed a two-year university preparatory program after high school. For the purpose of this study, these two years were considered university experience and thus the French subjects were not only a little older than their American counterparts, but also their average number of years at “university” was somewhat higher at 4.0 years compared to 3.6 for the U.S.

<table>
<thead>
<tr>
<th>Table 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subject Statistics</strong></td>
</tr>
<tr>
<td>France</td>
</tr>
<tr>
<td>Men</td>
</tr>
<tr>
<td>Women</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>Univ. yrs.</td>
</tr>
</tbody>
</table>

Descriptive statistics (Table 2) suggest that there were significant correlations between job acceptance and all variables (including control variables) except for gender (control).

<table>
<thead>
<tr>
<th>Table 2</th>
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</thead>
<tbody>
<tr>
<td><strong>Descriptive Statistics</strong></td>
</tr>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>Job</td>
</tr>
<tr>
<td>TCQ</td>
</tr>
<tr>
<td>Open</td>
</tr>
<tr>
<td>MCB</td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Country</td>
</tr>
</tbody>
</table>

Gender: 1= female; 0= male; Country: 1= France; 0= USA; **Bold** p<.01

Using hierarchical regression the first part of the model (Table 3) examined the relationships between control variables, openness to experience (openness), and multicultural behavior (MCB). As can be seen country (but not gender) had a significant positive impact on MCB as did openness when added, resulting in a significant adjusted R-square of .172 for the impact of all three variables on MCB, thus supporting H3b.
Table 3
Hierarchical Regression
Openness-Multicultural Behavior (MCB)
Standardized Beta

<table>
<thead>
<tr>
<th></th>
<th>Model 1 Beta</th>
<th>Model 2 Beta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>-.022</td>
<td>-.041</td>
</tr>
<tr>
<td>Country</td>
<td>.374***</td>
<td>.381***</td>
</tr>
<tr>
<td>Openness</td>
<td>.210***</td>
<td>.210***</td>
</tr>
<tr>
<td>MCB</td>
<td>Dep.</td>
<td>Dep.</td>
</tr>
<tr>
<td>F-score</td>
<td>21.9</td>
<td>20.2</td>
</tr>
<tr>
<td>R-sq</td>
<td>.137</td>
<td>.181</td>
</tr>
<tr>
<td>Adj. R-sq</td>
<td>.131</td>
<td>.172</td>
</tr>
<tr>
<td>Δ Adj. R²</td>
<td>.041***</td>
<td>.041***</td>
</tr>
</tbody>
</table>

*** p = .000; Dep. = Dependent variable

The second part of the model (Table 4) examined the relationships between the control variables, openness, MCB and cultural intelligence (TCQ). The results indicate that when all variables are added the controls were not significant but both openness and MCB had a significant positive impact on TCQ (Adj. R-sq = .220), thus supporting hypotheses H2a and H3a.

In the next step (Table 5) the relationships between the control variables, openness, MCB, TCQ, and likelihood of foreign-based job acceptance (Job) were examined. Results indicate country (control), MCB, and TCQ all have a significant positive relationship (Adj. R-sq = .338), thus supporting hypotheses H1 and H2b. In addition, variance inflationary factor (VIF) analysis was completed with no factor being greater than 1.6 suggesting that collinearity of variables used in this model were not significant (figures less than 10 are not significant (Levine et al., 2005).

Using t-tests (assuming unequal variance) country-level means were compared (Table 6) indicating that MCB, TCQ, and Job means were higher for the French university business students tested than for the U.S. university business students. There was no significant difference in the French and U.S. means for openness. Thus, H5, H6, and H7 were supported, while H4 was not supported.
Finally, we examined the model in each country independently to determine if there were any significant variations. For the U.S. sample the model relationships were as indicated above with 31.3% of the variance in likelihood of foreign-based job acceptance being explained by MCB (p>.001) and TCQ (p>.001) but not openness (p=.45). However, openness did, as suggested by the model (Figure 1), explain 8% of the variance in TCQ (p<.001) and 7% of the variance in MCB (p<.001).
In contrast, the results for France did not support the proposed model (Figure 1). For the French sample 18% of the variance in the likelihood of foreign-based job acceptance was explained by MCB (p<.001) but not by TCQ (p=.44). However, openness did have a direct impact on job acceptance (p=.02). In addition, openness did, as suggested in the model, explain low but significant amounts of the variance in MCB (3.4%, p=.05) and in TCB (4%, p=.02). MCB also explained 6% of the variance in TCQ (p=.006). Based on these results, the model for France is presented in Figure 2.

### Table 6
**U.S. and France Model Variables**

<table>
<thead>
<tr>
<th></th>
<th>Openness</th>
<th>MCB</th>
<th>TCQ</th>
<th>Job</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US</td>
<td>FR</td>
<td>US</td>
<td>FR</td>
</tr>
<tr>
<td>Mean</td>
<td>5.47</td>
<td>5.44</td>
<td>3.6</td>
<td>4.7</td>
</tr>
<tr>
<td>Variance</td>
<td>1.01</td>
<td>1.22</td>
<td>0.91</td>
<td>2.04</td>
</tr>
<tr>
<td>t-Stat</td>
<td>0.23</td>
<td>7.12</td>
<td>-2.89</td>
<td>-6.37</td>
</tr>
<tr>
<td>Probability</td>
<td>0.41</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td># Subjects</td>
<td>166</td>
<td>113</td>
<td>166</td>
<td>113</td>
</tr>
</tbody>
</table>

![Figure 2](image)
Discussion

The objectives of this study were to examine whether or not personality has an impact on cultural intelligence and multicultural behavior, as well as whether or not cultural intelligence and multicultural experiences can predict the likelihood of accepting an offer for an assignment overseas. The results indicate that for the total sample the suggested model relationships are supported as proposed with approximately 34% of the variance in the likelihood of accepting a job in a country with a very different culture being explained by these variables. In addition, potentially important variations were found between countries.

For the United States, the data suggest that personality, multicultural behavior, and cultural intelligence play significant roles based on the model. As seen in Figure 1, the impact of the personality factor of openness on the likelihood of job acceptance (Job) is mediated by multicultural behavior (MCB) and also mediated by cultural intelligence (TCQ). MCB has a direct impact on TCQ, and TCQ mediates MCB’s impact on the likelihood of job acceptance. In addition, MCB also has a direct influence on the likelihood of job acceptance. Research has suggested that CQ has an impact on cross-cultural adaptation (Ward & Fischer, 2008), on trust (Rockstuhl & Ng, 2008), group performance (Huber & Lewis, 2010), as well as expatriate performance (Lee & Sukoco, 2010), and global leadership skills (Ng, VanDyne & Ang, 2009). The present study takes the previous results a step further, by suggesting that, in the United States, TCQ is also an antecedent of the likelihood of job acceptance in a country with a very different culture. Companies need a cadre of qualified employees who not only are able, but are also willing to take a foreign assignment in a culture different from their own. Cultural intelligence does appear to contribute to the development of such people in the U.S.

If should be noted, however, that cultural intelligence is a multidimensional construct and this study examined the composite score but not the independent elements. Future research needs to examine the degree to which all four dimensions of CQ are contributing to the ability to explain the variance in likelihood of job acceptance or if there is a primary dimension. By doing so, research will then be able to also explore if MCB or Openness has more or less ability to impact the specific CQ dimension.

Another important finding of this research is that multicultural behavior positively impacts both TCQ and the likelihood of foreign job acceptance, in the overall sample as well as in both the U.S. and France (see Figures 1 & 2). Individuals’ degree of social interaction with people who are culturally different, appears to explain a significant part of the variance in both TCQ and the tendency to accept a job in a foreign country. Such behavior is possible to assess and observe in existing employees and can therefore be a useful selection tool for hiring or promotion decisions. The results in France suggest that in some countries, MCB may explain more of the variance in the likelihood of accepting a foreign job assignment than does TCQ (which in this study did not have a significant impact on Job based on the French sample).

One possible explanation of this result is that since France is a pillar of the European Union, an entity that brings together 27 very different countries, French students have far more opportunities to interact socially with people with cultures very different from their own,
resulting in higher multicultural behavior. Openness also has a direct impact on Job as well as a mediated impact through MCB. Thus, in the French sample, the individuals who have the personality factor of openness to experience and who socially interact with other cultures would appear to have the greater likelihood to accept a job offer in country with a culture very different from their own. Under these circumstances, perhaps TCQ may just not be as important as a determinant of job acceptance as is MCB. This would reinforce the need for companies to assess MCB and for teachers as well as companies to encourage and nurture multicultural behavior, especially if the goal is to increase the chances of a student/employee welcoming the developmental opportunity presented by an assignment in a country with a very different culture.

While the findings concerning the role of multicultural behavior are promising, they do raise additional questions. For example, this study does not address what subjects perceive to be multicultural experiences and whether there are specific types of multicultural experiences that are more important than others. For example, does frequenting ethnic restaurants with cuisine different from one’s native cuisine have the same impact as going to an event where individuals celebrate a holiday very different than that experienced in one’s own culture? Future research needs to examine in more detail this potentially important variable.

This study uses as the dependent variable the “likelihood of job acceptance in a country with a very different culture.” Future research should consider a range of target countries perhaps actually giving examples using cultural distance (Kogut & Singh, 1988) or psychic distance (O’Grady & Lane (1996) variations to determine a range of country choices given the subject’s home country.

The study’s limitations make any generalization subject to a number of caveats. As noted earlier, the samples were drawn from just one university in each country and the number of French subjects was relatively small. In addition, due to the length of the questionnaire a brief personality instrument was used which could have reduced the psychometric properties of the measurements. Only two countries were used in this study. In light of the finding that the U.S. and French model have variations, not only should an attempt be made to duplicate these results in the U.S. and France, but other countries must be added to broaden the scope of investigation and to determine the degree to which there may be a pattern of differences. Future research should address these sample limitations.

References


Klaff, L. (2002). The right way to bring expats home. Workforce, 81(7), 40-44.


About the Authors

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On the Importance of Confidence in Management in Uncertain Times

Steve Lovett, The University of Texas at Brownsville
Rafael Otero, The University of Texas at Brownsville

Executive Summary

The purpose of this study was to propose and investigate the utility of a new job satisfaction facet: confidence in management. We conducted three consecutive annual job satisfaction surveys at two similar factories in Mexico. The survey period included a major economic downturn, and cutbacks were necessary. One factory manager took care to communicate the reasons for the cutbacks to the workers, while the other did not. As expected, analysis of means and correlations indicated that confidence in management did become more important during the economic downturn, especially in determining job commitment. Confidence in management also became more closely associated with perceptions of opportunities for advancement. Our study highlights the importance of inspiring confidence in management, especially during difficult or uncertain times.

Introduction

Job satisfaction refers to affective feelings that people have about their jobs. It is important, first, for intrinsic reasons; nearly all managers want their employees to be happy at work. It also has extrinsic importance; it is strongly related to job engagement and job performance (Gebauer & Lowman, 2009; Harter et al., 2002; Judge et al., 2001; Macey & Schneider, 2008; Macey et al., 2009). However, job satisfaction is not a single entity, but rather is composed of multiple facets, which may vary in importance. In this article we take a contingency perspective and propose that a non-traditional facet, confidence in management, will be especially important in times of organizational uncertainty.

We begin by explaining what we mean by confidence in management. We then explain why confidence in management should be especially important in times of uncertainty with reference to a closely related theory, that of uncertainty management. Next, we describe our setting; that of an economic crisis in two very similar factories in Northern Mexico. We then present our results, and we conclude by explaining how the results support our contingency perspective and provide additional support for uncertainty management theory as well.
Confidence in Management

It has long been accepted that job satisfaction is a composite rather than a simple concept. Locke stated in 1969 that “A job is not an entity but an abstraction referring to a combination of tasks performed by an individual in a certain physical and social context for financial (and other) remuneration. Since a job is not perceived or experienced as such, it cannot initially be evaluated as a single unit. Overall job satisfaction is the sum of the evaluations of the discriminable elements of which the job is composed” (330). The five most commonly used elements, or facets, are satisfaction with job content (the work itself), with opportunities for advancement, with the supervisor, with pay, and with co-workers (Judge & Church, 2000).

However, in this paper we take a contingency perspective; that the most important job satisfaction facets will vary depending on the situation. Our study was conducted in a factory setting in which sequential technology was used (Thompson, 1967). Each worker was assigned a machine or work site and, while the workers depended on each other to provide inputs and dispose of outputs, they interacted little or not at all during the workday. In this situation satisfaction with coworkers was relatively unimportant. In its place, we propose a new job satisfaction facet: confidence in management. This differs from satisfaction with supervision because a supervisor is one’s immediate “boss,” or the individual whom one deals with on a daily basis. Management refers to the “boss’s bosses,” or the “higher-ups” in an organization. We further propose that confidence in management will have two important components: integrity and understanding. We consider it to be self-evident that no worker may have confidence in a high-level manager whom the worker suspects to be a liar – the very term confidence includes safety from deception. However, understanding is also a requirement – a manager who is out of touch with the needs of his/her subordinates cannot be relied upon to care for those needs, regardless of his/her honesty or integrity. Finally, we believe that confidence in management will prove to be an especially important job satisfaction facet in troubled times, or times of change. To explain why, we refer to a closely related theory that has received much attention recently: uncertainty management theory (UMT).

Uncertainty Management Theory (UMT)

Uncertainty Management Theory (UMT: Lind & van den Bos, 2002; van den Bos & Lind, 2002) proposes that “fair” treatment from authorities becomes especially important to people when they are faced with environmental uncertainty. UMT is therefore a contingency theory; in situations of stability or certainty the perceived fairness of an authority figure would be relatively unimportant, while in situations of uncertainty people are likely to respond quite positively to an authority figure perceived as fair and quite negatively to one perceived as unfair. In fact, Lind and van den Bos were emphatic in this regard, stating “. . . fairness and uncertainty are so closely linked that it is in fact impossible to understand the role of one of these concepts in organizational psychology without reference to the other” (2002: 181). They later added “. . . fairness is important to people because it gives them a means of managing uncertainty” (216, emphasis in the original). In times of relative stability or certainty, people are able to anticipate or predict their future states, and therefore feel little anxiety. However, in uncertain situations
people become anxious about their future, and seek protection with which to alleviate this anxiety. An authority figure perceived as fair would offer such protection – even though a person cannot predict his/her future with certainty, the expectation of fair treatment gives him/her some sense of control and therefore confidence. However, an authority figure perceived as unfair would actually magnify the feelings of anxiety – an unexpected event may result in the person being treated capriciously or even deceived.

