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# EBS REVIEW

**CHANGES IN SOCIETY, CHANGES IN ORGANIZATIONS,  
AND THE CHANGING ROLE OF HRM:  
MANAGING INTERNATIONAL HUMAN RESOURCES IN A COMPLEX WORLD**



ESTONIAN BUSINESS  
SCHOOL

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# EBS REVIEW

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## Changes in Society, Changes in Organizations, and the Changing Role of HRM: Managing International Human Resources in a Complex World

The modern world is increasingly facing radical and rapid change in the nature of the international social fabric. As broad social changes occur at an ever-increasing pace, organizations must adapt within this context, and workers must change within their own organizations. All of these have major implications for the way we manage the human resources of firms, especially in the international arena, where such complexities become especially pronounced.

In 2007, the **9th IHRM** conference 'Changes in Society, Changes in Organizations, and the Changing Role of HRM: Managing International Human Resources in a Complex World' was hosted by **Estonian Business School** and **The Cranfield Network on Comparative Human Resource Management (Cranet)** in Tallinn.

The eight preceding IHRM conferences have been held approximately every two years, in Singapore, Hong Kong, England (Ashridge), Australia (Gold Coast), USA (San Diego), Germany (Paderborn), Ireland (Limerick), and Australia (Cairns).

More than 120 papers from almost 30 countries addressed questions regarding differences in HRM practices of countries with well established market economies, and countries in a rapid development process with changing environmental conditions. Main topics covered include the role of HRM in organizational change, the nature of expatriation, the broader context of international management and the need for HR to actively be involved in global enterprise, the nature of cross-boarder collaboration, and many more.

Dear readers, for this issue seven papers were selected to give an insight of the changing role of HRM practices in our complex world. In this issue you can find both conceptual and empirical papers discussing the topics related to different fields of HRM.

The first paper by **Jukka M. Laitamaki, Sinikka Laitamaki** and **Tarja Ruuska** addresses best practice in strategic Human Resources (HR) value added management for investors, customers and employees. The authors investigate HR management's strategic role and value propositions according to the fourteen HR strategy capabilities proposed by Ulrich and Brockbank (2005). Their study proposes the I<sup>2</sup>DE<sup>2</sup>A Framework of Strategic HR Value Added Management, which describes four scenarios of HR value added management depending on effective versus ineffective business strategies, and efficient versus inefficient execution of HR strategies. Based on in-depth interviews with HR professionals, the study reports best practices of strategic HR management in international hospitality, travel and transportation industries. It is suggested that HR professionals need to master these capabilities in order to become the value-adding partners of the business strategy formulation and execution processes.

In the next paper **József Poór, Zsuzsa Karoliny** and **Ferenc Farkas** from the University of Pécs present an overview of recent HRM policies and practices in Hungary, contrasting descriptive statistics, analytical details and a stochastic analysis of Hungarian data vis-à-vis the HR practices in six Eastern European countries and the entire Cranet database (32 countries). In the paper, the authors provide an in-depth statistical analysis of three subsets of the Cranet Survey 2005 (Hungary - 97 participants, Eastern Europe - 864 participants and the whole database - 7952 participants). As an outcome the study shows that while there is diversity in this region, there is a definite convergence toward emulating Western ideas and methods.

Next, **Wei Sun** and **Ruth Alas** make an attempt to study how different environments in history have influenced change in Chinese organizations and to identify the types of change in their article 'Changes

in Chinese Organizations from the Institutional Perspective'. The research is based on 160 in-depth qualitative interviews with senior managers or middle managers from Chinese companies selected from various industries, ranging from manufacturing and technology, banking and insurance organizations, to those in energy and education industries. The paper carries out an analysis of organizational change in China from the institutional perspective according to historical stages. The findings suggest that Chinese organizations have been going through a continuous change process and a large proportion of these changes were transformational, which are by scope substantially more profound than transitional and developmental changes. Meanwhile, a considerable proportion of the changes could be considered re-creation, the deepest strategic change by scope compared to reorientation, adaptation and tuning. The authors believe that an understanding of change in Chinese organizations in the institutional context could help managers of Chinese companies gain a better understanding of the whole situation and make more appropriate decisions when implementing change.

**Tiit Elenurm, Jaan Ennulo and Jana Laar** from Estonian Business School study motivation structures among business students in comparison with the general population in Estonia and analyse their entrepreneurial orientations. The research question addresses measurements of motivation structures and differentiated entrepreneurial orientations of students serving as the point of departure for new approaches in business education in order to develop human resources for future business opportunities. The conceptual basis of the paper integrates research on motivation structures reflecting achievement, power, affiliation and failure-avoidance needs and entrepreneurship orientation studies.

The tripod SEV/V2 motivation questionnaire used in this research revealed that business school students score higher than the average norm in all elements of the motivation structure except failure-avoidance. Linking motivational structures to the self-assessment questionnaire for specifying imitative, individual innovative and co-creative entrepreneurship orientations of students allowed the identification of clusters labelled as power-driven change leaders, rationalistic failure-avoiders, individualistic innovators, affiliation driven co-creators and low-ambition imitators. The paper discusses educational approaches that support differentiated development paths among business students that

reflect their motivational structures and entrepreneurial orientations.

A conceptual review presented by **Allen D. Engle, Sr., Fred Allen Engle, Jr. and F. Bruce Engle** addresses the shortcomings of traditional models of leadership (or leader as "architect") in a global context and proposes that a new conceptualization of the transnational leader (leader as "bard") a more appropriate to the culturally and geographically dispersed control requirements of the transnational firm. The authors suggest that the transnational leader combines a culturally-flexible charismatic authority with the conscious manipulation of worldwide corporate iconography and the maintenance of an integrated set of global images by applying the technologies of the internet and global telecommunications ("long wave" influence). The authors present a carefully organized global career progression as the developmental source of these new "bardic" leaders, and discuss the subsequent role of these bardic leaders in directing the global career development of their geographically dispersed followers. The paper concludes with a review of the potential advantages of reconceptualizing leadership in the transnational context.

The paper by **Mari Kooskora and Elena Bekker** examines issues related to women in global business and more particularly to female expatriation. The authors claim that according to the general perception, women are more hesitant to start an international career than men and it is believed that the reasons for women's modest participation in international business are due to their own unwillingness to take international assignments, the issues concerning family and childcare, lack of mentoring and networking and the fear that host country nationals will not accept women as equal partners.

In their paper the purpose is to find grounds for these assumptions and the reasons for why women are hesitant to start an international managerial career in multinational corporations. To this end the authors have conducted a qualitative study among a sample of junior and senior female managers in the hotel industry who have worked for multinational corporations in different parts of the world. It is concluded that since women bring diversity to the organisation with their different way of thinking and understanding. The authors suggest that by hiring women, multinational companies taking a global approach can act as role models for firms in many countries that have seriously considered

promoting women to managerial positions. If companies want to send their most qualified managers abroad, they cannot continue to rely primarily on men. The increasing demand for qualified and experienced international managers can successfully be fulfilled by including more women in the candidate pool.

Traditionally, job descriptions have been a popular mechanism for determining the requirements of a job. However, the present turbulence of the corporate landscape has prompted organisations to be agile and responsive. Under such precarious circumstances, laying down specified duties can be fatal.

In the final paper **Feza Tabassum Azmi** from Aligarh Muslim University in India finds that we have entered the world of 'dejobbing'. The author suggests that an increasing number of firms are moving towards jobs that are broad and that may change every day and in such a situation, people no longer take their cues from a job description, as signals come from the mutating demands and imperatives of the environment. The paper 'Job Descriptions to Job Fluidity: Treading the Dejobbing Path' explores the various contours and dimensions of dejobbing. It discusses the rise of dejobbing as an all-pervasive phenomenon, and the related organisational and individual imperatives and explores those dimensions of dejobbing which have not been touched upon previously. The paper introduces the 'Ability-Willingness Matrix' for discussing organisational imperatives, using corporate examples to drive home the central idea of the thesis.

The paper reveals that since dejobbing is inevitable, there is a need to address the issue head-on. Individuals need to demonstrate their deliverables to the organisation. In order to survive, people will have to shrug off job-mindedness. The author suggests that the paper provides insights to strategic decision leaders vis-à-vis the crafting of a dejobbing strategy and through an in-depth discussion accompanied by suitable examples, the paper attempts to appeal to a wider audience of practitioners.