As an aside, we wish to note that the importance of communication during uncertain times is also implied in earlier literatures. To our knowledge, the term UMT was first coined in about 2002. But note that an important premise of all need based theories of motivation is that unmet needs are motivators of behavior (Alderfer, 1972; Maslow, 1954), and in uncertain times people are likely to have unmet security needs. A perception that authority figures are fair would help to meet these security needs. Furthermore, Miller and Monge (1985), Miller et al. (1994) and Richardson and Denton (1996) have all argued that effective communication – which is likely to inspire trust and perceptions of fairness – is a key to managing any difficult organizational change. More specifically, Mansour-Cole and Scott (1998) found that the survivors of layoffs perceived greater procedural fairness when they first heard about the layoffs from their manager rather than through other sources. We find it interesting that support for the fundamental ideas underlying UMT can be found in earlier literatures, and this gives us greater confidence in the theory itself.

UMT has been rigorously tested and found to be useful, with applications to leadership theory (Rosen et al., 2011), computer mediated groups (Subrahmaniam & Alge, 2006), and the theory of the self (Thau, 2007). However, there is a difficulty in applying UMT to job satisfaction research – it is problematic to reliably measure its central construct, fairness, with the survey techniques common in job satisfaction research. Van den Bos and Lind, in their research, rely heavily on laboratory experiments. But in order for any construct to be reliably measured through large scale surveys it must have the same meaning for large numbers of people. Such is not the case for fairness, and in fact van den Bos and Lind acknowledged this difficulty directly, writing “Fairness, as we psychologists study it, is an idea that exists within the minds of individuals” (2002: 7), and later “. . . as we approach them, fairness judgments are always subjective judgments” (8). Therefore, a survey item such as, for example, “Plant management is fair” might have different meanings to different people. This is why we feel our construct “confidence in management,” with the two components of integrity and understanding is similar but of more use for survey research. Note that the items “Plant management does what they say” (integrity – see appendix 1), and “Management understands the problems workers go through” (understanding) are less interpretable, and therefore of more use in survey research.

**Method and Setting – Economic Crisis in Northern Mexico**

Three consecutive annual surveys were done in two factories in Northern Mexico. We will refer to these factories as “A” and “B.” Both were part of the maquiladora industry, which exports finished products to the U.S. They were run by the same parent company, produced similar products and were operated under similar policies and procedures. Both were located in
major urban areas in neighboring states. Neither was new: both had been operating for more than ten years.

The surveys were done in 2007, 2008, and 2009. We were therefore able to consider changes over time, and the importance of doing so has been noted by researchers such as George and Jones (2000), Pitariu and Ployhart (2010), and Ployhart and Venderberg (2010). This period included a major economic crisis in the United States. The Dow Jones Industrial Average peaked at over 14,000 in October of 2007, but fell to below 7000 in March of 2009. The growth rate of the U.S. gross domestic product was about 2.7% in the fourth quarter of 2007, but fell to zero in the fourth quarter of 2008 and was negative throughout 2009. This economic crisis affected Mexico as well. The growth rate of the Mexican economy was about 3.4% in 2007, but only 1.5% in 2008, and a negative 6.5% in 2009 (INEGI, 2010). However, the effect on the maquiladora industry was even greater; U.S. imports from Mexico declined by 26.7% between 2008 and 2009 (TAMIU, 2009).

The two factories were forced to respond to this crisis, and the major cutbacks occurred in 2008. In particular, Factory A had hired many new employees between the 2007 and the 2008 surveys, and those who had not yet completed their probationary period were released between the 2008 and 2009 surveys. No other hourly workers were laid off at either factory during the three-year period, but hiring freezes were instituted in early 2008, and the factory populations declined through attrition. Pay freezes were also instituted at both factories, and reorganizations occurred, with many workers being assigned to new supervisors. Also, some salaried employees were laid off. While these are not the subject of this paper, their dismissal affected the atmosphere at the factories.

We made regular visits to the factories throughout this period, and the first author in particular was struck by the remarkable differences in the behaviors of the two factory managers. The manager of Factory A made a sustained effort to communicate with the employees about the need for the cutbacks throughout 2008. This person made a series of presentations to the workers, and made efforts to communicate with as many of them as possible especially during lunch but also by “walking the floor” during working hours. The manager’s immediate staff, perhaps following this example, did the same. But the manager of Factory B treated the cutbacks strictly as an administrative matter, and made no special effort to communicate with the workers. This manager simply informed the HR department about the hiring and pay freezes, and left it up to the line supervisors to inform the workers about reassignments. This setting therefore makes a useful field experiment. The efforts of the manager at Factory A were directed at helping the workers to understand the need for the cutbacks, and so likely helped them to understand that the cutbacks, while unpleasant, were necessary and were being handled thoughtfully and with care. At Factory B, however, the reasons for the cutbacks were left up to the workers’ imaginations, and it is likely that many of them perceived the cutbacks to be random, careless, or unfair. We therefore predicted a more positive response at Factory A, and we hoped that this might be measured through job satisfaction surveys.
The Instrument and Results

An English translation of the Spanish language questions used in the survey is shown in Appendix 1. Note that each of seven constructs was measured by only two questions. These questions were included as part of a much larger survey instrument, much of which was designed with the particular interests of the factory in mind, and factory management was quite concerned about the length of the instrument, as were we, because if given an extremely long questionnaire workers might become bored or fatigued and answer some questions carelessly or not at all. Therefore, while we acknowledge that measuring complex constructs such as these with only two items is a limitation of this paper, we also suggest that the need for such parsimony is quite common. We further suggest that the fact that we were able to conduct three consecutive annual surveys at two factories during a time of cutbacks may be a compensating strength, and note with some satisfaction that factory management did not discontinue the annual surveys as a cost cutting measure during the financial downturn. The tendency of businesses to do so has been noted by Van Rooy et al., who stated that “...employee surveys are often among the first programs to be postponed or removed during budget cuts and cost containment measures” (2011: 147), and emphasized that these downturns are perhaps the worst time to neglect the measurement of employee attitudes.

We wished to compare the importance of job satisfaction facets, and therefore measured the five that we believed would be most important. For reasons explained in the introduction, we substituted confidence in management (items one and two in Appendix 1) for satisfaction with coworkers, while retaining the other four traditional facets: satisfaction with opportunities for advancement, with the supervisor, with pay, and with job content. Also, two job satisfaction “outcome” variables (Hulin, 1991) are measured with items eleven through fourteen: job commitment and intentions to stay with the company.

Descriptive statistics for the workers answering the surveys are shown in Table 1. None of the surveys were a complete census; at both factories and in all three years some workers were unable to complete the survey because of absence or scheduling difficulties. However, the HR managers involved reported that all surveys covered at least 75% of the factory populations. The table shows some differences between the two factories. Both workforces were predominately female, although there were a few more men at Factory A. Workers at Factory A tended to be slightly older and have had more time working at the factory. Nonetheless, the populations of the two factories were similar.

The results of the three surveys are shown in Tables 2a and 2b. Note that overall satisfaction (the average of all five facets) declined slightly at both factories between 2007 and 2008, and the same is true of the job satisfaction outcome variables: commitment and, to a lesser degree, intentions to stay. This is no surprise – many authors have found that job satisfaction and organizational commitment are diminished during reorganizations, including Allen et al. (2001), Gilson et al. (2004), and Travaglione and Cross (2006). What is interesting is that satisfaction, commitment and intentions to stay all “rebounded” or recovered substantially in Factory A in 2009, while in Factory B the 2009 results were roughly the same as those of 2008. Previous
research supports our suggestion that this difference may be explained by the greater involvement of Factory A management during the process – both Armstrong-Stassen (1994) and Brockner et al. (2004) suggest that supervisor support and the resulting perceptions of control help to mitigate the effects of organizational trauma.

Table 1. Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory A</td>
<td>(n=662)</td>
<td>(n=1005)</td>
<td>(n=673)</td>
</tr>
<tr>
<td>1. % Female</td>
<td>62%</td>
<td>62%</td>
<td>56%</td>
</tr>
<tr>
<td>2. Average Age in Years</td>
<td>33.1</td>
<td>32.8</td>
<td>33.1</td>
</tr>
<tr>
<td>3. Ave. Tenure with Company X in Years</td>
<td>5.4</td>
<td>5.1</td>
<td>5.5</td>
</tr>
<tr>
<td>Factory B</td>
<td>(n=743)</td>
<td>(n=509)</td>
<td>(n=496)</td>
</tr>
<tr>
<td>4. % Female</td>
<td>70%</td>
<td>67%</td>
<td>73%</td>
</tr>
<tr>
<td>5. Average Age in Years</td>
<td>28.5</td>
<td>29.0</td>
<td>31.9</td>
</tr>
<tr>
<td>6. Ave. Tenure with Company X in Years</td>
<td>3.6</td>
<td>4.4</td>
<td>6.4</td>
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</tbody>
</table>

Table 2a. Means – Factory A

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tbody>
<tr>
<td>(n=662)</td>
<td>(n=1005)</td>
<td>(n=673)</td>
<td></td>
</tr>
<tr>
<td>1. Confidence in Mgt.</td>
<td>3.64</td>
<td>3.41</td>
<td>3.62</td>
</tr>
<tr>
<td>2. Opportunities</td>
<td>3.43</td>
<td>3.38</td>
<td>3.59</td>
</tr>
<tr>
<td>3. Supervisor</td>
<td>4.01</td>
<td>3.85</td>
<td>4.08</td>
</tr>
<tr>
<td>4. Pay</td>
<td>3.03</td>
<td>3.10</td>
<td>3.36</td>
</tr>
<tr>
<td>5. Job Content</td>
<td>4.23</td>
<td>4.27</td>
<td>4.38</td>
</tr>
<tr>
<td>6. Overall Satisfaction (mean of 1-5)</td>
<td>3.65</td>
<td>3.60</td>
<td>3.80</td>
</tr>
<tr>
<td>7. Commitment</td>
<td>3.87</td>
<td>3.75</td>
<td>3.95</td>
</tr>
<tr>
<td>8. Intentions to Stay</td>
<td>3.97</td>
<td>3.93</td>
<td>4.20</td>
</tr>
</tbody>
</table>

scale: 5= best, 1= worst
More insight can be gleaned by examining the results for the individual job satisfaction facets. Interestingly, satisfaction with job content, usually considered to be the most important facet (Rentsch & Steel, 1992), increased throughout the period at both factories, although the nature of the work being done changed very little. Perhaps the declining economy and the scarcity of other employment options caused the workers to appreciate their work more than they otherwise might have.

Changes in satisfaction with pay are also interesting. At Factory B the pattern for this facet followed the decline and recovery seen among other facets, although the changes were small. But the pattern at Factory A is one of a continuous increase throughout the period, although pay was frozen throughout. This may reflect unique local history, which has been documented elsewhere (Lovett et al., 2008). Pay rates were roughly equal at the two factories during the period of this study, but previously workers at Factory A had been paid at a higher rate. A severe pay cut had been implemented at that factory in 2003, roughly equalizing pay rates with those of Factory B. Not surprisingly, at that point satisfaction with pay declined dramatically at Factory A. As memories faded and workers were replaced, however, satisfaction with pay increased, and the increase seen in Table 2a appears to be a simple continuation of this process. In regards to satisfaction with the supervisor we once again see the pattern of a decline in 2008 with a recovery in 2009, especially at Factory A. It is likely that many workers were not happy with their new supervisors after the reorganizations and reassignments in 2008, but that many of these difficulties were resolved in 2009.

But the focus of this paper is confidence in management, and this variable followed an especially interesting pattern. There was a decline at both factories during 2008, and then a

**Table 2b. Means – Factory B**

<table>
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<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tr>
<td>(n=743)</td>
<td>(n=509)</td>
<td>(n=496)</td>
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<tr>
<td>1. Confidence in Mgt.</td>
<td>3.76</td>
<td>3.62</td>
<td>3.44</td>
</tr>
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<td>2. Opportunities</td>
<td>3.55</td>
<td>3.42</td>
<td>3.21</td>
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<td>3. Supervisor</td>
<td>3.94</td>
<td>3.91</td>
<td>3.97</td>
</tr>
<tr>
<td>4. Pay</td>
<td>3.60</td>
<td>3.52</td>
<td>3.56</td>
</tr>
<tr>
<td>5. Job Content</td>
<td>4.14</td>
<td>4.15</td>
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<td>6. Overall Satisfaction (mean of 1-5)</td>
<td>3.79</td>
<td>3.72</td>
<td>3.69</td>
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<tr>
<td>7. Commitment</td>
<td>3.94</td>
<td>3.87</td>
<td>3.91</td>
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<tr>
<td>8. Intentions to Stay</td>
<td>4.28</td>
<td>4.24</td>
<td>4.26</td>
</tr>
</tbody>
</table>

scale: 5= best, 1= worst
recovery at Factory A, but no such recovery at Factory B. Instead, there was an even greater decline in 2009. Opportunities for advancement also followed this pattern of decline and recovery at Factory A, but continuous decline at Factory B. Admittedly, we had not anticipated this similarity between confidence in management and opportunities for advancement, but in hindsight found the similarity to be especially interesting. UMT, the inspiration for the construct of confidence in management, is a forward looking theory – uncertainty leads to anxiety about the future. And of the four traditional job satisfaction facets used in this paper, opportunities for advancement is the one most focused on the future.