Dear readers, we hope that this brief introduction to the topics of the current volume of EBS Review was able to generate your interest in the topics and articles gathered in this issue. As a common practice all the articles go through a time consuming process of review and evaluation, and the authors

often have to rewrite and submit their papers several times before our distinguished editors are satisfied with the results. We consider the topics covered to be important and hope, dear readers, that you can find something interesting to discover. We would also like to show our gratitude to the authors, editors and partners, indeed to everybody who has helped us prepare this issue for our readers. Wishing you all a pleasant and stimulating read.

Dear readers, the EBS Review will now mainly be published in electronic format. We sincerely trust that you accept our decision to change to a more eco-friendly alternative that saves trees and energy. From this issue on, the articles will be available online through EBSCO databases and on CD.

On behalf of the editorial board

**Ruth Alas and Mari Kooskora**

# The I<sup>2</sup> D E<sup>2</sup>A- Framework of Strategic HR Value Added Management: Best Practices in International Hospitality, Travel and Transportation Industries

Jukka M. Laitamaki, *New York University*  
Sinikka Laitamaki, *Alexander Consulting Co*  
Tarja Ruuska, *IBM Finland*

## Abstract

This study addresses best practice in strategic Human Resources (HR) value added management for investors, customers and employees. HR management's strategic role and value propositions are investigated according to the fourteen HR strategy capabilities proposed by Ulrich and Brockbank (2005). The study proposes the I<sup>2</sup>DE<sup>2</sup>A Framework of Strategic HR Value Added Management, which describes four scenarios of HR value added management depending on *effective* versus *ineffective* business strategies, and *efficient* versus *inefficient* execution of HR strategies. Based on in-depth interviews with HR professionals, the study reports best practices of strategic HR management in international hospitality, travel and transportation industries.

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Dr. **Jukka M. Laitamaki** from New York University has close to 25 years of international strategic consulting and executive education experience in over 20 countries—first with Service Management Group, McKinsey & Co., and then as a professor at University of California at Berkeley, Fordham University and New York University. His expertise is in the areas of cross-cultural management and education, globalization strategies, global marketing and branding. He has consulted to several international companies and served as an advisor for the Finnish Minister of Trade and Industry. His research has been published in the *European Management Journal*, *The Journal of Transnational Management*, *the California Management Review* and at the IHRM 2005 Conference in Cairns Australia. At Fordham Dr. Laitamaki built the Global Professional MBA Program (GP MBA) into an international community of over 200 students and alumni from over 50 countries. *Newsweek* recognized the GP MBA Program as one of the top seven international MBA Programs in the USA. At New York University Dr. Laitamaki is focusing on cross-cultural management, global strategy and branding issues.  
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## Introduction

This study addresses best practices in strategic Human Resources (HR) value added management for investors, customers and employees. HR's strategic role and value propositions are investigated according to the fourteen strategic capabilities proposed by Ulrich and Brockbank (2005). The study focuses on strategic alignment between business and HR strategies (Kaplan and Norton, 2006; Becker et al., 2001), as well as the delivery of added value for investors, customers and employees (Huselid et al., 2005). Based on in-depth interviews with HR experts and a literature review, the study proposes the I<sup>2</sup>DE<sup>2</sup>A Framework (see Figure 1), which describes four scenarios of HR value added management depending on the effectiveness of business strategies and the efficiency of the execution of HR strategies. The study also reports on the fourteen best practice categories in strategic HR management in international hospitality, travel and transportation industries. These international industries were chosen due to the cross-cultural challenges that HR faces when delivering value for investors, customers and employees (Laitamaki et al., 2005).

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Ms. **Sinikka Laitamaki** is the Principal at Alexander Consulting Co., where she is responsible for the firm's Strategic HR Management and Leadership Practice. Ms. Laitamaki has over 20 years of HR management experience with Citigroup, Merck & Co. and GlaxoSmithKline where she was Director of HR. Her expertise is in change management including alignment of HR systems and practices according to the company vision and strategies. She has led HR integration in acquisitions and implementation of Six Sigma practices. She has presented her work at the World Congress on Human Resource Management and at the International Human Resource Management (IHRM) 2005 & 2007 Conferences in Australia and Estonia. She has received several awards including the Best HR Practices Award from the New Jersey Society of Human Resource Management (SHRM). Her *High Performance from Within: The Road to Wellness and Sustained High Performance Four Step Process* has received great reviews at the SHRM Conference in the USA.  
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The in-depth interviews were conducted in five leading companies in the area of strategic HR management. The authors would like to express their sincere gratitude to the following outstanding HR professionals for their invaluable contributions to this study: Denise E. Bober, Director Human Resources, The Breakers Palm Beach ([www.the-breakers.com](http://www.the-breakers.com)), Alejandro Fernandez, Senior Vice President Human Resources, Brenntag Latin America ([www.brenntagla.com](http://www.brenntagla.com)), Jo-Anne Kruse, Executive Vice President Human Resources, Travelport ([www.travelport.com](http://www.travelport.com)), John H. Longstreet, Senior Vice President People Strategy, ClubCorp USA, Inc. ([www.clubcorp.com](http://www.clubcorp.com)), and Richard Mignault, Vice President Human Resources, Hilton Hotels Corporation ([www.hilton.com](http://www.hilton.com)). We would like to extend our special thanks to Professor Laitamaki's graduate assistant Ms. Renuka Chandra, Master of Hospitality Studies at NYU Preston Robert Tisch Center for Hospitality, Tourism and Sports Management.

### The I<sup>2</sup> D E<sup>2</sup>A Framework of Strategic HR Value Added Management

The I<sup>2</sup> D E<sup>2</sup>A Framework (Figure 1) proposes that top management can formulate either *effective* (straight arrow B in Figure 1) or *ineffective* (non-straight arrow A in Figure 1) business strategies. Effective strategies focus on the most important strategic issues adding value for investors, customers and employees. Ineffective business strategies, on the other hand, focus on less important strategic issues that don't add value. HR strategy execution can either be *efficient* (straight arrow b in Figure 1) or *inefficient* (non-straight arrow a in Figure 1). Efficient HR strategy execution delivers high value added outputs relative to HR inputs. The opposite is true for inefficient HR strategy execution, which delivers low value added outputs relative to HR inputs.

In order to be efficient, HR professionals need to have excellent strategic capabilities and a strong role in the business strategy formulation process. In the ideal situation the *HR management provides input to the business strategy formulation process* (dotted line 1 in Figure 1) from the HR knowledge point of view. The business strategy formulation process produces *effective business strategy goals for efficient HR strategy execution* (dotted line 2 in Figure 1), which HR management can use to define *resource requirements for efficient HR strategy execution* (dotted line 3 in

Figure 1). Without a strong influence over business strategy formulation, HR management may end up executing ineffective business strategies that fail, no matter how efficient the HR strategy execution. HR management may also end up carrying the final responsibility for failures due to ineffective business strategies because most strategy execution involves people that the HR management is responsible for.

The I<sup>2</sup> D E<sup>2</sup>A Framework proposes the following four value-added HR management scenarios depending on *effective versus ineffective business strategies and efficient versus inefficient HR strategy execution*:

**I<sup>2</sup>** - HR management of *ineffective business strategies and inefficient HR strategy execution*.

**D** - *Defective* HR management of *ineffective business strategies but efficient HR strategy execution*.

**E<sup>2</sup>** - HR management of *effective business strategies and efficient HR strategy execution*.

**A** - *Affective* HR management of *effective business strategies but inefficient HR strategy execution*.

The scenario that adds the least value for HR management is in quadrant I<sup>2</sup> – HR Management due to ineffective business strategies and inefficient HR strategy execution. The company value is lost because both the top management and HR management lack strategy formulation and execution capabilities.

The scenario that adds the next least value is in quadrant D – defective HR management due to ineffective business strategies, but efficient HR strategy execution. Even though HR management has strong HR strategy execution capabilities, value is lost due to ineffective business strategies. Efficient execution of HR strategy does not add company value because it is focusing on non-value adding strategic issues. Top management does not have sound strategic capabilities, and it may not value efficient execution of HR strategy. As a result of this, it may relegate HR to a functional level or look for ways to outsource HR activities.

The most challenging HR management scenario is in quadrant A – affective HR management due to effective business strategies, but inefficient execution of HR strategy. The business strategies are effective, but HR management lacks strategic capa-

bilities, which is why it is not part of the business strategy formulation process. Rather than focusing on strategic initiatives that add value, the HR function often engages in *affective* HR management as people advocates. Affective HR management adds limited value for organizations, especially when the top management does not value human assets. Inefficiency in execution is partly due to the emotional orientation of HR professionals who tend to substitute facts with gut feelings and emotions in decision-making. HR is also occupied with functional activities and pressures to cut costs and improve efficiency. Without strategic capabilities, the HR management is relegated to the functional level, executing lay-offs and restructuring initiatives that may actually reduce company value. In order to provide input to the business strategy formulation process, the HR management has to strengthen its strategic capabilities, and has to speak the financial and operational language of the top management. The HR management scenario that adds the most value is in quadrant E<sup>2</sup> – HR management due to effective business strategies and efficient HR strategy execution. This study focuses on best practices of HR value added management as a way of reaching the ideal E<sup>2</sup>

quadrant. Best practices are investigated according to the fourteen strategic HR management capabilities proposed by Ulrich and Brockbank (2005). The empirical data is based on in-depth interviews with HR executives in hospitality, travel and transportation industries. HR professionals need to master these best practices in order to get a seat at the business strategy formulation table. A sound knowledge of these practices will assist HR executives in transforming their HR management from the I<sup>2</sup>, D or A quadrants to the ideal quadrant of E<sup>2</sup> within the I<sup>2</sup> D E<sup>2</sup> A Framework of Value Added Strategic HR Management.

### The Fourteen Strategic HR Value Added Management Capabilities

This study investigates HR’s strategic role, value propositions and best practices according to the fourteen strategic capabilities proposed by Ulrich and Brockbank (2005). These fourteen capabilities form the conceptual basis for the in-depth interviews with HR executives:

1. Adapting HR Strategies to External Business Realities of Economic, Technology and Demographic Trends
2. Creating HR Added Value for Investors
3. Creating HR Added Value for Customers
4. Building Organizational Capabilities for Efficient Strategy Execution
5. Building the Winning Employee Value proposition
6. Managing People Processes that Add Value
7. Managing Performance Review Processes that Add Value
8. Managing Information Processes that Add Value
9. Managing Work Flow Processes that Add Value
10. Transforming Business Strategy Goals into Efficient HR Strategy Execution
11. Aligning HR Strategy Execution with Effective Business Strategies
12. Developing HR Professionals as Strategic Value Providers
13. Building the Strategic Capabilities of HR Professionals
14. Investing in HR Professionals’ Value Adding Skills

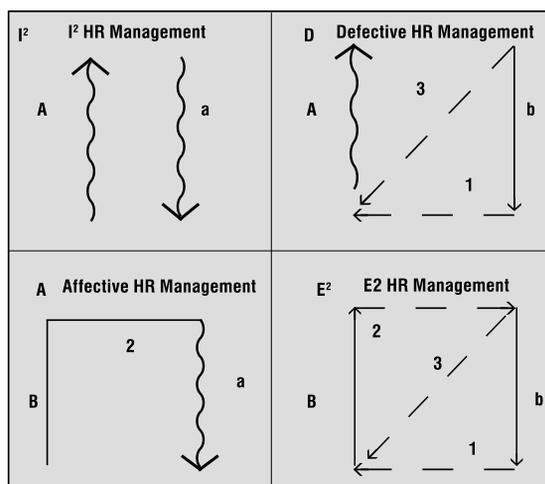


Figure 1. The I<sup>2</sup> D E<sup>2</sup> A Framework of Strategic HR Value Added Management

<b>Legend:</b>	
<b>A</b> – Ineffective Business Strategies	<b>a</b> – Inefficient HR Strategy Execution
<b>B</b> – Effective Business Strategies	<b>b</b> – Efficient HR Strategy Execution
<b>1</b> - HR Management’s Input to the Business Strategy Formulation Process	
<b>2</b> - Effective Business Strategy Goals for Efficient HR Strategy Execution	
<b>3</b> - Resource Requirements for Efficient HR Strategy Execution	

The next sections will address best practices in these fourteen capabilities in international hospitality, travel and transportation industries.

## Adapting HR Strategies to External Business Realities

HR professionals need to understand the impact of global technology, economics and demographics on the industry and the business that the company operates (Ulrich and Brockbank, 2005). By understanding these external business realities, HR professionals will be able to adapt HR strategies and practices accordingly. This understanding is the prerequisite for HR professionals being considered strategic partners. HR professionals should actively acquire and share competitive and business realities inside and outside their organization. More and more HR professionals have an MBA and or other master degree with extensive multinational and operational experience. HR professionals need a strong understanding of business models and key financials such as operating goals, budgets, EBIDTA, core revenue sources and cost centers. Top management relies on key financial data as the primary language for developing corporate strategies, and HR professionals need to understand and speak this language fluently in order to be part of the business strategy formulation and execution process. Along with this knowledge, HR professionals also require a strong understanding of the implications of key economic, technological and demographic trends on business and HR strategies.

### Economic Trends

At *Travelport*, HR professionals are increasingly comfortable with important economic changes (i.e. price of oil), regulatory changes (i.e. open sky agreement between the EU and USA), government influences (i.e. Chinese government travel authorization policies) and social trends (i.e. travel habits of aging baby boomers) impacting the travel business. Global disasters such as hurricanes, terrorism and armed conflicts have major implications on travel, and HR professionals must prepare their organizations for these kinds of crises. HR professionals must be familiar with major economic changes in BRIC nations (Brazil, Russia, India and China) that are creating middle classes that can afford to travel. They are also paying close attention to BRIC government policies that enhance consumer travel. At *Brenntag*, HR professionals need to be very familiar with market growth as well as political and labor law changes in Latin America.

### Technology Trends

HR professionals at *Travelport* are focusing on access and usage of travel technology (i.e. how consumers book travel and make use of help desks, email and text messaging). Customer care technologies are important and HR professionals have to be aware of the latest capabilities. A good example of a current customer care technology in practice is the receipt of automated weather briefs and travel advice by Orbitz' customers. The HR management at is undergoing a post acquisition integration of *Hilton* International into its system, which results in technology platform integration challenges with respect to privacy issues, electronic transfer of employee records and the special needs of mobile executives. At *The Breakers*, up-to-date technologies are crucial for improving efficiencies of HR strategy execution in recruitment, compensation, training and development.

### Demographic Trends

The BRIC nations pose cultural and language challenges for HR professionals in the areas of recruitment, training and talent development. In the developed markets, the aging baby boomers provide HR challenges in terms of full-time and part-time employee scheduling and post-retirement benefits.

## Creating HR Added Value for Investors

HR professionals serve external and internal stakeholders by creating value through HR strategies and practices. The HR team should review investor criteria with the CFO, the investment relations manager or the investors (Ulrich and Brockbank, 2005). HR strategies and practices should be aligned with investor criteria and expectations. HR professionals should also participate in investor calls, and presentations, as well as audit and report HR intangibles that may impact organizational value for investors. The key challenge is to link HR intangibles to the investor value that varies between private and public companies.

Investors in private equity firms often value cash and top line growth. Business strategies are driven by these investor goals and HR strategies should be executed based on these goals. The key HR metrics such as employee retention and employee engagement, need to be linked to the key financials

through operating and opportunity cost calculations. Employee retention and engagement have a direct impact on the profitability of the company. HR professionals need to establish a causal relationship between investment in employee retention and engagement activities and the resulting profitability improvements. These causal relationships will increase the credibility of HR professionals, and the HR department will become an integral part of the business strategy formulation process. An interesting intangible in the hotel business is the hotel owners' personal equity in the local community. Owners can increase their personal equity by having a world-class hotel with excellent service not only for customers, but also for the local community.

Investors in public companies usually value stable growth in share prices and dividends. HR professionals are in critical positions to ensure that the company has the right type and amount of talent that it needs to meet investor profitability and growth objectives. Public companies are also evaluated based on their corporate citizenship and HR professionals are often responsible for community and diversity initiatives through their recruitment and outreach programs. In a unionized environment, HR professionals contribute to stable growth by ensuring that there are no labor issues that could slow growth and dilute profitability.

*Brenntag* shareholder requirements drive strategic goals and the resulting HR objectives, which are aligned with the chosen business strategies.

## Creating HR Added Value for Customers

It is important that HR professionals understand how to build long-term relationships with target customers. They should be customer literate and well aware of key customer statistics. HR strategies and practices have to be aligned with targeted customers. By seeking direct customer feedback, HR professionals can learn how to act and think like customers (Ulrich and Brockbank, 2005).

HR professionals should understand the customer value and align the company culture accordingly. The key customer value in the hotel business is the intangible service. The Service-Profit-Chain is the key tool for linking intangible service to the profitability of the company. It is based on the premise that happy employees create happy customers. By investing in customer value based HR strate-

gies and actions HR professionals will be able to increase customer satisfaction resulting in higher profits and investor value. HR professionals are responsible for recruiting, training and developing the people who deliver the expected service. They are also responsible for developing guidelines for correct staff behaviors that result in long term customer relationships. Customer value based investments in specific HR activities such as recruitment and training should result in expected improvements in customer satisfaction scores.