The Importance of Job Satisfaction Facets

There is a broad consensus in the job satisfaction literature that job satisfaction facets differ in importance. However, in 1991 Rice et al. wrote that “Although there has been much research involving facet importance, there appears to be little consensus regarding the best methods for measuring this construct” (33), and the same state of affairs exists today. Nonetheless, here we will use a method employed in a previous, similar study (Lovett et al., 2006): correlations with a job satisfaction outcome variable. This study uses two outcome variables: job commitment and intentions to stay. These are derived from Hulin’s (1991) model of “Organizational Adaptation/Withdrawal,” in which job satisfaction or dissatisfaction may result in various behaviors, including job commitment or intentions to stay with a job. If one facet is more closely associated with commitment than another, for example, and if commitment is important to an organization, it is sensible to consider the first factor to be more important than the second.

Tables 3a through 5b show the correlations of all the variables used in this study at each factory and in all three years. First, note that confidence in management and opportunities for advancement correlate more highly with each other than do any other pair of job satisfaction facets, and that this is true at both factories in all three years. Also note that the strength of the correlation increased at both factories over the period of the study (Factory A correlations, 2007-2009: .620, .681, .686; Factory B: .535, .584, .630). It appears that confidence in management and perceptions of opportunities for advancement are closely associated, and that this relationship becomes even stronger in times of uncertainty.

Since job content, or the work itself, is generally considered to be the most important job satisfaction facet, we would expect that intentions to stay would correlate more highly with it than would other job satisfaction facet. However, throughout the study both confidence in management and opportunities showed correlations with intentions to stay that were comparable and in some cases higher than job content. The only exception was at Factory B during 2008, which was a time of considerable turmoil. It appears that confidence in management is an important job satisfaction factor, at least in determining intentions to stay with an organization.
### Table 3a. Correlations – Factory A, 2007

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<td>1. Confidence in Mgt.</td>
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<tr>
<td>2. Opportunities</td>
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<td>.459</td>
<td></td>
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<tr>
<td>3. Supervisor</td>
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<td>.602</td>
<td>.422</td>
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<td>.356</td>
<td>.345</td>
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<tr>
<td>5. Job Content</td>
<td>.375</td>
<td>.352</td>
<td>.345</td>
<td>.300</td>
<td>.469</td>
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Note: all correlations are significant at 0.01

### Table 3b. Correlations – Factory B, 2007

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<tbody>
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<td>1. Confidence in Mgt.</td>
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</tr>
<tr>
<td>2. Opportunities</td>
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<td>.371</td>
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<tr>
<td>3. Supervisor</td>
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<td>.407</td>
<td>.221</td>
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<td>4. Pay</td>
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<td>5. Job Content</td>
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<td>.252</td>
<td>.163</td>
<td>.209</td>
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<td>6. Commitment</td>
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<td>.399</td>
<td>.295</td>
<td>.319</td>
<td>.397</td>
<td>.268</td>
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Note: all correlations are significant at 0.01

### Table 4a. Correlations – Factory A, 2008

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</tr>
</thead>
<tbody>
<tr>
<td>1. Confidence in Mgt.</td>
<td>.681</td>
<td></td>
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Note: all correlations are significant at 0.01
### Table 4b. Correlations – Factory B, 2008

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### Table 5a. Correlations – Factory A, 2009

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Note: all correlations are significant at 0.01
The results for job commitment are even more interesting. Again, since job content is considered to be especially important, we would also expect that job commitment would correlate more highly with it than would other job satisfaction facet. In fact, this was true at Factory B throughout the study. At Factory A, however, it was only true in 2007 (correlation with confidence in management: .375; with job content: .469). After that the importance of confidence in management apparently increased until in 2008 its correlation with job commitment was approximately equal that of job content (.485 versus .482) and in 2009 was greater (.507 versus .491). It appears that in Factory A confidence in management inspired at least some degree of job commitment, while this did not occur at Factory B.

Limitations

This study has limitations that must be recognized. First, data for the study were collected from two very similar Mexican factories. On the one hand, the fact that the factories were similar is advantageous because it helps to isolate the effects of the differences in the behaviors of the two factory managers. But on the other, the similarity limits external validity. The effects seen in this study could be the unique results of the local culture or situation.

Second, our surveys were quite brief – we were allowed only two questions per construct. Note, however, that the surveys were carefully done and that we were able to find informative patterns in our results. We feel that this is important because such conditions of parsimony are common – practitioners, in particular, are often unable to afford the luxury of long surveys.

Implications for Practitioners

Our study has important implications for practitioners. First, it’s interesting to note that the efforts of management at Factory A to inspire confidence seem to have made little difference in 2008, the year of the reorganizations. However, overall job satisfaction, intentions to stay and job commitment all “rebounded” in 2009 at Factory A, but not at Factory B. Therefore, practitioners should be aware of the need for some patience – the benefits of confidence in management may be felt not during the midst of change, but rather during the recovery.

In addition, we draw the reader’s attention to the close connection between confidence in management and opportunities for advancement. In our study these two facets showed similar patterns of change over time, and also correlated more closely throughout than any other two facets, indicating that the workers who felt greater confidence in management also tended to be those who perceived greater opportunities for advancement. Perhaps this is not surprising because, of the five traditional job satisfaction facets – the work itself, pay, supervision, coworkers and opportunities – opportunities is the only one that is focused on the future rather than the present. Therefore, an important effect of having confidence in management may be to give workers confidence in their own future with an organization. Likewise, note the powerful connection between confidence in management and job commitment that developed at Factory A. Indeed, we feel that it makes intuitive sense that an important effect of confidence in
management during troubled times may be to inspire job commitment within a workforce, which is certainly a desirable outcome for most organizations.

**Future Research**

Additional research is needed, most importantly, to better understand the construct of confidence in management as well as its place in the job satisfaction literature. In our introduction, for example, we identified two components of confidence in management – integrity and understanding – and this study provides no reason to doubt the validity of those two components. However, we cannot be certain that these are the *only* components. For example, Butler (1991) identified ten “conditions” of trust, which appears to be at least a similar construct to confidence, and some of these conditions may also be components of confidence in management. Therefore, further research is needed to provide a better understanding of confidence in management. In addition, other topics for future research include the cycle of decline and rebound in job satisfaction mentioned in the section above, as well as the connection between confidence in management, perceptions of opportunities and job commitment during times of uncertainty.

**Conclusion**

Our results are generally consistent with what would be predicted through UMT. However, the two components of confidence in management – integrity and understanding – are less interpretable and therefore more useful for survey research than is fairness, the central construct in UMT. Overall, we feel that our study demonstrates the utility of our new construct, confidence in management, and highlights the importance of inspiring confidence in management during difficult or uncertain economic times.
References


About the Authors

Steve Lovett is an Associate Professor in the School of Business at the University of Texas at Brownsville. He received his Ph.D. in Management from the University of Texas at Arlington in 1997. His research interests focus on increasing job satisfaction and productivity.

Rafael Otero is an Associate Professor in the School of Business at the University of Texas at Brownsville. He completed his Ph.D. in Business Administration at The University of Texas-Pan American, and his Master of Business Administration at The University of Texas at San Antonio. His research has focused on economic issues in Mexico and the U.S.-Mexico border.
Appendix 1 – English Translation of Spanish Language Survey Questions

Confidence in Management
1. I’m confident that the plant management does what they say.
   (scale: 5-completely agree to 1-completely disagree)
2. Do you think that management understands the problems workers go through?
   (scale: 5-definitely yes to 1-definitely no)

Opportunities
3. In Company X there are opportunities for advancement for the people who seek them.
   (scale: 5-completely agree to 1-completely disagree)
4. How would you rate the opportunities for promotion in Company X?
   (scale: 5-excellent to 1-terrible)

Supervisor
5. How would you rate the treatment you receive from your supervisor?
   (scale: 5-excellent to 1-terrible)
6. My supervisor is an honest person and I trust him/her.
   (scale: 5-completely agree to 1-completely disagree)

Pay
7. How would you rate your salary in Company X?
   (scale: 5-excellent to 1-terrible)
8. Do you think Company X pays at least as much as a comparable company?
   (scale: 5-definitely yes to 1-definitely no)

Job Content
9. In your opinion, how interesting or boring is your work?
   (scale: 5-very interesting to 1-very boring)
10. Do you like the work that you are currently doing?
    (scale: 5-definitely yes to 1-definitely no)

Commitment
11. How concerned would you be if your department didn’t meet the goals of the plant?
    (scale: 5-very much to 1-very little)
12. How concerned would you be if the people in your area had problems with one another
    and didn’t work as a true team?
    (scale: 5-very much to 1-very little)

Turnover Intentions
13. How likely is it that you will continue working for Company X next year?
    (scale: 5-very likely to 1-very unlikely)
14. I am planning to continue working for Company X next year.
    (scale: 5-completely agree to 1-completely disagree)
Executive Interview


Interviewed by Belal A. Kaifi
Trident University International
and
Quang Do
Saint Mary’s College of California

Executive Summary

Karen J. Maggio is the principal and founder of POM Resource Group, which is a consulting firm with a network of professionals and resources dedicated to providing sustainable planning and design services. She is a LEED AP (Leadership in Energy and Environmental Design Accredited Professional) with over 20 years of experience in campus planning and facilities management. Karen has led and directed projects and programs including campus strategic planning, capital projects, facility operations, public safety, and emergency operations. Under her leadership, Mills College was awarded LEED platinum from the United States Green Building Council for the Betty Irene Moore Natural Sciences Building, received a prestigious Getty Grant for campus planning and launched an award winning sustainability program. The Lorry I. Lokey Graduate School of Business at Mills College, a POM project, received a LEED Gold designation for sustainable design.

Karen has taught at Mills College, Saint Mary’s College of California, and Diablo Valley College. She addresses students, corporate and public sector leaders on issues related to the implementation of sustainability. Karen is a five-term planning commissioner for the city of Lafayette, California and a member of the Sustainable Lafayette Board of Directors. She earned an MBA from Saint Mary’s College of California, completed an administrative internship and additional course work in design from the University of California at Berkeley and earned a BA from San Diego State University.
POM Resource Group brings experience and knowledge in sustainable planning for new construction, renovation, and space reallocation. POM Resource Group engages stakeholders, establishes project goals, initiates integrated strategies, and facilitates the early scoping (i.e., opportunity for action) phase of projects.

This article is one of a series of interviews with entrepreneurs and business leaders on the topic of sustainable business practices.

Authors: Karen, thank you for your time today. Please tell us about yourself,—your background, where you grew up, and your schooling.

Maggio: I am a native Californian. I was raised in Southern California on a family compound comprised of two homes and a carriage house with two apartments. We had animals, gardens, a multigenerational family and lots of interaction. Growing up in this environment gave me an appreciation for community and a relationship with nature. My higher education began with a BA and an RD in nutrition. After teaching nutrition and food technology, I became interested in larger conversations about sustainable planning and development. In addition to my MBA at Saint Mary’s College, I took classes in land use law, design and architecture. In 2009, I became a LEED Accredited Professional with a specialty in building design and construction.

Authors: Please tell us about your career experience.

Maggio: For almost 24 years, I worked in higher education with a wide range of responsibilities from lecturing to directing the operations of a 135-acre campus. Mills College was a wonderful environment for me to grow, explore my interests and build my strengths. College campuses are much like small towns with infrastructure, services, community and resource challenges.

Learning to balance budgets and needs is a daily challenge. About ten years ago someone suggested that I might be good at city planning and suggested that I consider serving on the Lafayette Planning Commission. I am currently in my fifth term on this commission and serving on the Environmental Task Force. This has been very rewarding work where I see long lasting improvements in the community.

Authors: What was the driving factor behind your decision to create the POM Resource Group (POM RG)?

Maggio: The idea for POM (project and operations management) Resource Group emerged after we completed a campus expansion program at Mills College of eight buildings in about six years. We built a new science building that was awarded LEED Platinum and was the first privately funded LEED Platinum building in the City of Oakland. I knew that green building and sustainable strategies represented the future. In 2008, POM was born as a sole proprietorship with personal savings. Designers and contractors were added as projects required. We only buy what is necessary for the business and keep operating costs to a bare minimum. Our first big break came with a generous contract from my former employer, Mills College, to design and
install sustainable interiors for a new LEED designed graduate school of business. Other contracts followed. POM has managed to turn a profit each year. This year has been a little different with an investment into a residential demonstration project. We have taking on debt but are betting that a smaller, well-designed, sustainable house will be something of value to a targeted market. When I describe this project to others, they usually say, “this is exactly what I want when the kids leave home!” People generally want to stay in their communities but no longer want to care for a large house with huge energy bills. A home designed with features that also allow people to age in place makes sense economically and socially.

Authors: Please tell us about the POM Resource Group.

Maggio: POM Resource Group provides a resource of talent for planning, design and management projects with an emphasis on sustainable strategies. Projects include sustainable interior designs, consultation to assist businesses and organizations qualify for green and LEED certification as well as integrated sustainability programs and various planning projects.

Authors: It seems that partnerships among sustainable businesses are essential for success. How much partnership, and on what basis, has POM established with other green businesses at the local, state and national levels? Does POM Resource Group need any outside assistance to promote such partnerships?

Maggio: Collaboration is critical for sustainable businesses to gain momentum, create partnerships and gain visibility. Providing links between other sustainable businesses and organizations is also good for business. We partner and collaborate with many organizations so that we can make a bigger impact as a team than we can on our own. Public speaking has also emerged as a regular activity to address the question, “What is sustainability and why do we need it?”

I am currently mentoring an intern who is conducting a waste diversion study as part of a partnership between the City of Lafayette, the Chamber of Commerce, the Contra Costa Solid Waste Authority, Sustainable Lafayette.org and the local school district. The work that she has done has already made an impact on services to the community in a very positive way. She will be delivering her findings and suggestions to the Chamber and City Council this month.

I lectured to a group of MBA students at San Francisco State University last week about sustainable business and building practices. A couple of the MBA students expressed an interest in interning for POM and working on our Ecohouse Project. POM has sponsored internships through UC Berkeley’s Externship program and other institutions over the past three years.