HR provides customer value also by being a good corporate citizen through charitable giving, community involvement and cause related marketing efforts, which are aligned with employee initiatives. At *Travelport*, the HR management organized United Way events where the company gave employees paid time-off and free Orbitz airline tickets for participating vendors. In Thailand, the chairman of the company got involved in Tsunami relief operations through a local franchise partner and raised funds for a new school building. The company was able to raise over \$500,000 and give back to the community by leveraging its local Thai business and government relations.

*Hilton* conducts guest satisfaction tracking as part of their Balanced Score Card metrics. Executive compensation is dependent on achieving the goals, and the respective organization is rewarded based on improvements in customer satisfaction. Any shortcomings are addressed via employee training so that employees can deliver the expected services. Guests also participate in recognizing outstanding employees. Both, the *Hilton* Corporation as well as individual hotel brands, have community outreach programs such as Doubletree Cares, where individual hotels reach out to the local community that they are a part of.

HR management at *Brenntag* is responsible for developing and delivering sales force training according to latest market trends and supplier requirements. HR professionals have an in-depth understanding of key customer added value, company differentiators and competitive advantages. This knowledge is used when designing training programs for creating long-term profitable customer relationships. The HR management is involved with customer and supplier research and trains the trainers who deliver strategic sales force training that addresses both technical and professional capabilities.

## Building Organizational Capabilities for Efficient Strategy Execution

HR professionals assist line managers in improving organizational capabilities of strategy execution. They need to earn the trust of line managers and provide valuable support in designing action plans and training employees in strategy execution (Ulrich and Brockbank, 2005). HR professionals should also audit organizational capabilities that are relevant to line managers.

At *Travelport*, HR executives meet formally with corporate leaders twice a year to discuss HR's contribution to business strategy formulation and execution. The discussion focuses on strategic HR issues that help or hurt the execution of business strategies. In addition, there are ad-hoc meetings addressing timely strategic issues that HR may have influence over. Strategy audits include measures such as quality and quantity of talent needed for executing business strategies, turnover measures, succession plans and revenue per employee. HR played a key role when *Travelport* changed its organizational structure from a traditional regional matrix to a combination of global business units with decentralized regional operations. In this new structure, HR is decentralized, so that the Vice President of HR has a direct linkage to the CEO and a dotted line to regional vice presidents and global business unit VPs. Regional HR directors have a direct line to regional vice presidents and a dotted line to global business unit directors and the Vice President of HR. In this new structure, HR does not conflict with operations in terms of organizational design and purpose. In fact, HR has a strategic function as the shared service provider of people capabilities, which include recruiting, compensation, talent management and employee cost management.

In terms of business strategy formulation, it is crucial that HR makes its business cases in financial terms. For example, a 10% improvement in employee engagement can result in a 6% improvement in cost savings. This 10% improvement can be achieved based on certain actions and investments that have an ROI of xyz%. HR professionals need to enhance their analytical and strategic skills, so that they may implement business strategies. Without these skills, HR professionals lack credibility among top management. "If you have only party planners in the HR group you are ruined!" Also, line managers have to learn to choose between dif-

ferent HR programs – due to limited resources they cannot have everything. It is imperative that HR manage line managers' expectations and focus on strategic execution tasks.

*Hilton* defines cascading goals based on its executive committee's strategic direction. These goals are translated into organizational capabilities that are necessary for executing the chosen strategies. The vice presidents define capability gaps and actions for closing these gaps. The Balanced Score Card (BSC) is the key tool for cascading these goals into HR strategies. The BSC is also used for measuring the success of strategy execution and allocating rewards at each organizational level, from the senior vice presidents to individual managers.

The *Breakers* has a five-year strategic plan. Based on this plan, HR leaders develop action plans to improve organizational capabilities that are necessary for executing business strategies. These action plans first identify critical positions, then select, train, retain and measure the performance of the recruited talent so that the business strategies will be executed with the utmost efficiency.

*Club Corp* has close to ten topics in internal audits, which address employee issues and organizational capabilities. These capabilities are linked directly to customer needs and wants, so that capability investments may improve customer value.

*Brenntag* HR professionals are responsible for designing and developing organizational structures and change management programs that improve business process efficiencies in sales, procurement and customer service.

## Building the Winning Employee Value Proposition

HR professionals are responsible for clarifying and establishing the employee value proposition, and for ensuring that employees have the necessary abilities to complete their tasks. HR professionals should also ensure that employee interests are shared with line managers, and that the employee administrative needs are fulfilled flawlessly. It is important that the company has a clear employee value proposition that lays out what is expected of employees and what they receive in return (Ulrich and Brockbank, 2005).

At *Travelport*, HR leaders first make sure that the person is as marketable as possible based on his/her *Travelport* experience, and the desired talent is retained with competitive pay, career advancement and job engagement opportunities. *Travelport* has high voluntary retention, but is facing difficulties in some emerging markets like China, due to a more competitive talent market, and limited local organizational infrastructure. Even though *Travelport's* GTA business unit remains a first-to-market group tour provider, the company has been less successful at cascading its highly innovative practices on the commercial side with HR initiatives. The challenges in developing these programs successfully contribute to higher employee turnover and lower engagement and satisfaction levels with staff. Ultimately they result in greater economic costs of doing business in this key market.

The *Hilton* employee value proposition is a part of the Balanced Score Card, which sets realistic goals for its employees. It states clearly what is expected from each individual employee and what he or she receives in return. The company provides ample training and employee information at its website in order to support the employees in achieving their goals and getting into the "Green Area" of the Balanced Score Card. If an individual hotel is all "Green" then each employee will receive \$1000. The *Hilton* employee value proposition promises a "Fair Deal" by treating each employee equally, so that they feel well taken care of.

The *Club Corp* employee value proposition focuses on treating all employees well and clearly stating what the company expects from them. The goal is to make employees feel respected and valued, so that they develop an intrinsic desire to provide excellent service and value for customers.

The *Brenntag* HR management sets salaries and benefits based on competitive benchmarking so that the company can attract the best possible talent.

### Managing People Processes that Add Value

HR professionals are responsible for value added activities including staffing, training, and development. They are often involved in reengineering how the organization buys, builds, borrows, bounces, binds, and boosts talent (Ulrich and Brockbank, 2005). The key challenge is to ensure that the orga-

nization has the right type of talent it needs for the efficient execution of its strategies.

At *Travelport*, HR leaders focus on strategic recruiting because it is critical to fill a position with the right candidate. The biggest blunder is to hire the wrong person for the right position. HR is responsible for improving productivity, lowering costs and increasing employee engagement. *Travelport* is an acquisition and transaction oriented company, which is why training, and compensation activities are valued most when they improve productivity and reduce operating costs.

*Hilton* focuses its people processes on management compensation, training and labor relations. All of these activities should add value, or else be outsourced. The management compensation system is a complex reward system that encourages value-adding behaviors. Training considers generational differences and individual development needs. Labor relations actions focus on fair labor practices at each individual hotel level, for the purpose of conflict avoidance.

*Club Corp* focuses on training activities that need to have ROI goals before implementation. For example, diversity training is not only undertaken for compliance purposes, but also for expanding the labor pool and finding qualified candidates, thereby improving the ROI.

The *Brenntag* HR management sets recruitment and development targets by using the best employees' characteristics as benchmarks. Behavioral traits and learning capabilities are some of the key measures used for employee selection.

### Managing Performance Review Processes that Add Value

HR professionals are responsible for value adding performance management activities by setting standards, allocating financial and non-financial rewards, and providing feedback. Setting standards includes determining what is measured, building measurement systems, and establishing an appraisal system. HR professionals are also in charge of creating and maintaining a performance oriented corporate culture (Ulrich and Brockbank, 2005).

At *Travelport*, compensation has to be competitive; however, it cannot be the source for competitive

advantages. Enterprise performance management is driven through an online goal cascading process that is developed and delivered annually, and then updated mid-year. Bonus program criteria are well-aligned with the annual and mid-year performance management program, as the bonus is set against a first half and second half calendar year to ensure timely and appropriate goal setting and delivery. This highly variable program considers the company, division and individual performance in the determination of final individual bonus payments. Long-term equity is also tied to the role and performance of an individual.

*Hilton* has a corporate-wide performance review system, which is driven by cascaded business goals. The objective is to improve business performance by shaping individual behaviors through coaching. In the short term, this is done with the help of salary increases and bonuses, whereas in the long term, this is driven by executive compensation bonuses and shareholder rewards.