Giving back to the community is something that all businesses should actively pursue. I serve on a nonprofit board of directors and other committees that are working to improve social, economic, and environmental awareness in their communities.

Authors: Have any characteristics of POM RG changed much over the years? If so, what caused the changes?
Maggio: I think that any organization has to change in anticipation of future challenges and opportunities. We are a little like water running down stream. If something slows us down, we change direction and find another way to reach our goals. Most of our business initially was in higher education facilities. Now that educational systems here in California are experiencing financial challenges, we are pursuing government, business, and residential projects.

Authors: How are POM RG’s energy and resources distributed over the offered services (Project Planning, Sustainability Programs, and Interior)?

Maggio: Because of the downturn in the economy, planning, renovations and sustainability programs account for most of our business. New construction projects are practically non-existent.

Authors: Can you give us an example of a recent project that incorporates all services offered by POM RG?

Maggio: Again, the Ecohouse residential project integrates all of our services and knowledge. We hope that this will be the first green point rated home in its community. The project tagline is, “The California Dream of the 50’s becomes the California Dream of the Future.” We are taking a 1950 Ranch house and renovating it to be a very sustainable home with modern styling. This whole house renovation requires extensive planning, design, budget management, cost analysis, and tracking of all sustainable design features. Construction recycling or “deconstruction” is an interesting aspect of building renovation and possibly an area of future opportunity for POM. The conversation about diverting waste away from landfills in most of the US has been slow in coming but here in the San Francisco Bay Area, we are mandated to recycle fifty percent of all construction waste. Green projects require more - up to 100 percent.

Authors: How does your LEED Accreditation factor in the function of POM RG as well as the overall planning, design, and construction industry?

Maggio: Since I am running a business that specializes in sustainable buildings and programs, it makes sense to have LEED training and recognition to supplement my experience. Beyond that, I could not do what I do without the knowledge that I have gained from my facilities work experience and LEED training. LEED is the current gold standard in sustainable building practices. My past education in science and nutrition has also played a large role in my understanding of the broader issues surrounding healthier communities.

Authors: What was the biggest challenge for your business in the past? In the present? Do you see additional challenges or improvement in the future?

Maggio: I think that there are always going to be challenges. The challenges at the beginning are about the details. Starting a business involves dealing with the county, the state and the federal government. After the basic business forms and licenses are secured, accountants, liability insurance and a legal review of contracts and publications are a high priority. Web designers, branding consultants and computer tech support are priceless and have steered me through some interesting early company challenges. After our first year we had a legal
challenge. Out of the blue, a company in Saint Louis contacted us. Their legal counsel, very unpleasantly, asked us to change our name. Our acronym was similar to their client’s company and confusing to their clients. Although our businesses were essentially different, some confusion existed since we both had worked on science buildings. Although we did everything right from the beginning by licensing and protecting our name and logo in California, a legal battle in our first year would have been financially devastating. We were advised to change our name and we did.

As time passes, I find that we are focusing more on the bigger picture rather than the small details of the first year. We begin to weed out those things that are not cost effective and fine tune our goals and vision. Keeping an eye on the future and trying to interpret economic indicators is now routine.

Authors: Is there any conflict between your industry (green planning & design) and another “green” or “sustainable” business practice?

Maggio: Yes, we have found a few conflicts in managing/designing a Green Point Rated (Build it Green) home renovation project and local building ordinances. For example, Lafayette requires that all developments in the protected hillside areas blend into the natural environment. Roofing materials and exterior materials are to be darker in color so as not to detract from the views of the hillsides. Reflective materials are to be avoided. A conflict exists when cool roofs and lighter paint colors are discouraged. They reflect light, absorb less heat and keep structures cooler. I am trying to find a balance between natural shades that blend into the environment but are light enough to keep heat absorption to a minimum. Employing green features that reduce a structure's energy use is the goal rather than adding renewable energy to compensate for leaky or heat absorbing buildings. A phrase that I recently heard, “don’t solarize your inefficiencies” makes a lot of cents and sense.

Another conflict between two green features listed in the LEED and Build it Green guidelines exists between shade trees and solar panels. It is recommended to plant shade trees on the South and West sides of a structure to divert the sun's direct rays. This prevents, in some cases, the successful use of solar panels.

Authors: Recently, you made a presentation at a Saint Mary’s Graduate Business Practicum entitled “Sustainability at A Tipping Point”. What would the tipping point, something that would propel growth, be for your business and industry?

Maggio: Although the tipping point is coming, it is not here yet. We are currently experiencing a tough economic climate with low levels of building and renovation work. California’s building industry is particularly compromised. Although there are several state, federal and utility incentives for green building and retrofits, high unemployment and economic uncertainty prevent much growth in this area. Solar is still too expensive for the average homeowner. The real payback for solar, in some cases, is actually past a person’s lifetime IF they incorporate other sustainable building features to reduce energy usage.

Factors leading to a “tipping point” include:
Higher pricing for limited resources such as fuel, energy, and water paired with competitive pricing for greener alternative building materials.

Reduced cost for solar and better access to other alternative energies. Solar is still too expensive for the average consumer and the real payback may be longer than the life of the current technology.

Green building guidelines mandated by local, state, and federal government. Cal Green (Chapter 11 of Title 24 Uniform Building Code) is promising but not enough. These guidelines currently only cover new construction and do not yet address the majority of our existing built environment.

Giving preference to LEED, Build it Green and other established third party green rated projects. The city of San Francisco requires that all new commercial construction be at LEED Silver standard or better. All new housing construction must meet Build It Green certification. This helps these established organizations reach scale and be recognized for their leadership.

Shifting the emphasis from individual buildings to “Eco Districts” and “Eco Density” as modeled in Canada and now in Portland, Oregon. Greater gains are made to the social, economic, and community environment when whole areas are transformed to include public and alternative transportation, parks and enhanced green spaces and critical services.

Authors: You earned an MBA from Saint Mary’s College. In your opinion, how can MBA programs at St. Mary’s and other institutions prepare students to become great managers and leaders in sustainable businesses if they choose to be?

Maggio: The skills required for someone to be a great manager and leader will likely lead to success in most industries. Qualities that I admire in a leader are - a humbleness and openness to new information and ways of doing things; someone who asks lots of questions to build his or her knowledge base and who seeks opportunity; someone who works for the right reasons such as family, their community or a cause greater than themselves. I see more emphasis on collaboration and partnership at Saint Mary’s as a way to pool resources and ideas. Skills that bring people together to work more effectively can only help in a global world with limited resources.

Authors: What is your definition of leadership and how would you contrast leadership with management?

Maggio: Management and leadership are different. Management is about the day-to-day supervision of people, workflow, production and budget. I imagine that everyone has a different definition of leadership based on experiences that they have had. For me, leadership is about the bigger picture. A leader has a vision that can be effectively shared with others and that can move people to action toward a shared goal. A good leader models exemplary behavior that others strive to emulate.

Authors: What is your leadership style? As a leader, are you more task-oriented or relationship-oriented? Please elaborate on your response.
Maggio: As a young manager of 21 years old, I was very task oriented. My supervisor’s evaluations characterized me as reliable, efficient and highly productive – a perfectionist. As I gained responsibility and more experience, my management style shifted to be more relationship oriented. Comments that I now receive three decades later say that I am a “consensus builder” and that I am “able to make things happen.” My approach is no longer focused on individual tasks but on the process and the people to bring about change. Some of this just comes with experience, learning from past mistakes and being in a position to see the forest for the trees. Few young managers have the ability to look at an industry or organization from the top down or from a global perspective. Perspective is key! This is where Saint Mary’s College can and is shaping future leaders.

Authors: There will always be challenges, but let’s be optimistic and hopeful for the future. Are there any positive signs/changes that you see for a movement toward a sustainable economy in California and the U.S.?

Maggio: Yes, of course! If not here in California then where else will change come? It just takes time and a willingness to stick to a vision and plan of action. I see that the state of California has just launched another assistance program for both builders and homeowners called energyupgradeca.org. This program links preapproved green builders with homeowners and rebate programs. We have huge potential for new jobs and energy savings by retrofitting our aging built environment and infrastructure.

About the Authors

Belal A. Kaifi completed a post-doctoral program at the University of Florida’s Warrington College of Business Administration where he researched Management and Marketing. He earned a doctoral degree from the University of San Francisco where he studied organization and leadership. Belal is an Associate Professor of Business Administration at Trident University International. Belal can be reached via email at: belalkaifi@yahoo.com

Quang Do earned his B.A. in Environmental Studies and B.S. in Aquatic Biology from the University of California in Santa Barbara. After graduating from UCSB, he has worked as a professional in the environmental consulting industry. Quang currently attends the part-time PMBA program at Saint Mary’s College with a focus on integrating economic development and environmental sustainability. Quang can be reached via email at qd1@stmarys-ca.edu.
Executive Interview

A Conversation with George Vozikis,
Director of the Institute for Family Business
at California State University Fresno

Interviewed by John James Cater III
Nicholls State University

Executive Summary

Founded in 1989, the Institute for Family Business (IFB) at California State University, Fresno seeks to preserve the family business heritage in Fresno and the surrounding central San Joaquin Valley. The IFB provides a forum for exchanging ideas, research findings, academic courses and information about the business and personal issues that are unique to family firms. The Institute offers a variety of educational opportunities through guest speakers, industry professionals, and the family members themselves at seminars and affinity meetings as well as occasions for networking with family business owners. The IFB promotes the enhancement of family business as a key to the economic development of the state of California. The IFB is a reciprocal member of the Greater Fresno Area Chamber of Commerce, the Visalia Chamber of Commerce and the Fresno County Farm Bureau.

In August 2006, Dr. George Vozikis accepted the position of full-time Director of the IFB under the auspices of the Craig School of Business. Dr. Vozikis has had a long and distinguished academic career and holds the Reigard Endowed Chair in Management at Fresno State. Originally from Greece, Dr. Vozikis experienced family business first hand as the son of a business owner. Then, George came to the United States and earned his PhD at the University of Georgia. From a life-long interest in family business, he brings the vitality of a dedicated
family business researcher to the Institute of Family Business as well as a convivial and friendly manner.

Author: Please, tell us a little bit about yourself - your background, where you went to school, and where you come from.

Vozikis: I am originally from Athens, Greece. I went to law school at the University of Athens, but I knew from the start that I would not be a good lawyer. I came to the United States and I earned an MBA at Virginia Commonwealth University in Richmond. Then, I tried to get a job, but this was during a recession in 1975. So, I did not get a job and decided to go back for a PhD at the University of Georgia. I majored in strategic management and wrote my dissertation on small business because there was no such thing as entrepreneurship at the time (1979). From there, my first job was at the University of North Texas (North Texas State at the time). Since then, I have been at several universities - big and small, private and public - including University of Oklahoma, University of Miami (Florida), Memphis State, The Citadel with an endowed chair in 1990, and the University of Alabama at Huntsville. I have been all over the place. Then, I went to the University of Tulsa with another endowed chair and now I am finishing my career at Fresno State with the Reighard Endowed Chair in Management. This is my sixth year at Fresno State.

Author: You are also the director of the Institute for Family Business at Fresno State?

Vozikis: Yes, the Institute has been here at Fresno for over twenty years with its "ups" and "downs," but hopefully I will leave it in good shape for my successor and then drift off into the sunset.

Author: So, you were not the founding director of the Institute. How did the IFB get started?

Vozikis: The way it came into being is that there was a gentleman from a small town south of here called Dinuba. His father started a frozen Mexican food company called El Monterey Frozen Foods. He had some issues with his father - we call them issues, not problems, in family business. He looked around Fresno for some help, but there was nothing there. So, he went to Oregon State, which had a very successful, endowed family business institute. He talked to some people there and resolved the issue. When he came back, he said that we needed a family business center here in Fresno. Then, he founded our institute. Over the years, they had some outsiders and temporary directors for the institute. I believe I was the first one the dean committed to as a faculty person who specializes in family business and has done some research in it.

Author: Were the other directors faculty members?
Vozikis: Some were faculty members, but not PhDs. Some were family business consultants. Some were Management PhDs who just managed the Institute on the side to get an extra stipend. I think that I am the first one who has a primary research interest in family business.

Author: Very good. That leads to another question. Why are you interested in family business?

Vozikis: It is personal to a degree. My father had an import/export business in Greece and as a matter of fact brought the first air conditioning units into Greece. In 1959, we had Fedders air conditioning wall units. My father was of the persuasion that he would take care of the business and that he would always be around to do so. He thought that he should worry about the business and that his wife (my mother) should take care of the children. In March 1967, he got sick and by November he was dead. We knew nothing about the business. The business collapsed and creditors came knocking on our doors, saying that we owed them money. My mother was climbing the walls. So, like I said, it is personal because I don't want other families to go through what we went through. Thanks to my mother, we survived. She became entrepreneurial and started renting some one-bedroom apartments that my father had. She managed to buy another seven or eight units and make a living and she is still the matriarch of our family. She has her own family business now.

Author: I think that a lot of us who are in family business research share that background with you of coming from a family business. So, what do we mean by the term family business? For the purposes of the Institute for Family Business, what is a family business?

Vozikis: There are many definitions - all of them wrong in my opinion. Is it a prerequisite to have two generations in the family business? Is it a business that is owned by the family, but managed by somebody else? Is it the intention to pass the business on to the next generation that matters even if you don't have a second generation yet? I think that you can do all kinds of permutations, but the bottom line is that we have a very big tent. We should allow all different kinds of formats of family businesses to attend our meetings. For example, I have a member who went through a divorce - he had no children. Then, he became partners with another individual and agreed that the partner's son would take over the business. Then, he fell in love with a key employee and got married again. She has children from a previous marriage. Now, she is the wife of the founder and she is not very happy that the agreement is in place. So, you have a family business with two competing families that are unrelated and trying to take over. There are all kinds of permutations and possibilities. That is why the definition of family business is almost irrelevant. A family business is based on relationships, not accidental blood types.

Author: What is the purpose or mission of the Institute for Family Business at Fresno State?

Vozikis: The mission is to celebrate the family business concept because I believe that the family business is the foundation of any community. Family business people choose to live in the community and start a business and to raise a family, and they want their children to live
there. If you look around on the philanthropic organizations in any community on the boards of
directors you will find family business people. They started a business there and have stayed
there and raised their children there and they want that community to thrive. So, it is not just a
business. Family business people contribute to the community and have deep roots there. So,
our mission is to celebrate family business and to reach out to the family businesses in the
community and deal with the issues they may have. If they don’t have some issues now, we
sensitize them to the fact that they will have those issues some day.

Author: Please tell me about the three Cs in family business.

Vozikis: The three Cs are continuity, conflict, and communication. Family businesses often fall
short on one or more of the three Cs. They may not have a succession plan for continuity. There
may be conflict because of divorces or pre-nuptial agreements. They may lack communication
like my father who said he would always be there.

Author: How do you raise money to operate a family business center?

Vozikis: The best thing to have is an endowment like the Austin family gave Oregon State.
Some of the centers, like Kennesaw State, have an endowment, but we do not have this luxury. I
am just a regular faculty member and I do get a stipend from the members’ contributions.
Whenever we are in the red for a few thousand dollars, our dean steps in and thankfully plugs the
hole. You can run a very frugal operation, but if you want to make it to a higher level, there is a
need for an endowment. You need either a great number of members or for someone to come in
with an endowment.

Author: Yes, I am sure that it would be great to have an endowment. I understand that
many family business centers have a membership fee that members pay every year. Do you
have a “ball park” idea of what that might be?

Vozikis: We charge $600 per year and I came up with that number because it is easily divisible
by twelve. So, if somebody joins in March or April, we can prorate the fee and they do not have
to pay the full $600. I have seen very different fees at other places from $200 to $300 to $3000.
When people come to our events, I do not want to just have the program. I also want to have
hors d’oeuvres, wine, and beer for thirty or forty minutes before we have the program. I think
that it is very important for the members to socialize and network and get to know each other a
little better. So, there is some extra expense.

Author: As far as the leadership of the family business center, where should you look to
get advisory board members?

Vozikis: The best way to go about it, especially if you are going to a brand new place and don’t
know anybody, is to look at the Dean’s Advisory Board or the University Advisory Board. They
will know somebody. Especially, in small towns, most of the businesses are family businesses.
They could double up on the Dean’s Advisory Board and your advisory board. You only need a
low number of board members – five or so and the dean and the director. Then, you can get
things done. The more people you have, the more you have communication problems and
different agendas you have.
Author: What kind of deliverables do you think are especially important for family business centers?

Vozikis: Family business people are not looking to develop a business plan or something like that. They do not need for you to tell them how to run their businesses – they have been very successful. They do have the issues that we talked about with the three Cs – continuity, conflict, and communication. You need to sensitize them to the ideas that they need to plan for succession and that they need to look at their businesses with a cold eye without emotion and bias in favor of the children. They are torn by several forces. One is being equitable. They may have three children and they want to divide the business one-third, one-third, and one-third. But then one of the three children may be a bum and the other two are working very hard in the business. Do you give the bum one-third? Is that fair to the other two? The other force is that they have to do what is right for the business. Maybe none of the children are good for the business. It is very hard to reconcile the forces. I ask people, ‘I know that you love your children, but do you like them equally?’ They say “yes.” I say, “you are lying through your teeth, you don’t. You have favorites and it shows.”

So, the number one priority is to sensitize the family business people to the issues because if they do not have them presently, the issues are coming. The second thing is to develop a sense of camaraderie or esprit de corps among the members. They should feel good when they come to the meetings, not obligated to come. They should like to come and they should like the other members and they should learn from each other. The third issue is to develop some sort of round table brain storming group to help each other. The three deliverables any center should have are sensitization, camaraderie, and learning from within.

Author: How often do you have these events at the IFB?

Vozikis: We have them once a month with one month off in the summer. We have a Christmas party in December and the family business award party in January. We celebrate the family business of the year. We have the finalists and announce the winner. We have a big dinner and give a beautiful sculpture to the winner. There is a proclamation by the mayor and the finalists receive plaques. Every summer, we have a meeting at the place of business of one of our members and that member provides the wine and hors d’oeuvres. The rest of the time, we do programs on succession and conflict and those sorts of things.

Author: Do you have communities or sub-groups within the IFB, such as patriarchs, matriarchs, second generation, and siblings?

Vozikis: If you are successful, you may have sub-groups. It is difficult to manage a large number of members such as 110 or 120. It would be better to have 70 to 80 members of which 50 to 60 come to the meetings. Then, you have some attrition and some new members come in to replace those who leave. If you are successful and establish a core group, then you may have a second tier group, such as a second generation group. These people may not have much in common with the older generation. Because of the economy and budget cuts, we have never reached that level of members. We have about 47 to 50 members altogether, so I do not think it
would be wise for me to spread myself too thin and create a second generation group now. Sub-
groups have been very successful in other places.

**Author: What other activities are involved with the Institute?**

**Vozikis:** We have created a continuing education certificate in family business management. We also had a course cross-listed for undergraduate and graduate students in family business management. I allowed family business people to attend by paying continuing education fees. This set up a situation in which we had multiple generations together in the classroom. They learn from speakers and each other. In this way, students are exposed to all the wonderful information that the family business people have to offer. I have called our center an "Institute" because I believe that "Institute" has the connotation of education in it. In my opinion, the term "Center" is more activity-oriented.

**Author: How often do you have the Family Business Management class for undergraduate students?**

**Vozikis:** I envision having it once per year, but because of all the budget cuts, it is a struggle. Now, I have to teach undergraduate strategic management because there is a need. At least I put the family business class on the books and it is there now.

**Author: What are some other factors that are important for family business centers to be successful?**

**Vozikis:** One thing is to make sure that you have a very good administrative assistant because you need people to know your administrative assistant even more than they know you. The administrative assistant is the linking pin between you and the university. There are a lot of telephone calls and a lot of paperwork and e-mails. If you are by yourself, you could be swamped. My assistant here at Fresno takes pride in her job and is very protective of the Institute. She takes ownership and she knows the system of the University. She knows where the money goes. You need someone who knows the system very well.

**Author: How important is publicity for the center?**

**Vozikis:** Small town newspapers, like the paper in Fresno, are hungry for news. One thing is to volunteer to write a family business column, maybe 200 to 250 words once per week. Try to do anything to put yourself and the Institute in the forefront. I did that for the Fresno Chamber of Commerce newsletter and for the Visalia Chamber of Commerce as well. We got a lot of members from those little columns. Also, be sure to notify the university communications office and get publicity from them and through them for the family business center.

**Author: What further advice do you have for someone starting a family business center?**

**Vozikis:** Another thing is to keep the dean informed of all the activities of the family business center and to invite him to the affairs. Always introduce him and thank him publicly for the support he provides you. It is amazing what a supportive dean can do -- or what a non-supportive dean can do.

**Author: Thank you for your time and comments. I really appreciate it.**
About the Author

This book examines Ethics Protocols related to doctoral, masters, and other research conducted at or under the auspices of a university or similar academic organization. The subject of Ethics Protocols is a critical one in academia today since ethics approval typically is required for university research. Universities today are much more cognizant of their moral obligations regarding research, and thus more concerned about discharging their research ethical responsibilities. The authors point out that characteristically universities have their own standards for conducting research in an ethical manner, and they also have procedures, processes, and committees for seeking and securing ethics approval for research. Nonetheless, the authors underscore that there are certain fundamental standards and basic procedures that apply to ethics protocols and which are followed by most universities.

The book commences with an introductory section called How to Use Book, where the authors point out that they have written the book as a “guide” and not as a “how to” book. As such, according to the authors, the book does not have to be read in sequential order from cover-to-cover; rather, the discerning reader can proceed directly to a chapter that is of interest to the reader, for example, how to fill out an ethics application. The book also has a Prologue, where the authors stress and discuss the challenges – intellectual, physical, and emotional – involved in academic research; and where they underscore and also discuss critical factors to achieving research success to wit: intellect, maturity, sensitivity, and integrity.

There are 12 chapters to the book. Each chapter commences with a provocative and thought-provoking quotation; and this reviewer especially liked the quote from Machiavelli regarding ethics (and how could one not like a Machiavellian ethics explication!). Chapter 1 is Ethics Protocols – Key Issues. In this first chapter the authors first briefly discuss ethics from a philosophical perspective and then examine in detail ethical issues in academic research. The...
authors also discuss the role and responsibilities of a typical university’s research ethics committee, the definition and functions of ethics protocols, as well as the role and responsibilities of the chairperson of a student’s research committee in relationship to the university’s ethics committee, ethics protocols, and department ethics committee.

In Chapter 2, which is titled *What is Research?*, the authors first define “research,” then differentiate “teaching” from “research,” always a critical issue for “academics,” and finally discuss a variety of approaches to conducting research. Chapter 3 is titled and discusses *How Research Ethics Evolved*, and provides a historical perspective of the development of ethics in the context of research, underscoring, quite appropriately the Nuremberg Code as well as the Helsinki Declaration and the Belmont Report. Also in Chapter 3 the authors provide an interesting discussion of the evolution and transformation of ethics and ethics protocols from the medical field and medical schools to schools of business.

Chapter 4, *Ethics Protocols Applications*, is, as the title indicates, a very practical and useful chapter wherein the authors explain how to acquire ethics certification for one’s research, how to conduct and manage research in an ethical manner, and what forms, supporting documents, and consents will be needed. Chapter 5, *Amending the Ethics Protocol*, explains the steps one must take to have an amendment to an ethics protocol approved. Chapter 6 is *Data Protection Legislation*, wherein the authors examine important statutory protections for conducting research, focusing on the United Kingdom’s Data Protection Act. Chapter 7 is *Cross Culture, Class, and Language Research*. This is a very interesting and informative chapter in which the authors emphasize the importance of the researcher being cognizant of the cultural, class, and language differences, as well as religious differences, between the researcher and his or her subjects and participants. The authors then provide strategies and tactics for the researcher to “bridge the gap” and to accommodate successfully cultural and other differences, for example, in obtaining informed consent, so as to effectuate the research in an efficacious and ethical manner.

Chapter 8 is *Ethics Committee Processes*, wherein the authors provide a fairly comprehensive description of the processes, procedures, and participants in the Ethics Committee process. The authors also provide a legal context for the ethics committee’s work, again focusing on law, both statutory and case law, as well as government policy, in the United Kingdom. Chapter 9 is titled *Case Study: Two Ethics Committees* and in this chapter the authors discuss work of two ethics committees – management and health care – dealing with research into patient care. Of particular usefulness in this chapter is the section called “Lessons Learned,” where the authors analyze the work of these ethics committees and provide recommendations for conducting ethical research.

Chapter 10 is titled *Some Problems*. One interesting “problem” that the authors discuss and seek to resolve is “Researcher Misunderstandings.” Chapter 11 is *Advice to Researchers*, wherein the authors discuss in detail what they deem to be the four key “phases” in the ethics approval process, to wit: preparation, presentation, justification, and flexibility. Chapter 12 is titled *Some End Notes*, where the authors discuss certain pertinent related topics, such as
plagiarism and intellectual property rights. After each chapter is a brief Summary section wherein the authors very briefly summarize the major components to and points of the chapters and supply a brief conclusion.

There are also included in the book other very practical and valuable material and information, to wit: a Reference List, a Glossary, a Definition of Acronyms section, and a section titled Some Useful Websites and Blogs. There are, moreover, four appendices to the book: Appendix 1 is Research Participants’ Information Document. Appendix 2 is Letter of Informed Consent. Appendix 3 is Letter of Consent to Record an Interview. Appendix 4 is Letter of Consent for Photos or Videos. Finally, there is one exhibit – Exhibit A – titled Example of an Application Form for an Ethics Protocol.

Conducting research at the highest ethical levels is absolutely essential – for the researcher, the participants, the institution, and society as a whole. If the highest standards of ethical conduct are not adhered to, not only the reputation of the researcher and his or her institution can be harmed and thereby held in disrepute; but the participants in the research can also be seriously harmed – psychologically and physically. Furthermore, unethical research will produce negative consequences for society, such as a loss of respect for the conduct and quality of academic research academics, and academic institutions, as well as for governments supporting such research. Ethics, therefore, is imperative!

This book in a clear, concise, and very well organized manner discusses the necessity for Ethics Protocols and Ethics Committees, and describes how ethics permission is obtained in conducting research. The book provides very useful practical advice on how to deal with the ethics approval process and thus how to attain ethics approval for one’s research. The book, though described by the authors as a mere “guide,” is a very substantive work; it is to a degree quite scholarly; and it is also in many respects an excellent “how to” book. The book thus achieves a nice balance between theory and practice. The book will be especially useful to faculty members of doctoral granting universities who are chairing or serving as members of dissertation committees, and thus are responsible for advising students on ethics protocols as well as other aspects of the dissertation process. The only criticism that this reviewer would have of this book is that the legal materials and government policies presented are predominantly from the United Kingdom; and this reviewer would have liked to have seen, even for a work described as a “guide,” some more comparative legal and government policy material.

Yet this book, overall, is a very valuable tool for academics – faculty, students, and administrators – and not just in the United Kingdom, on how to achieve ethics approval and how to conduct academic research in an efficacious and most importantly an ethical manner. Accordingly, this reviewer strongly recommends Ethics Protocols and Research Ethics Committees: Successfully Obtaining Approval for Your Academic Research to the reader, and this reviewer commends the authors for their excellent, eminently practical as well as scholarly, work.
Daniel Altman may have thought that the changes for the world economies would take several years into the future to become a reality, but some of his predictions are beginning to take shape, and his book *Outrageous Fortunes: The Twelve Surprising Trends that will Reshape the Global Economy* is not yet one-year old since its publication.

Altman forecasts that the world economies will be transformed within 12 distinctive tendencies that will affect the industrialized nations as well as the countries considered developing economies or economies in a stage of growth.