The *Breakers* has implemented an extensive performance management system that allows managers and supervisors to set performance standards, allocate rewards and provide one-on-one feedback. In order to ensure its integrity, the system goes through a rigorous annual audit. Moreover, the president of the company pays close attention to the results.

*Club Corp* has a good performance system at the managerial level, which sets clear expectations. The implementation of the system is more difficult at the employee level, where the goal is to tie merit increases to results.

The *Brenntag* HR management applies a sophisticated internet based performance review system for team and individual performance evaluations. Performance targets are derived from gross profit, EBITDA, working capital, inventory turn around, customer account and sales goals. Managers approve individual employee goals, but employees define activities for reaching the agreed goals, which impact employee compensation and career advancement.

### **Managing Information Processes that Add Value**

HR professionals are responsible for sharing and communicating information inside and outside the organization (Ulrich and Brockbank, 2005).

At *Travelport*, strategy execution relies heavily on effective internal communication and HR leader expertise and experience in dealing with key strategic issues. HR controls internal communication – a major challenge when the task calls for getting the message across to over 8,000 employees around the globe. Even though there is a company intranet, the CEO Blog, and other more traditional communication processes in place, the line managers are still the most influential players in the day-to-day employee access to company information.

It is important to make sure that the message gets from the line managers to the employees through regular individual and group communications. It is equally essential to ensure that these messages are consistent, simple, clear and accountable. HR obtains external information from industry and functional specialists, which provide a variety of analytical benchmark studies and information for competitive comparisons.

Due to the integration of Hilton and Hilton International, the HR department is the clearinghouse for policy related issues. It is the information hub that addresses multicultural issues and champions the integration of policy issues both at the individual hotel and corporate level. HR works very closely with IT in creating a seamless information network that provides critical employee information, ranging from retirement benefits to employment policies. In the communications area, HR works closely with marketing for the purpose of providing timely information to its employees.

At the *Breakers*, HR leaders get the latest business information from marketing, sales and finance departments, and shares HR information with them on a monthly basis. Employee and customer satisfaction surveys are used for quantifying ROI for HR activities such as training and wellness programs. Turnover is also monitored on a quarterly basis in order to determine the ROI for specific HR actions.

*Club Corp* conducts several surveys and benchmarking initiatives, in order to provide valuable information for improving strategy execution.

At *Brenntag*, HR management is the information hub that provides important strategic and operational information for the whole organization. This information is readily available for managers and employees through the company Intranet. It includes: best practices, price information, company presentations

and knowledge of products and suppliers and tracking systems. It also has communication tools such as a blog and virtual conference center for sharing experiences, and virtual training programs.

### Managing Work Flow Processes that Add Value

HR professionals influence the workflow activities including who does the work, where and how the work is done so that it adds value (Ulrich and Brockbank, 2005).

HR leaders at *Travelport* define the short and long term implications of business strategy decisions in the workflow context. The HR department has a Six Sigma center that is responsible for improving business processes based on internal and external benchmarking as well as internal consultative services.

At *Hilton*, HR leaders provide guidance and support through manuals and train-the-trainers activities for line managers. They provide advice regarding workflow issues especially with unions, and review job descriptions, organizational charts and organizational development issues with department heads. Every aspect of the workflow has to provide value for *Hilton* customers and shareholders in the long run. The HR focus is on core business processes and all non-value added activities will be reviewed and considered for outsourcing.

At *The Breakers*, each department reviews its workflow with assistance from HR professionals. HR uses a Total Quality Management approach for workflow improvement and trains the trainers who lead department level work flow improvement teams. Senior management is also actively involved in strategic workflow improvement processes.

The *Brenntag* HR management has outsourced operational HR activities including payroll, compensation studies and assessment centers. It has kept in-house strategic HR functions including organizational development, strategic alignment and value added training activities.

### Transforming Business Strategy Goals into Efficient HR Strategy Execution

HR professionals align HR strategies and build HR resources in accordance with the strategic business

goals. The HR strategic planning process aligns HR investments with business strategy goals. The process starts with the business environment, focuses on cultural priorities and ends with HR practices. HR leaders need to define HR value propositions, and need to communicate these within the organization (Ulrich and Brockbank, 2005).

At *Travelport* HR strategies are generated as part of the annual business planning process. Enterprise and divisional operating goals are combined with shared services objectives to create an integrated and aligned HR plan focused on appropriate delivery systems that meet these goals while leveraging economies of scale across divisions.

The *Breakers* relies on a five-year strategic plan with specific HR strategy issues, actions and goals. Current HR issues include cost of living, health care and quality of life, which are cascaded into specific actions and investments with ROI and customer satisfaction goals.

At *Club Corp*, the HR Vice President is a part of the seven-member top management team where he makes sure that the HR strategies are aligned with business strategies. He also brings forth a realistic view of the organization's capability for meeting strategic goals.

At *Brenntag*, HR management is responsible for turning business goals and important strategic initiatives into strategy execution initiatives. HR is the "ameba" that surrounds these goals and turns them into efficient HR strategy execution.

### Aligning HR Strategy Execution with Effective Business Strategies

The HR organization including e-HR, service centers, centers of expertise, embedded HR and outsourcing contracts, need to be aligned with the business strategy. HR professionals need to upgrade their business knowledge so that they can add value to business strategy formulation and execute the chosen strategies. Incentives should also be aligned so that HR professionals are motivated to add value (Ulrich and Brockbank, 2005).

*Travelport* aligns HR strategies based on Balanced Scorecards' deliverables. The top line growth and finance orientation has resulted in an extensive

focus on numbers and financial milestones, and a lesser focus on marketing, operations and people. HR leaders conducted a conjoint analysis for measuring the value and importance of HR deliverables for the internal HR customers. The conjoint analysis helped the corporate shared services team work through trade-offs in services and costs, and clarified the importance and utilities assigned to specific HR deliverables relative to organizational capabilities. As a result of this study, HR professionals understood the extent of HR deliverables expected from them. They were also able to delegate priorities based on strategic importance and utilities rather than emotions.

*Hilton* HR leaders cascade business goals to HR activities, which go through an annual review in terms of their viability. The HR centers of expertise conduct 360 reviews of the results and adjust activities accordingly.

At the *Breakers*, the HR director is part of the executive board. This position gives the director a complete view of business strategies and allows her to communicate HR implications and resource requirements for the proposed business strategies.

The *Brenntag* HR organization is 100% aligned with business strategies.

### **Developing HR Professionals as Strategic Value Providers**

HR professionals play important strategic roles as employee advocates, human capital developers, functional experts, strategic partners and organization leaders. It is important that HR professionals understand their roles and know how best to perform in them. HR jobs may have to be redesigned in accordance with business strategies, and HR professionals should be promoted based on the extent to which they add value and demonstrate competencies (Ulrich and Brockbank, 2005).

At *Travelport*, the roles of HR professionals depend on the needs of the business unit. Each have a high orientation towards strategic partnership, but their employee base and operating model significantly impact the priority of how they balance these roles. Orbitz, a fast growing company with a sophisticated workforce, is oriented towards

developing their human capital – their most critical asset. At *GTA*, a fairly new acquisition, there is more focus on developing the functional infrastructure and services and aligning the delivery systems and services with the cost and operating requirements of the company. At *Galileo*, HR professionals primarily serve as employee advocates, reflecting a more traditional business model that is encountering considerable change.

At *Hilton*, HR professionals are strategic partners assigned to Senior Vice Presidents of the company, in IT, legal, sales, marketing, finance, and other departments. This helps break down the silo mentality enabling senior leaders to talk directly to HR leaders about their organizational challenges. For example the Senior VP of IT has a strategic HR partner who brings the hiring, training and competitive labor market views to IT strategy development.

At *The Breakers*, HR professionals serve the primary role of strategic partners responsible for key strategic initiatives in the HR area. These HR professionals also have strong leadership roles in developing people and providing safety, health, dining and other employee services. The third role for these HR professionals is that of human capital developers, responsible for identifying and developing the talent needed for executing business strategies. Their fourth role is that of employee advocates, bringing the voice of the employees to strategic development and providing feedback for strategic execution. Their final role is that of functional experts in charge of core HR services.

*Club Corp* HR professionals focus on being internal consultants who implement HR initiatives such as bonus plans and develop the desired corporate culture. At *Club Corp*, it is important that HR does not become the employee advocate against the owners and management

At *Brenntag* HR professionals are responsible for creating future leaders and developing their competencies. They will nurture and support these leaders and actively seek the best possible career track for them. The HR management has a thorough understanding of all HR functions, but it has outsourced the least value added activities including payroll management. HR professionals are the “antennas” of the organization and alert top management of any critical people issues and develop plans for solving them.