He presents the 12 trends in an easy-to-understand format that those who are not economy savvy can easily make sense of these concepts. In his book, he first introduces us to the two geographic areas that will face economic limits in the near future: China and the European Union. Part II then follows with obstacles for the economies of the world: a new type of colonialism, the changes on immigration policies and the questioning of capitalist laws. Part III of his book guides us into new opportunities for the US economy as what Altman calls “the world’s sales force,” the integration of global economies, the fall of the World Trade Organization, and he finished this section with the prediction of the birth of new economic hubs replacing the old ones. Part IV and last section, enters into the dynamics of the risks the world will confront: financial black markets, global warming and decadent political institutions.

When world-economy experts think about long-term changes in the financial market, they usually predict economic modifications within the next five to ten years, according to Altman, but they fail to consider what he calls “deep factors” whose effects on the economy can be felt beyond 10 years. These deep factors may be originated by geographical, climatic, political, cultural and historical events faced by any country.

Speaking of China, although many consider China the new superpower that would replace the United States in the financial market decision-making process, Altman states that...
China will get richer eventually, but then it will turn into a poor country again due to factors inherent to Chinese culture and politics, namely the difficulties for China to open to foreign markets and to facilitate the process of starting a new business. Although China has been changing dramatically in the last few decades, Confucianism continues to be the ethical system to be followed. In it, the collective benefit supersedes the individual one. This structure begins at the family level with the respect and unchallenged authority of the elder over the young, and then move to other aspects of life where the elder will get to work with the young. That is, as Altman says, between “the ruler and the subject, master and servant, and employer and employee.” Economic and political decisions that challenge this order (young professional giving new directions to an older director) will probably gain little support. There is also corruption. This ongoing and heavy involvement of the Chinese government in businesses will make it difficult for the Chinese to open to a capitalist society the way the United States has, and an emergent middle class may not get to enjoy the freedom and the monetary compensations that the US middle class enjoys.

Moving on to the European Union, Altman says that cultural differences among the union members will make it difficult to pair all the countries within a solid and similar economic system with the same level of efficiency. The dissolution of the European Union is possible as the countries face diverse levels of corruption and a myriad of reactions to economic situations. Solutions to political and financial turmoil would not be the same in each country. He mentions Greece and Italy as examples in his book, and we as readers are seeing the economic turmoil shown at this time (2011 year-end) in both countries as they try to survive within their own economic terms their participation in the European Union. Altman admits that the EU was supposed to eliminate these differences, but economic and political structures operating under diverse cultural systems make it difficult for European Union member countries to operate under similar ethical rules.

Immigration policies will be another area to present challenges in both rich and poor nations. Current immigration patterns, according to Altman, will require new policies as there would be new demographic and economic challenges. The poor countries will still provide the “brain drain” to industrialized nations, and many other developed countries will as well. But, there will always be a segment of the society in countries like the United States, Germany, or England, where low-paying jobs will continue to be done by people, real people, “until better robots are developed,” Altman states. But even if that becomes a reality, hiring people may still be cheaper than maintaining the robots. Altman explains that as people move up in what he calls the “technological ladder,” there will be fewer individuals available for the low-paying jobs of gardeners, nannies and janitors. And with each nation having lower fertility rates, where do these countries get the hand labor they need in the years or decades to come? Does that sound like the US immigration current situation?

Reading Altman’s book is not like reading Nostradamus prophecies. His predictions are based on evidence we can find every day, and with US elections coming up in late 2012, *Outrageous Fortunes* should be a mandatory reading assignment for all presidential candidates.
Books-at-a-Glance

**Personal Knowledge Management: Individual, Organizational and Social Perspectives**

David J. Pauleen and G.E. Gorman

Gower Publishing Limited (2011)
269 pages, Hardcover, $134.95

Reviewed by
Donovan A. McFarlane
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Pauleen and Gorman define Personal Knowledge Management (PKM) as “an evolving set of understandings, skills and abilities that allows an individual to survive and prosper in complex and changing organizational and social environments” (p. xvii). *Personal Knowledge Management: Individual, Organizational and Social Perspectives* is a twelve chapter academic, theoretical, and practical book written by highly qualified contributing authors. Chapter 1 examines “The Nature and Value of Personal Knowledge Management”. In this chapter the authors clarify where PKM stands in relation to KM and explain how it differs significantly from KM and must therefore not be construed as an “offshoot of KM” (p. 1). This chapter discusses how individuals can remain competitive by applying five practical aspects of PKM strategy: management, lifelong learning, communication and interpersonal skills, use of technology, and forecasting and anticipating. They present PKM as a remedy to uncertainty and change that affect the competitiveness and value of individual as resource based on two factors: information overload and the changing nature of work. The authors also examine organizational knowledge management conceived through KM ideas and discuss PKM and the knowledge worker. Finally, this chapter discusses ways to capitalize on synergies by examining strategic interconnectedness in PKM with an understanding that “The world of knowledge work is intensifying” (p. 13).

Chapter 2 of *Personal Knowledge Management* is titled “Where is the Wisdom We Have Lost in Knowledge? A Stoical Perspective on Personal Knowledge Management” and is a philosophical approach taken by contributing authors Peter Case and Jonathan Gosling in examining the foundations of PKM. The authors try to contextualize the ideas of “knowledge” and “wisdom” with the philosophical idea of Stoicism emerging as a dominant theory which they regard as providing the most practical approach to PKM practice and strategy. They explore the role of personal knowledge in terms of what they call “person-in-role” (p. 25). The idea of
“person-in-role” is contextualized in terms of a process that converts diverse inputs and outputs and affects how one manages oneself in the role of personal knowledge manager. The authors believe that “Phronesis” (“the ability to make judgments about ‘what matters’” p. 32) is important to personal knowledge management (PKM).

Personal knowledge management (PKM) affects how we think, use knowledge, communicate and use creative imagination. In Chapter 3 of Personal Knowledge Management, contributing author Peter Murphy describes the development of PKM along a tangent where information, logic, and system creation are variables. Titled “From Information to Imagination: Multivalent Logic and System Creation in Personal Knowledge Management”, this chapter investigates the relationship between information and imagination as the author explores how factors such as intuition, visualization, pattern recognition, and other processes shape the way in which we manage personal digital libraries. The author describes information management as “a form of architecture” (p. 45), as it involves and requires design and building structures.

If knowledge management is to be “personalized” then it is obvious that the individual is the center of its theorizing and strategy. Contributing author Mark Wolfe understands this idea and thus, Chapter 4 which he pens is titled, “Recovering the Individual as the Locus of Knowledge: Communication and Personal Knowledge Management”. Recognizing that the individual is “the locus of knowledge” (p. 59), Wolfe raises an important issue which has for long troubled some educators and scholars, the role of technology and ‘pragmatic action’ as they could potentially pose as dampers to the development of PKM. The most important point in this chapter is that “Personal knowledge management…recovers the person as the locus of knowledge” (p. 74).

Personal Knowledge Management as a body of knowledge becomes more apparent as we examine Chapter 5, “Systems Intelligence as a Lens for Managing Personal Knowledge”. Contributing authors Rachel Jones, Jim Corner and Raimo Hamalainen demonstrate how PKM like KM has decisively taken on a technologically driven approach rather than one which is organically driven. PKM depends on systems intelligence as individuals use technology to manage personal knowledge similar to organizational MIS. Systems intelligence is seen as the theoretical lens as the individual attempts to manage knowledge within organizational contexts where he or she plays a major role. In fact, the authors believe that relevant to effective PKM in our technology-driven rather than organically-driven contexts is the individual’s awareness of organizational systems which surround him or her.

Personal Knowledge Management: Individual, Organizational and Social Perspectives as a text offers a vast amount of understanding on managing oneself, which essentially translates to managing one’s personal knowledge. Contributing authors Larry Prusak and Jocelyn Cranefield relate this understanding in Chapter 6 of the text, which is appropriately titled “Managing Your Own Knowledge: Personal Perspective”. The authors prescribe four PKM practices: (1) scanning and reinvention, (2) vetting and filtering, (3) investing in one’s networks, and (4) getting out of the office. These are some practical suggestions that individuals can put into practice as they invest in managing their own personal knowledge for growth and success. The authors conclude this chapter by stating: “As individuals, if we are to effectively manage our
personal knowledge, we need to continually seek out and capitalize on opportunities – inside and outside our workplace, day by day and minute by minute” (p. 11).

The next chapter of the book is an interesting one which questions the idea of “personal knowledge management” in the framework of conceiving individuals as inseparable from the idea of a community. Titled “Knowledge Management and the Individual: It’s Nothing Personal”, contributors Dave Snowden, David J. Pauleen and Sally Jansen van Vuuren propose the concept of “social knowledge networking” based on our inborn basic skills to create such networks and understanding about how we retain social relationships derived from social interactions. Chapter 7 uses a series of mini case studies to illustrate these concepts and the authors speak of “sense-making skills” as “diverse skills acquired through practice” (p. 122). Social knowledge networking which the authors view as the dominant stream of knowledge management in concurrent contexts is examined from both individual and organizational perspectives, and this, in a comparative and contrasting manner.

Consistent with the technology driven perspective, contributing authors Darl G. Kolb and Paul D. Collins introduce the idea of PKM as they explore “Managing Personal Connectivity: Finding Flow for Regenerative Knowledge Creation”, the title of Chapter 8 of Personal Knowledge Management. The authors introduce us to what they call the “Duality of Knowledge Creation” by proposing that “knowledge is created and maintained within a duality of connects and disconnects” (p. 130). Their perspective, known as the “connectivity perspective” on personal knowledge management (PKM) and creation is underpinned by the following three premises: (1) personal knowledge is seldom, if ever ‘stand-alone’ knowledge; (2) we need to be connected to create knowledge; and (3) we need periods of regenerative disconnection in the process of managing and creating PKM. Kolb and Collins also discuss the duality of connectivity in terms of ten dimensions: geophysical, technical, interpersonal, group, organizational, networks, economic, cultural, political, and philosophical (pp. 132-133). Four attributes of connectivity are also discussed: latent potentiality, actor agency, temporal intermittency, and unknowable pervasiveness (p. 135).

In Chapter 9 of Personal Knowledge Management, “No Knowledge but Through Information”, contributing author William Jones, takes what could almost be characterized as an antithetical stance on the ideological constructs and philosophical basis of personal knowledge management (PKM). Jones questions the idea of PKM by imposing on our psyches his fundamental idea of what he calls personal information management (PIM) since he passionately contends that it is only through information that knowledge is understood and expressed, building on three strong points throughout the chapter: (i) information is a thing; knowledge is not, (ii) there is no management of knowledge except through the management of information, and (iii) PKM is a very useful subset of PIM (p. 144). Two important concepts that are introduced in his argument of information as precedence and perquisite to any conception of PKM are knowledge elicitation and knowledge instillation.

It is extremely hard to discuss any aspect of knowledge management (KM) without mentioning or referencing the knowledge worker in some form or other, and with regards to personal knowledge management (PKM), it could reasonably be argued as impossible since the
idea of “person” is intricately tied in even with the very coinage itself. Tom H. Davenport, contributing author of Chapter 10, “Personal Knowledge Management and Knowledge Worker Capabilities” understands this quite well, and proceeds from this understanding to define and provide examples of the knowledge worker as he demonstrates how personal information and knowledge management can be used to improve the productivity and performance of organizational knowledge workers. Davenport is concerned about the application of PKM in organizations and examines the capabilities of knowledge workers in relation to ideas of acquisition, personal documentation, knowledge search, and networking and knowledge sharing. He also segments knowledge workers into five categories: functionalists, cube captains, nomads, global collaborators, and tech individuals.

In Chapter 11, “Exploring the Linkages between Personal Knowledge Management and Organizational Learning” contributing authors Ricky K.F. Cheong and Eric Tsui examine the concepts of personal learning and organizational learning, linking the two to demonstrate the idea of knowledge worker value as they argue for the alignment of individual personal learning and organizational goals and objectives. Cheong and Tsui propose the following three strategies to bridge the gap between individual and organizational learning: (1) align the individual and organizational learning objectives; (2) understand both individual and organizational learning factors; and (3) embed the individual learning process into the organizational learning process. The authors move on to discuss several individual PKM strategies as well as several organizational PKM strategies in closing this chapter.

The final chapter, Chapter 12 “The Importance of Personal Knowledge Management in the Knowledge Society” is an appropriate closing for this monumental work. In this chapter, contributing author Kark Martin Wiig brings forth the idea of the global “knowledge society” by linking PKM to this construct and arguing that, “The root objective of PKM is the desire to make citizens highly knowledgeable” (p. 230). The idea is that such citizens are equipped with broad personal competences stemming from what Wiig calls “Knowledge-related Globalization Pressures” (p. 231) which influence how society and the individual deal with knowledge. The author examines societal goals and competence and identifies six areas of what he calls “metaknowledge” (task-specific knowledge, enterprise knowledge, relationship knowledge, context knowledge, broad world knowledge, and methodological knowledge). Important to Wiig’s discussion in this chapter is a discussion of knowledge work construed under three categories: (i) operational work, (ii) tactical work, and (iii) strategic work.

This very interesting book provides a wealth of applicable ideas and practices that will benefit organizations in many and varied ways, from increasing effectively knowledge management and knowledge worker competences to raising productivity and performance levels. What is most impressive about this book is the numerous illustrations in terms of tables and figures which the authors use to illustrate concepts and processes. Furthermore, the book is suitable for practitioners, academicians, and researchers alike, and would serve best at the graduate levels of study in management or KM because of its technical jargons, abstract ideas, and its deep philosophical overtones.
The Elephant in the Room

Diana McLain Smith

Jossey-Bass (2011)
305 pages, hardback, $21.27

Reviewed by:
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The Elephant in the Room is a unique blend of intuitive intellect and sweet sass. This book by Diane McLain Smith looks at the strategies to identify, analyze and resolve relationship issues within an organizational setting. This is not a typical textbook. It includes an insightful recounting of business relationships between prominent and typical players within corporate America. The author’s smooth and eloquent narrative creates an effortless and pleasant reading experience while invoking personal reflections and numerous ‘aha’ moments.