## Building HR Professionals' Strategic Capabilities

HR professionals need to demonstrate competences in strategic contribution, HR delivery, business knowledge, personal credibility and HR technology. HR leaders need to identify key competencies, assess their staff on these chosen competencies and provide development programs, career assignments and action learning experiences that build HR professionals' strategic capabilities (Ulrich and Brockbank, 2005).

At *Travelport*, HR professionals are expected to have strong functional, execution and operating skills. They need to understand the business and be functional experts with strong technical skills, delivering 100% accuracy and execution in order to gain credibility. HR is by no means an intuitive function, even though there is a "soft-side" to its operations. The true value of HR lies in its ability to leverage data, analytics, research and processes in the creation and delivery of HR support. HR professionals need to have the ability to listen and adapt quickly based on strong analytical and communication skills. They have to be able to build strong relationships with senior leaders in order get the job done.

HR strategies are based on templates and process technologies with adaptability to regions and business cultures. Succession planning and talent acquisition are global template initiatives, while the importance of the remaining items may vary, depending on the region and strategic business unit (SBU). This is due to the fact that one cannot render HQs based global initiatives for local priorities. The template provides a common infrastructure, language and a common set of rules, but execution may differ by region and SBU.

At *Hilton*, corporate HR professionals are business partners who can quickly adapt to business challenges with the Balanced Score Card at different levels of the organization. They establish personal credibility through proactive relationships, where they seek opportunities to add customer value, enhance revenues and contain costs for their business partners. Each senior HR executive meets twice a month with his/her senior level business partners and becomes actively involved in the business development initiatives. HR related decisions will be undertaken based on rigorous reviews of policy issues, HR deliverables, HR long-term

strategies, technology investments and platforms as well as key issues in the international operating environment.

At the *Breakers*, HR leaders are role models in the organization for personal integrity, persistence and perseverance. They have the necessary strategic business knowledge and technology savvy for improving productivity.

The *Club Corp* HR leaders are responsible for creating and maintaining the trust between employees and their managers. They have the essential strategic business knowledge that helps them add value to the organization. Their leadership is based on excellent execution of HR strategies and actions. As internal consultants, they facilitate problem solving and provide solutions.

## Investing in HR Professionals' Value Adding Skills

HR leaders need to invest in their HR professionals through training and development programs that enhance strategic capabilities. These programs should be tailored to specific organizational requirements and should offer development experiences through reading, listening, observing and practicing (Ulrich and Brockbank, 2005).

At *Travelport*, HR leaders invest in HR professionals through informal education (i.e. peer review, one-one-one coaching), development programs for managers and vice presidents, and licensed HR coaches who train line managers as part of the executive and management development programs. The strong strategic orientation of HR has evolved over time, and is a result of building the HR organization from educated and experienced professionals across different industries. HR continues to need to deliver the intellectual and operational capabilities to match those found throughout a company.

At *Hilton*, HR leaders invest in HR professionals through specific training (i.e. SPHR for all HR directors) and individual development opportunities (i.e. tuition reimbursement plans). Senior HR executives, together with business development, operations, finance and general managers, attend the IMD executive courses in Lausanne, Switzerland. In addition, there are regional level courses for the next level of HR directors.

At The *Breakers*, HR leaders have a development budget for each HR professional, which can be used for both personal and business development. These activities are part of the annual performance review process and are followed by a post action review.

*Club Corp* invests strongly in HR professionals as part of the result driven culture of its HR department.

## Conclusions

This study has reported on best practices in strategic Human Resources (HR) value added management for investors, customers and employees. The study proposed the I<sup>2</sup> D E<sup>2</sup> A Framework of Strategic HR Value Added Management, which described four scenarios of HR value added management depending on *effective* versus *ineffective* business strategies, and *efficient* versus *inefficient* execution of HR strategies. HR's strategic role and value propositions were investigated according to the fourteen HR strategy capabilities proposed by Ulrich and Brockbank (2005). HR professionals need to master these capabilities in order to become the value-adding partners of the business strategy formulation and execution processes. The best practices of the fourteen HR strategy capabilities can assist HR executives in transforming their HR management from the three least value added quadrants of I<sup>2</sup> (ineffective business strategies and inefficient HR strategy execution), D (ineffective business strategies but efficient HR strategy execution), or A (effective business strategies but inefficient HR strategy execution) to the most value adding E<sup>2</sup> quadrant (effective business strategies and efficient HR strategy execution) of the I<sup>2</sup> D E<sup>2</sup> A Framework of Strategic HR Value Added Management. Future research could focus on further investigating and financially quantifying the specific value added benefits of the proposed fourteen HR strategy capabilities. The I<sup>2</sup> D E<sup>2</sup> A Framework of Strategic HR Value Added Management could also be applied to other international industries.

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# Human Resource Management in Hungary in Light of Eastern European and Global Comparisons

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## Abstract

We will present an overview of recent HRM policies and practices in Hungary, contrasting descriptive statistics, analytical details and a stochastic analysis of Hungarian data vis-à-vis the HR practices in six Eastern European countries and the entire Cranet database (32 countries). In our paper, we provide an in-depth statistical analysis of three subsets of the Cranet Survey 2005 (Hungary - 971 participants, Eastern Europe - 864 participants and the whole database - 7952 participants). We can see that while there is diversity in this region, there is a definite convergence toward emulating Western ideas and methods.

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<sup>1</sup> Our original spreadsheet covered only 57 Hungarian participants. To increase the reliability of our survey, we added the data of 37 participants who sent their responses to us later.

## Introduction

The general trend observed in HRM in Hungary and in the nations of Central Europe reviewed by the Cranet survey can be summed up as “gradual Westernisation”. Talented members of the workforce are now recognized as constituting a competitive edge in both business and non-profit organizations. Throughout the region, university graduates with up-to-date technical and managerial skills are in demand, with the former egalitarian pay structure giving way to sharper differentiation. Besides know-how, the soft side of competence – communication and inter-personal skills – have become more valuable. In contrast, the role of bureaucracies and the power of trade unions have been eroded, though by no means eradicated. Changes in labour laws have brought flexibility for both workers and employers.

## Background

The globalisation of manufacturing and service companies has brought about fundamental changes

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in the use and management of human resources in the past few decades. Human resource management has become a key factor in creating a competitive edge in the intensifying competition of the international environment (Sparrow – Hiltrop, 1994), while it continually strives to legitimise itself, as the excellent paper by Klaudia Szóts-Kovács (2006) illustrates citing a publication which came out nearly forty years ago, suggesting that the history of HR specialists is equal to their struggle for admittance as full members of the management team (Antony and Crichton, 1969).

Meanwhile, significant efforts (Schuler et al., 1993) have been made to develop an integrated framework of strategic international human resource management. This approach has explored the relationships between HRM and strategy in the international arena with more or less success.

The authors of the foundations regarding the present paper started to publish the findings of their research well over a decade ago (Elbert et al., 1994). This preliminary research work has had seven editions in co-operation with co-authors (Karoliny et al., 2004), and has attracted a wider audience (Karoliny et al., 2005). Over the years, there has been a shift in the focus: more attention has been paid to the strategic aspect and internationalisation in line with, on the one hand, a prevailing trend in this specific field of science, and, on the other hand, the needs created by the expansion of international companies into Hungary (Poór, 1996; Poór and Farkas, 2001; Poór, 2006).

The objective of our former large-sample research projects (Csetneki-Karoliny et al., 2000) was to explore the special characteristics of the human resource management of organisations of various sizes and ownership patterns, operating in different lines of business. We have made significant conclusions with regard to the factors contributing to the development of human resource systems, the performance of human resource management functions, personal factors and other elements. We have gained experience in applying the methodology of comparative studies; although at the time, we only conducted comparative surveys on organisations in Hungary.

With comparative research efforts gaining ground, new and authoritative findings have been made in the study of international human resource management practices (Budhwar and Sparrow, 2002). In

their paper, Budhwar and Sparrow state that comparative research projects usually aim to find the answers to the following questions:

- What is the structure of HRM in specific countries?
- What strategies are most typically pursued?
- What elements of the strategy are implemented in practice?
- What are the similarities and differences in the application of practices?
- What influence do factors, such as culture, government policies and the system of education have?

An early response to these questions may be given based on Jackson and Schuler (1995), and Locke and Thelen (1995): the extent and direction of the influence of factors are environment-specific, and they do not vary from country to country, but from region to region. Studying the nature and depth of change has become the most important issue of our time when researching human resource management.