From the onset the author gets us hooked on the intriguing relationship that developed between Steve Jobs and John Sculley at Apple. The relevance of relationships within organizations is also emphasized when we see that “All the way back to Achilles and Agamemnon on the beaches of Troy, relationships have had the power to create or to destroy enormous amounts of human, social and economic capital” (p. 8). It was also aptly stated that “We face a crisis today not of leadership but of relationships” (p. 8).

The need to focus on the informal side of relationships, and not just business negotiations, is clearly outlined. The factors that drive the development of the informal relationship are critical. As with Jobs and Sculley of Apple, we see that “a perfect match, can self destruct under pressure” (p. 17). The author clearly shows that this is because “people – through their interactions – define the informal terms of their relationship” (p. 18). The informal relationship must be analyzed as critical unseen differences may go unnoticed. As the story unfolded we saw that Jobs and Sculley had fundamental differences in their business philosophy that basically went unseen at first. As noted, the lucrative contract did not convince S Culley to accept the job at Apple. “What sealed the deal was the bond Sculley and Jobs forged out of their
mutual attraction to power” (p. 21). This attraction to power, which went unnoticed, was the main informal factor that influenced the start of the relationship.

We are later introduced to the distinctive differences between an individual perspective and a relational perspective on relationship. The individual perspective is “based on the assumption that there is one right answers, people either get it or they don’t get it and when they don’t their dispositions are largely to blame” (p. 48). With this perspective the tendency is to place the blame on the other individual. On the other hand we see that relational perspectives “focus on mutual responsibility and stress the importance of relationships” (p. 55). As exemplified through the relationship between Britain’s Winston Churchill and United States’s Franklin Roosevelt during the World War II era, a relational perspective created a focus on the mission and prompted concerted efforts to understand each other’s beliefs and interest. When things went wrong Churchill and Roosevelt often “looked to the other’s circumstances, not his character” (p. 56). This relational perspective necessitated investment of time. Churchill and Roosevelt gave their relationship “the same strategic attention they gave every other aspect of the war” (p. 57).

Having demonstrated the value of a relational perspective we are then introduced to the ‘Ladder of Reflections’. The Ladder of Reflection can be used “(1) to explore what each of you did to contribute to a situation neither of you liked and (2) to imagine what each of you might do differently going forward” (p. 88). This is an awesome relationship tool that can assist leaders to make the mental and emotional transition from the individual perspective to the relational perspective. It is argued that this ability to make the transition is required because “Leaders confront hot topics every day. This means they must continually manage their emotional reactions, so they don’t distort their judgment or cripple their decision making” (p. 80). The steps, 1 through 5 include, “Step 1: Look at what you’re both doing. Step 2: Figure out how you together create undesired results. Step 3: Focus on patterns, not personalities. Step 4: Predict how patterns will affect learning and growth. Step 5: Alter patterns that undermine learning and growth” (p. 81). The author used Dan Gavin and Luke Turner, assumed names from real cases, to demonstrate the effective use of the Ladders of Reflection.

As stated by McLain Smith “It’s much easier to notice what others are doing than to see what we’re doing to evoke or reinforce their behavior” (p. 89). To analyse this concept she looked at the mapping of relationships using another tool called the Anatomy Framework. The Anatomy Framework purports that the structure of relationships are built around four interlocking elements. These elements are ‘Actions and Reactions - each person’s actions evoke reactions in the other’, ‘Frames - refer to spontaneous interpretations of ourselves in relation to others and the goals we set as a result’, ‘Social Contexts – form the contextual backdrop against which some triggering event occurs, prompting the need to respond. They also filter what we see, and along with our repertoires, shape how we frame each other’ and finally ‘Behavioral Repertoires – define the range or responses people have at their disposal for framing and acting in different social contests, once triggered by some event’ (p. 101 – 102). The Anatomy Framework was rather effective as it allowed the clients to see how repetitive patterns of behavior develops and how these patterns may affect the growth and effectiveness of
relationships. To demonstrate the use of the Anatomy Framework McLain introduced us to another compelling relationship that developed between Christina Bellanti and Peter Thompson of Secureware (assumed names).

Other tools were utilized by McLain in her analysis of corporate relationships. The Investment Matrix on page 121 can be used by leaders to assess relationships using two dimensions namely importance and interdependence. Having made their assessments leaders may choose to invest, manage, ignore or separate from those relationships. For example, relationships that are high in importance and high in interdependence would be considered key strategic assets that leaders should invest time and effort to develop and maintain. The Investment Matrix was further extrapolated with the use of the Sequencing Matrix which suggested that having identified the relationships worth investing in, leaders should then “start with the high-impact relationships that stands the best chance of succeeding” (p. 127).

In recognition that relationship management takes time, McLain Smith later examined the process of transforming relationships using a “Three Stage Model of Relationship Change” (p. 137). The three stages were; disrupt, reframe and revise. Disrupt included 1. Assess the relationship, 2. Map patterns of interactions, 3. Design action experiments. Reframe involved 1. Freeze frame, 2. Invent new frames 3. Design frame experiments. The final stage of revise included 1. Revisit past events 2. Restructure outdated knowledge 3. Return to the future. The three stages of the relationship change model was utilized during the detailed analysis of the relationship between Dan Gavin and Stu Fine of Merrimac (assumed names). This process was interactive and very informative as we see how the consultant walked the participants through the various stages of their relationship. As real incidents unfolded the consultant was able to guide Dan and Stu through their assumptions, their actions and their reactions. It was a systematic process utilizing all three stages and steps of the Relationship Model. The participants had to openly discuss the events and understand the impact that each step had on their relationship. Though the participants had some tense moments, it is noted that they also shared some laughter. Having successfully walked the clients through the process, which she admits is on-going, McLain Smith rightly stated that “Relationship change is more sustainable, even fun and fulfilling, if you avoid three common mistakes: setting unrealistic expectations, failing to anticipate barriers and miscalculating the effort’s cost and benefits” (p. 141).

Some key strengths of the Elephant in the Room include its utilization of real cases to demonstrate the application of the theoretical concepts. These cases included Apple’s Steve Jobs and John Sculley as well as world leaders, Winston Churchill and Franklin Roosevelt. Other real cases, using assumed names were also used. These are individuals or personalities that most readers will be able to identify with. This served to authenticate the theoretical concepts and show that the principles are indeed practical and applicable within organizations. The author also included “Taking Action” segments to encourage readers to apply the new knowledge to their own relationships. Another strength is the introduction of various tools and models that can be utilized in the relationship management process. The tools lend structure and clarity to the consultant’s role as they help the reader to visualize the process being described. It should be
noted as well that though the focus is on relationships within corporate America, I find that the concepts and tools could be used to evaluate and fix relationships in any other environment such as world politics or in homes.

There is also a refreshing frankness to the narrative style used by McLain Smith. For example in referring to the Myers-Briggs personality tool she stated “The point is, knowing someone is different doesn’t tell you how to deal with someone who is different” (p. 87). She uses visual language and popular terms that the reader can readily identify with or recognize. Also on page 87 in discussing an inability to manage differences and alter relational patterns she stated that “In the end, everyone not only feels stuck, they are stuck” (p. 87). The author also provides comic relief by introducing appropriately themed cartoon depictions of sarcastic or comical situations throughout the text. Each chapter also starts with a quote that relates to the impending discussion.

What I found most insightful about this text was the quality of coaching and behavioral analysis provided by the consultant – Diana McLain Smith. The participants and now her readers were able to benefit from her extensive experience and knowledge. In the intervention sessions for Dan and Stu she showed that “With the aid of that map, Dan can see that his debating contributes to Stu’s “overreactions” and Stu can see how his outright rejections increase the odds of Dan debating. With one person debating and other rejecting, it’s easy to see why it’s taking so long to communicate” (p.165). In her intervention with Peter and Chris she looked at their framing of “(1) the different situations they faced; (2) themselves in relation to others in those situations; and (3) the goals or tasks they felt compelled to pursue as a result” (pg. 107). From her review of their behavior we see that “Each of them assumed a role relative to the one they assigned to the other. In the same moment that Peter cast Chris in the role of an emotional tyrant – with the power to determine what happened in a volatile situation – he took on the role of a threatened subject, whose fate lay in her hands” (p. 108). The analysis, conceptual skills and professionalism displayed during the various interventions serve to generate the “wow” factor for this text. The level of insight into the clients’ emotions and actions is superb.

McLain has herself indicated that her two intended audience would be “those charged with helping leaders – coaches, consultants, HR professionals, faculty at professional schools – and those in leadership positions or aspiring to be” (p. 14). I would suggest however that the audience for this book cannot be limited to any specific group. The content is applicable to all adults who interact with any other individual or group in either a formal environment or informal environment such as at work or home. It is ‘reader friendly’ and would be a good resource guide for everyone concerned about optimizing the value of their personal or corporate level relationship.
A college graduate finishes four years of higher education and often expects recruiters to be after him/her with various job offers. However, due to the pool of so many qualified candidates, this is no longer a reality for most graduates in some Asian, North American and European markets. Rather, graduates are expected to go out and look for the jobs that they are interested in at various organizations of their choice. Going out there and securing a job with a good salary and benefit package requires preparation, strategy, and planning. Experts recommend that one should not waste his or her time in a bad job or a bad situation. Rather, you should “be clear upfront about your expectations for the job” (Pounds, 2011, p. 154) and communicate this with prospective employers. Today, there are also those with many years of experience in the workplace that are looking for better jobs and those who are laid off and looking for another job. Therefore, new college graduates are often competing with more experienced candidates for a limited number of good paying available positions. Similarly, experienced workers are competing with young minds that are fresh out of college with new information and ideas that are needed in today’s organization. So the job market can be a bit difficult for both new entrants and experienced individuals who are looking for employment. Of course, they would all like to say “I found a job” of my dreams and that is the goal in any job hunting process.

Job hunting is a skill that requires updating since the process of or strategies for getting a new job seems to change every few decades and even more so during recessionary times and the addition of new social media technologies. The job search techniques that worked a decade ago may not necessarily be as effective today. As emphasized by Pounds (2011), modern job hunters need new strategies to uncover new opportunities and get their foot in the door with modern employers.
In today’s tough economic times looking for a job can be frustrating. There are many quality competitors for a limited number of positions. Job hunters can easily become discouraged. They sometimes need a little bit of inspiration. The book “I Found a Job” by Marcia Heroux Pounds is an excellent source of inspiration. In the book, Pounds interviews many job seekers who were let go during the recession from 2007 to 2010. Those interviewed and employed give examples of how they overcame a tough job market to find jobs that fulfill them. The first part of the book discusses how to stay positive after losing a job. Embrace the change in your life and keep a schedule as it helps to have a routine that you follow to stay motivated. Stay proactive in your life. Some of the things that are mentioned are volunteering, joining a club or association. Networking is also very important in the search for a new job. Knowing a group of people who are in your field or even in a field you are interested in can be the difference for a job hunter. There are so many new online sites for networking whether it is social media or job related sites such as Linked-In that the author mentions. These modern networking platforms can all be helpful if used wisely. Of course, another great example of networking is former coworkers.

Professional colleagues and former co-workers may know of jobs that are open for which you may be a good candidate. An example used is that a former coworker of someone recommended the gentleman for a job while being interviewed and shortly after he received an interview and a job offer (pp. 70-71). So it is a good idea to have a professional relationship with all your coworkers even if you have different work styles. Pounds (2011, p. 120) provides some “streetwise strategies” and recommends thinking out of the box when trying to find new job. One suggestion is to think of different ways that you can be a solution to a company’s challenges, problems, and possible opportunities. Another is to connect with businesses and employers that are expanding nationally or internationally—volunteer to help in their expansion process.

It should be noted that it can be a huge struggle handling the new financial situation for those who have lost a job. The author gives some great suggestions on how to handle the difference in your lifestyle after losing a job. There is a wonderful list of ideas (Pounds, 2011, pp. 101-102) and suggestions on how to better plan your finances. One thing is to make sure you apply for unemployment benefits. Be more frugal and make sure to prioritize your expenses. An important point is to get used to this lifestyle and remain frugal even when you do find a job. Since the market is not necessarily stable in today’s competitive workplace, one should always use a bit of caution in regards to one’s finances. When you do find the new job and it pays less than you were earning before, it is important to think about your finances and how to trim your expenses since you are living on less income. The author gives some examples such as cutting your cable, using coupons, dropping your land line, and using the public library internet (p. 98).