### Convergence, Constancy or Divergence?

Cross-organisational surveys aim to explore the similarities and differences between practices adopted in certain regions and countries. An outstanding research project in this field (Mayrhofer et al., 2004) was carried out with a focus on the developments and changes that took place in 18 European countries between 1990 and 1999. It sought to confirm an earlier finding: if there is convergence, then it has two different directions, one being the free market American model and the other being the institutional European model. Furthermore, although the convergence model and the divergence model differ from each other, there is one significant similarity between them: with respect to the authority of companies, it has been found that they try to formulate and implement their staff development strategies by means of various technological, economic and institutional factors (Gooderham et al., 2004). In contrast with the existence of the *general human resource management model and practice*, the researchers cited last concluded that there were three, basically different directions:

- (1) Market forces are generating a convergence in HRM practices among European firms towards the US model of HRM.

- (2) Pan-European institutional forces are generating a convergence in HRM practices among European firms towards a common European model that is distinctly different from that of the US model of HRM.
- (3) Deep-seated and fundamental differences between European countries mean either continuing divergence, or no convergence in HRM practices among European firms.

The survey exploring the changes of the '90s distinguished two types of convergence: directional convergence and final convergence.

*Directional convergence* means that a certain developmental tendency is moving in a similar direction in the countries surveyed, but these developments are at a different level.

*Final convergence* exists if the developments of a variable in different countries point towards a common end point. In other words, the differences between countries decrease.

In a recent study, Mayrhofer and Reichel (2006) elaborated on a third interpretation further refining the meaning of convergence. This is called majority convergence, where developments are similar (with a distribution of approximately 50%). However, the results of this kind do not make it possible to draw relevant conclusions.

To allow for the understanding from our research findings, we feel that the hypotheses and findings of Mayrhofer and his colleagues should be presented here in more detail:

**Hypotheses:** Regarding *directional convergence* – the increasing or decreasing use of various HR practices in European countries – their main assumptions were as follows:

1. *The role of the HRM function and HRM strategy*

Hypothesis 1.1: The percentage of European companies determining their HR policy at the subsidiary or site level increased during the decade under study.

Hypothesis 1.2: The percentage of European companies devolving HRM responsibility from specialists toward line management increased during the decade under study.

Hypothesis 1.3: The relative size of HR departments in European companies decreased during the decade under study.

2. *Training and development*

Hypothesis 2: The proportion of the annual salaries and wages spent on training in European companies increased during the decade under study.

3. *Performance appraisal and rewards*

Hypothesis 3: The proportion of employees in European companies whose compensation package includes employee share options, profit sharing, team bonuses or merit/performance-related pay increased during the decade under study.

4. *The role of employee communication*

Hypothesis 4: The proportion of employees in European companies that are informed about business strategy and financial performance increased in Europe during the decade under study.

5. *Organisation of work: flexible patterns of work*

Hypothesis 5: The proportion of European companies using flexible work practices, like annual hours contracts, fixed-term contracts, teleworking, or outsourcing/subcontracting, etc., increased during the decade under study.

Regarding *final convergence*, the common hypothesis for the HR practices analysed was that over the studied period, the differences between countries had decreased.

**The research had three different types of outcomes with respect to directional convergence.**

1. *Strong evidence: There were statistically significant changes, thus the hypotheses were proven correct in the following cases:* Hypotheses 1.3, 2, 3 and 4.
2. *Considerable evidence: Although statistically not significant, a change in the indicated direction can be detected:* Hypothesis 5.

3. *Weak evidence: There are differences between countries:*

Hypothesis 1.1 (In one country the hypothesis was statistically proven, whereas in the other countries contrary changes occurred at a statistically insignificant level.)

Hypothesis 1.2 (In three countries the hypothesis was proven at a statistically significant level, whereas in the other countries contrary changes occurred at a statistically insignificant level.)

**The outcome in relation to final convergence**

The hypothesis was not proven. On the contrary, there were more signs of convergence in the HR practices of European countries in the middle of the '90s than at the end of the decade.

**The Cranfield Network**

The Cranfield Network project (CRANET – the European Human Resources Research Network founded and run by Cranfield Business School in the United Kingdom) contributes to the development of international HRM through its findings, the identification of problems and the ensuing conclusions. It has always been a challenge to collect comparative data on HRM practices in organisations in the varied social, economic and cultural environment. In recent years the issue of managing people has gained more and more importance for organisations, strategy makers and trade unions in various national environments. The spread of international organisations, the international labour market and the emergence of the common European market are but a few of those factors that have increased the need for a better understanding of convergence and divergence in management practice. The information, the analyses and conclusions would carry weight for stakeholders of the labour market.

Yet, although the amount of comparative, empirical data is on the increase, it is still limited. The data available from organisations, such as the European Commission, the International Labour Organization, the Organisation for Economic Co-operation and Development, mostly reflect aspects of the macro labour market. This expresses the primary interests of the strategic stakeholders. However, there are still a limited number of findings that shed light on

management practices through comparable large-scale surveys comparing a wide range of industries, countries, medium-sized and large organisations. The primary objective of the Cranet project is to fill this gap. The project is co-ordinated by Cranfield Business School, Cranfield University in the United Kingdom (Tregasikis et al., 2004).

International research usually relies on two prevailing methods: case studies and comparative surveys.

The strengths of the *case study method* include its flexibility, its ability to adapt to different national environments, its ability to discover and present the meaning of the complex environment, and unique features. Case studies do not require the provision of exact theoretical and conceptual explanations before preliminary data collection; all that will take place during the research process.

The objective of *comparative surveys* is to identify relevant phenomena. The Cranet project pursues this latter approach. The survey covers the following areas: HR departments and HR strategy, recruitment policies, pay and benefits, training and appraisal, working arrangements and flexi-time, industrial relations and employee communication. Research teams serve as critical resources in international comparative surveys, as they are responsible for interpreting the data (Brewster et al., 2006).

The Department of Management in the Faculty of Business and Economics at the University of Pécs became such a critical resource by joining the international research team in 2004. Our admission into the project was based on literature references presented earlier and on our recent empirical studies that are in line with the subject of the research.

- In 2002, we studied the state of affairs in terms of staffing, employment and human resource management practices at 112 companies operating in Hungary (Farkas et al., 2003).
- In 2004, we examined how Hungary's accession to the European Union affected staffing and human resource management at 27 companies (Poór and Todor, 2004).
- In 2004, we studied the staffing, employment and human resource management practices adopted by the Hungarian subsidiaries of 42 multinational companies (MNCs). Using the

life cycle model, we also gained insight into the historical development of these practices. We sought to find out how these functions and practical applications evolved in the past 15 years of rapidly changing economic conditions (Poór, 2006; Poór, 2005).

- In 2005, we conducted a survey of 112 indigenous small and medium-sized enterprises (SMEs) in the South-Transdanubian region, exploring the state of affairs in operations, management, and staffing and human resource management from the perspective of life cycle. The research project studied three periods in the life of companies: start up, the time of consolidation, and the situation following accession to the EU. One hundred and twelve enterprises from seven regions, 19 counties and the capital of the country took part in the survey; therefore the geographical environment reflected the national state of affairs (Kiss et al, 2006; Kiss and Poór, 2006).
- The first findings on Hungarian and Eastern European aspects of the 2005 Cranet project were presented at an international conference in the United States of America (Poór et al., 2007).

When renowned European HRM researchers and authors (Brewster et al., 2004; Sparrow and Hiltpop, 2000; Evans et al., 2002) explored the specific features of European HRM, they based their work on the practices typically employed in Western Europe. Cranet surveys can be credited for highlighting discussion of Eastern European HRM as a distinct group: several papers on the specific HR practices in the countries of the region have been published based on the findings of the Cranet surveys conducted in recent years (1992, 1998, 2003). A non-exhaustive list includes papers written by Vatchkova (2005), Vatchkova et al. (2006) from Bulgaria; Koubek (2004) from the Czech Republic; and Alas – Svetlik (2004) from Estonia and Slovenia, respectively.

### The Survey and the Participating Organisations

The standardised CRANET questionnaire, which served as the basis of our research project, includes nearly sixty questions exploring the following areas:

- Section I examines the roles of the HR function, and the position of HR specialists/departments in the organisational hierarchy of the responding organisations.
- Section II of the questionnaire asks respondents about staffing practices.
- Section III includes questions concerning the employee development, performance appraisal and career development.
- Section IV explores practices related to compensation and benefits.
- Section V of the questionnaire is concerned with the presence and forms of employee relations and communication in the organisation.
- Section VI includes questions designed to find out about the organisational details of the organisations taking part in the survey.
- Section VII aims to obtain information about the person and the organisation completing the questionnaire.