Pound recommends that “once you find a job, don’t stop looking for your own sake…but also remember to pay it forward…your job lead could result in someone else to say, “I found a job’” (Pounds, 2011, p. 196). Overall, the book “I Found a Job” is a good read for job seekers in today’s tough economy in every continent.
This book explores financial, banking and mortgage issues from an Islamic perspective since “There is so much attention to the Islamic mortgage that many see it as just what the Western world needs right now” (Masood, 2011, p. 209). Masood explains that much of the current credit crisis can be attributed to the excessive, risky and speculative lending practices and that these challenges might have been prevented if Islamic financial principles were in place and followed. Regarding such modern challenges, this book is clear, concise, easy to read, simple to understand, and organized to be useful for practitioners who want to know more about Islamic banking and financial issues, as well as for academicians who prefer factual and longitudinal data to make decisions. Furthermore, this book is written by someone who is both an academician and a practitioner of these concepts. The author, Dr. Omar Masood is currently the Director of the Center of Islamic Banking and Finance at the Royal Docks Business School, at the University of East London, United Kingdom. The author is also a leading advisor in the area of Islamic banking and finance worldwide to financial as well as academic institutions. In January 2012, I had the pleasure of meeting Dr. Masood while he was supervising graduate students’ research studies in the area of banking, finance, financial management, risk management, fund management, banking regulations, and Islamic banking topics at Superior University in Lahore where he serves as a visiting professor. He has served as a visiting professor in universities across the globe and has been a consultant to many organizations, including to the Turkish and Saudi Arabian governments. Besides being an academic scholar, he has recently authored and coauthored several other books on the topics of banking and Islamic finance including *Islamic Banking and Islamic Finance* as well as the *Truth about the Global Financial Crisis*. 
In his latest 2011 book, *Islamic Banking and Finance: Definitive Texts and Cases*, Masood explains how and why Islamic banking has received so much attention as well as rapid growth during the last few decades. The book discusses the viability of interest-free banking and the assessment of its performance over the last few decades and during the time of global financial crisis. Besides providing a good coverage of the basic concepts in Islamic banking and finance, the author compares them with the conventional interest-based finance which is currently the dominant framework. While the author demonstrates that Islamic banking has grown rapidly and is receiving well-deserved attention, it faces many challenges and hurdles since it is still in an infancy stage and not necessarily a threat to the mainstream banking at this time. Overall, this book addresses different Islamic banking practices and perspectives from across the globe while using examples of banks in the United Kingdom, United Arab Emirates, Iran, Pakistan, Sudan, and others to provide an objective assessment of their successes and failures over the past twenty years. For example, the UK now has over five shariah-compliant banks and at least seventeen financial institutions that offer home financing mortgages according to Islamic principles. There are many principles and guidelines for Islamic banking and some of them are as follows:

1. The foundation of Islamic banking is anchored in justice and equity for all parties involved in the transaction. Islam provides a balance between the material and spiritual needs of human beings. Therefore, the self-interests of individuals for private gain are regulated to balance benefits toward the collective needs of the community or society at large. Islamic banking removes the debt-based financing from the economy as this can lead to the cycle of rich getting richer and the poor remaining poor with little to no opportunities to get better.

2. The Islamic economic system is a rule-based system of laws known as *shariah*. Masood mentions that “Shariah provides a set of intermediation contracts that facilitate an efficient and transparent execution and financing of economic activities” (2011, p. 2). All activities must be aligned with the shariah laws of Islam. As such, financing of such activities as gambling, games of chance or deception, and the production of alcoholic beverages must all be avoided as they are prohibited in Islam. Shariah guidelines are basically a network of moral rules for behavior and every Muslim is expected to follow them.

3. Usury or excessive interest (known as *riba* in Arabic) is prohibited. “Islamic law encourages the earning of profits but forbids the charging of interest because profits, determined ex-post, symbolize successful entrepreneurship and creation of value and wealth…Interest is determined ex-ante and is a cost that is accrued irrespective of the outcome of business operations (and may not create wealth)” (Masood, 2011, p. 9).

4. The prohibition of *gharar* (contractual ambiguity or uncertainty) which means that there must be full disclosure of information to all parties involved. Islamic financial principles discourage hoarding and transactions which involve extreme uncertainties.

5. The bank and the entrepreneur must jointly share the risks in their investment.

6. Every financial transaction should have “material finality” which should link it directly or indirectly to a real economic exchange or deal.
7. The financial transaction should avoid the exploitation of any stakeholder to the transaction. The transaction must be based on justice and fairness to all involved individuals.

In Islamic banking, *gharar* refers to the ambiguity or uncertainty that results from a lack of information or control in a given transaction that can lead to the exploitation of one party in the deal. If one party has some information regarding the transaction that is not shared with everyone, then this can be *gharar*. *Gharar* can be eliminated by having complete disclosure of all informational elements in the deal and when a seller clearly states the purpose or object of the sale along with the price. According to Masood, “When *gharar* is considered as risk, this may preclude the trading of derivative instruments, which are designed to transfer risks from one party to another” (2011, p. 12).

The Islamic banking system is obviously highly in demand in many countries, but it is also becoming popular with the conventional banks since a number of international banks such as Citibank and HSBC have adopted Islamic banking in order to better serve their clients and attract new ones while having balanced policies for the avoidance of another financial meltdown. The interest is high since Islamic banking focuses on the issue of fairness and justice for all rather than just efficiency or exclusively the maximization of short-term profits for one party at an unfair cost to another. Islamic principles of banking and finance focus on sharing the risks in a fair and consistent manner in order to avoid the challenges associated with the exploitation of those who are not fully aware. The conventional banks are debit-based and Islamic banks are equity based. In Islamic banking, customers (clients or investors) and the banks share interest (equity) and risks, whereas in traditional banks, the customer owns all the equity and risks since in case of a default the bank will own the property to recover its costs. The Islamic system of banking and finance is based on a foundational set of ethical principles which enable it to create a more stable financial market in the world. Masood explains that:

The corporate governance is an effective tool in Islamic banking, and financial institutions because, of their internal control systems, facilitation of a risk-management culture, enhancing transparency of banking operations, proper selection and use of accounting standards, and disclosure about credit quality, external audits, shariah clearance, and shariah audits (p. 241).

Masood concludes that “Islamic banks are convincing the world that they not only cover the ethical aspects of the society, but they also offer economic benefits” (2011, p. 241). As such, financial experts of all nationalities have good reasons to study and understand Islamic banking and finances if they want to benefit from its sound policies and socially responsible concepts, while also retaining and attracting new clients to their businesses. The appendix section of the book offers examples of financial risk-management policies for an Islamic bank as well as an
actual questionnaire which was used for a study on getting insights into the significance of the Islamic mortgage issues in the United Kingdom’s finance industry. Such tools and studies can be extended and naturally replicated by finance and banking students and professionals in other countries or industries.

Overall, the book provides a good balance of relevant conclusions based on data with analysis as well as practical tips for the laymen. Besides being a must read for those working in the banking industry or financial institutions, the book will be especially useful to students and faculty members who are studying business. Overall, this book is a valuable tool for employees and managers of the financial institutions, as well as academicians who want to integrate an Islamic system of banking in the curriculum. Accordingly, this reviewer commends the author for his expertise as well as excellent and scholarly book on *Islamic Banking and Finance*.

Reference

Does love have a place in the teaching/learning environment? What place does love have in the teaching learning environment? What is love? What is pedagogy? What are the ethical implications of love as pedagogy? How can we achieve a balance between caring relationships and protecting students? Is this just a theoretical concept or can we realistically implement love as pedagogy? How do we implement love as pedagogy? Amazingly, all these questions and more are raised and addressed in *Love as Pedagogy*. And it’s not just for kids. Here’s a thought: if ‘love as pedagogy’ is missing, then no higher learning occurs.

Author Tim Loreman, whose specialty includes diverse learners, asserts that ‘love, respect and belonging’ are vital components of effective teaching and learning. Another way of looking at this may be to recognize or acknowledge that teaching and learning both have intellectual (mental) and emotional (feeling) components. Ideally, then, teachers and students would develop, in addition to their respective areas of content expertise, a certain level of emotional competency particularly suited to the teaching/learning environment. Although the notion is not new, it is interesting that it is resurfacing again in the 21st century. There are those who may say there is no place for ‘love’ in the classroom. Scandals of abuse of power in this arena come to mind. Anyone who saw the movie *Doubt* -- with Meryl Streep and Phillip Seymour Hoffman -- may be hard pressed to ever use the words ‘love’ and ‘teaching’ in the same sentence, but Loreman writes a book about it. He encourages us to make the finer distinctions that make the difference.

Although it’s a tall task, Loreman defines ‘love’ in the pedagogical sense by reviewing pertinent works of those in psychological, religious and philosophical disciplines. He develops the context at an individualistic level by reviewing Robert Sternberg’s psychological theory of
love including ‘intimacy, passion and commitment’ relative to teacher-student communications. The author draws on psychoanalytically-based Daniel Cho to tackle moral and ethical considerations. At the global level, Loreman brings in relevant religious perspectives from Christian, Jewish and Muslim traditions and those of the Dalai Lama like ‘unity’ and ‘brotherhood’. He also calls on Plato and Paulo Friere to address philosophical aspects of ‘love’ as a sort of relationship where benefits accrue to all stakeholders. Similarly, Loreman formulates a definition for ‘pedagogy’. He points out that while the behaviorism of Thorndike, Pavlov, Watson, and Skinner can be useful in the learning context (more as ‘training’ than ‘learning’, p. 8), it is ‘love as pedagogy’ that yields effective learning. ‘Pedagogy’, according to Loreman, is goal-directed, outcome oriented and practical. It is the higher level learning, it is ‘true’ learning, it is the learning with substance that embodies crucial competencies, values, ethics and even more. As he defines relevant terms, Loreman further details the following dimensions of ‘love as pedagogy’:

- Kindness and empathy;
- Intimacy and bonding;
- Sacrifice and forgiveness;
- Acceptance and community; and
- Passion (enthusiasm).

Basically, we as teachers achieve ‘love as pedagogy’ by cultivating these qualities in ourselves, then modeling them for students to learn. How we implement this goal depends on our current intentions, emotional capabilities, environmental context/s, workload, mindset, vision, and more. While emotional enhancement may not be for the faint of heart, it may just make the crucial difference in learning and in life. To show that ‘love as pedagogy’ is do-able, Loreman puts his model in motion by providing a pictorial case study complete with examples, strategies, instructions, and teacher development.

As with any learning, we can begin where we are and move toward where we want to be. For example, if we want to deepen our capacity for ‘kindness’ in ourselves in a certain context, we can begin by viewing our own actions under a magnifying glass with detachment. Commonly what happens next is interesting: what we say we would do doesn’t exactly match what we actually do in certain situations. Loreman supports this assertion by calling upon the morality research of Kohlberg, Krebs, Denton, and Haidt – that we act intuitively and not logically in such instances (p.18). We may hypothetically say we would respond in a certain way in a given situation, and yet the light of day actually reveals a wider range of behaviors than those described. Waiting in line at the store or driving in traffic comes to mind!

Next steps include watching and monitoring ourselves relative to a certain goal, as well as noticing the behavior of others. We can immerse ourselves in a culture to learn the ‘language’ of the type of ‘kindness’ we’re aspiring to enhance. Loreman is not suggesting anyone become a doormat, and makes the point that hard choices and ‘tough love’ are sometimes necessary to implement ‘love as pedagogy’, i.e., perhaps when a person or persons persists in pursuing traits inconsistent with the intended charter, strategies and goals of the ‘community’ or organization.
For fostering ‘kindness’ in younger students, the author suggests the use of certain types of children’s stories, puppet shows, role plays, and taking turns tending to the class pet. Students of all ages can benefit from good metaphors. Well-designed tasking for collaborative group member goal achievement is recommended for various levels of students and certain types of goals. Mentoring fellow students, when well-planned, is another effective practice. Additional strategies include teacher- and student-generated as well as community-based activities. Loreman describes how ‘kindness’ and ‘empathy’ intertwine, and goes on to define ‘empathy’. ‘Empathy’ includes delving beneath the surface to honor another’s feelings and perspectives. The goal is to engage the student and to facilitate pedagogical changes while maintaining one’s own ‘objectivity’ and ‘sense of self’. All it takes sometimes is a caring or compassionate comment to create a connection. Similarly, the author moves through this relationship continuum by defining, describing and exemplifying ‘intimacy and bonding’, ‘sacrifice and forgiveness’, ‘acceptance and community’ and ‘passion’ (enthusiasm). He consistently emphasizes the healthy theme. Should we decide to enhance a certain trait in ourselves, it is important to maintain a balance between ourselves and another person.

Cultivating a ‘community of acceptance’ is a particularly crucial developmental opportunity. This ‘community’ is what gives participants a chance to develop and hone ‘kindness and empathy’, ‘intimacy and bonding’, and ‘sacrifice and forgiveness’. It also sets the stage for a self-fulfilling prophecy: providing favorable conditions for effective relationships to take root can enhance ‘community’ development and vice versa. The author relates Maslow’s Needs Hierarchy (p.69) to cultivating ‘community’ consciousness; ‘community’ is the developmental catalyst for ‘student’ self-actualization. Perhaps we’ve all experienced sharing space with others without ‘feeling the love’. Yet it’s probable we have a few things in common - like purpose and goals. While it is admirable that the impetus for ‘community’ development spring forth spontaneously from the group, it is not likely to do so without assistance. According to Loreman, an effective strategy (p. 70) for facilitating and sustaining ‘community’ includes key steps. In the beginning, the ‘teacher’ sets the stage, and provides leadership and structure until the ‘community’ that supports ‘love as pedagogy’ can govern itself. Next, favorable interpersonal relationships are nurtured then expanded to include the group. Conditions conducive to ‘community’ development then allow individual group members to function as a more interconnected social unit with distinctive characteristics. The group then is guided to develop to a point where it can direct, govern support and evolve itself, accommodating additional influences and individuals. Groups, and the individuals, then, can approach a certain level of self-realization.

What might enhancing a certain emotional trait of your choice look like in your class / work / home environment? There are a couple of cute kids on the cover of this book. Indeed, the author refers to a ‘student’ as a child or teen, a ‘teacher’ as an ‘adult educational professional’, and the teaching-learning environment as an elementary, middle, high or even post-secondary school. Subjects of the pictorial case study are first graders at a Canadian country school. However, these ideas are not just for kids in the classroom. It’s not much of a leap to substitute the word ‘adult learner’, ‘employee’, or ‘family member or friend’ for ‘student’; ‘manager /
owner’, ‘family member or friend’ for ‘teacher’; or ‘work’, ‘home’ or other environment in place of ‘school’. With minor course corrections for a given context, these concepts and strategies have a sort of universal application. We can apply these ideas to enhance any relationship. While Loreman has an elegant, comprehensive program, a person could have a profound impact by selecting one compelling idea and integrating it into everyday practices.

Is there room for ‘love as pedagogy’ in what we do? How do we approach teaching / learning / work lovingly? Do we or our colleagues already integrate some of these notions into our teaching / learning / work activities? Maybe we know someone to model. With what roles are we comfortable identifying? Can we expand beyond our current roles and identities? Do we have it in us? What would it take for us to implement some of these ideas? What effect would this have? Dare we discover who we are? Will we know if we don’t try? Why not pick up the book and consider a few great ideas.
Guidelines for Submissions

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