To facilitate statistical analysis, the CRANET questionnaire contains closed questions: respondents are requested to make their choice from sets of alternative, pre-formulated answers largely covering the specific areas to be studied. Respondents, however, always have the opportunity to elaborate on answers other than the ones offered in the questionnaire. The research data were processed using SPSS software.

The Hungarian sample comprised responses from 1100 organisations that submitted the completed questionnaire. The 1100 organisations were randomly selected from the Top 100 list, multinational companies, and the directories of the Hungarian Chamber of Commerce and local authorities.

Through the above described standardised questionnaire, the 2005 CRANET database received data and comments related to the policies and practices of organisations in the fields of staffing, employment and human resource management from 32 countries, including Hungary for the first time. Fifty-nine Hungarian organisations had submitted their questionnaires before the database was closed. The data of another 38 organisations, which later sent in a completed questionnaire, were also

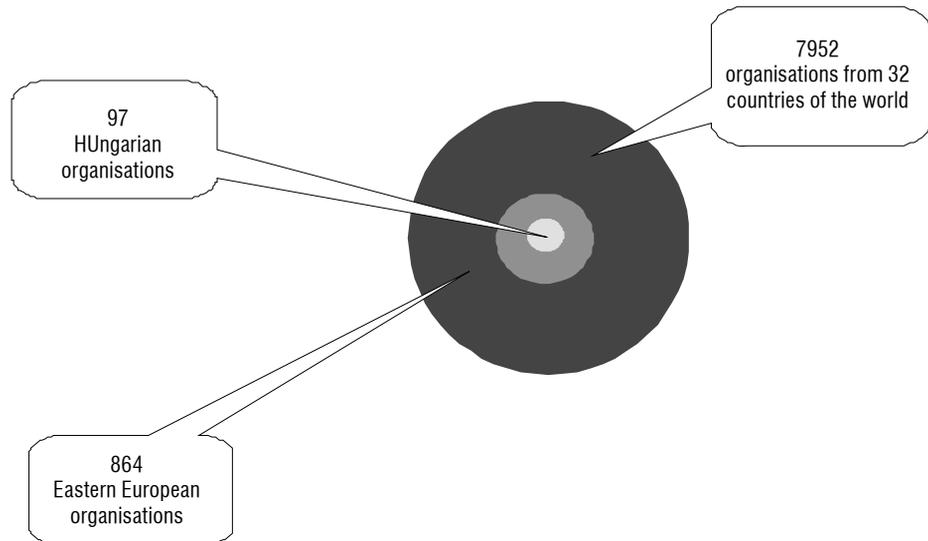


Figure 1. Subsets and focal points of analysis

No	Countries	Number of responding organisations	Percentage of responding organisations by country (%)
1.	United Kingdom	1101	13.85
2.	Denmark	516	6.49
3.	Canada	456	5.73
4.	Netherlands	367	4.99
5.	Sweden	383	4.82
6.	Germany	347	4.36
7.	Switzerland	311	3.91
8.	Norway	303	3.81
9.	Finland	293	3.68
10.	New Zealand	286	3.60
11.	Austria	270	3.40
12.	Australia	260	3.27
13.	Slovakia	259	3.26
14.	Belgium	259	3.26
15.	Nepal	230	2.89
16.	Tunisia	204	2.57
17.	Greece	189	2.38
18.	Israel	180	2.26
19.	Turkey	175	2.20
20.	Slovenia	171	2.15
21.	Slovenia	161	2.02
22.	Spain	158	1.99
23.	Bulgaria	157	1.97
24.	France	140	1.76
25.	Estonia	118	1.48
26.	Italy	117	1.47
27.	Iceland	774	1.43
28.	Hungary	97	1.22
29.	Turkish Cyprus	87	1.09
30.	Cyprus	85	1.07
31.	Czech Republic	72	0.91
32.	Philippines	56	0.70
<b>total</b>		<b>7952</b>	<b>100.00</b>

Figure 2. CRANET database: Number and percentage of respondents by country

**Note:** The number of the Hungarian respondents was increased to 97 after the Cranet database was closed, and this is the basis for the analysis of the properties of the Hungarian sample. The number of the elements of the total sample was adjusted accordingly to 7952.

processed and are analysed in this study. Therefore, the supplemented total international sample comprises 7952 elements, of which 864 respondents are from Eastern Europe, including 97 from Hungary.

What follows is a comparison of the characteristic features of these three groups – which are, in essence, each other’s subsets – made with the aim of exploring areas of similarities and differences, as well as the extent of these similarities and differences. We will focus on the Hungarian and Central and Eastern European characteristics of human resource management. Our evaluation will be based on information gleaned from the data – comparable due to the uniformity of the questionnaires – from organisations from another 26 countries of the world.

Ninety-seven Hungarian companies and institutions illustrated in Figure 1 come under the focus of our analyses. The primary benchmark is made up of the entire Central and Eastern European sample, including 864 companies and institutions from six countries (Bulgaria, the Czech Republic, Estonia, Hungary, Slovakia and Slovenia). The total sample comprises 7952 companies and institutions from 32 countries, several of which are outside Europe. Figure 2 lists all the participating countries, as well as the numbers and percentages of responding organisations in these countries.

### The Main Properties of the Three Samples Studied

Before we analyse the characteristics of the HR practices in organisations in the Hungarian, Eastern European and total samples, let us highlight the similarities and differences between the subsets in

terms of economic activity and size of organisation. We will also present some special characteristics studied only in the Hungarian sample.

In regard to the *sectored distribution* of the organisations participating in the research project, it can be established (see Figure 3) that whilst nearly half of the organisations in the total sample belong to the service sector, the organisations in the Hungarian and, to an even larger extent, in the Eastern European samples (46.2% and 52.6%, respectively) are primarily engaged in building and manufacturing. The proportion of service sector firms in the Eastern European – and, similarly, in the Hungarian – sample is below 40%. Whilst in both the total sample and the Eastern European sample there are agricultural firms (slightly more than 2%), no organisation engaged in agriculture is represented in the Hungarian sample.

With regard to the *size of organisations*, the data in the second segment of Figure 3 indicate that more than two thirds (66.60%) of the respondents of the total sample are large companies employing more than 250 people. Though the majority of these organisations (43%) belong to the smallest size category with 251 – 1000 employees, almost a quarter of them do belong to the category of very large companies with 1000, or even over 5000 people on their payrolls. The average number of employees in the responding organisations is 1878.9.

The Hungarian sample is different in terms of its composition by size in that whilst the highest proportion of companies belong to the two largest size categories (27.1%) compared to the corresponding categories of the other two samples, the smallest size category companies (employing fewer than 250 employees) dominate in the Hungarian

Sectors	Country(ies)			Number of employees	Country(ies)		
	Hungary	Eastern European	All		Hungary	Eastern European	All
Agriculture	0.0	2.2	2.1	- 250	38.5	41.6	33.4
Manufacturing	46.2	52.6	38.8	251 - 1000	34.4	43.0	43.0
Services	39.8	39.7	48.0	1001 - 5000	20.8	13.3	17.3
Other	14.0	5.5	11.1	5001 -	6.3	2.1	6.3
Total	100.0	100.0	100.0	Total	100.0	100.0	100.0

Figure 3. Percentage distribution of organisations in the Hungarian (n=97), Eastern European (n=864) and total (n=7952) samples of the research project

sample, accounting for 40% of the respondents. Consequently, the 251 – 1000 size category, which includes the majority of the companies in the total sample, comprises hardly more than one third of the respondents in the Hungarian sample. In contrast, the combined weight of small companies (fewer than 250 employees, 41.6%) and the smallest size category of large companies (251 – 1000 employees, 43%) are significant in the Eastern European sample –almost reaching 85%.

As to the *ownership* of the organisations that responded, it can be stated that private sector organisations are prevalent: they account for more than two thirds of the organisations in the total sample. The distribution of Hungarian organisations is very similar to that of the total sample, but in the case of Eastern European organisations, the proportion of private sector organisations is even higher, exceeding 70%.

The data in Figure 4 indicate that most of the organisations (nearly 47%) in the Hungarian sample rated their operations as *outstanding in terms of profitability*, indicating that their gross revenues had been well in excess of their costs. Over 40% of the remaining organisations said their gross revenues were sufficient to break even, moreover, the vast majority was also able to make a small profit. Those going through a difficult period, making losses of various sizes, altogether account for about 10%, which is almost the same as the corresponding figure in the total sample.

However, in terms of the organisations achieving comfortable profitability (see Figure 4), the entire sample and that of Eastern European have nearly the same percentages. The proportion of companies making smaller or larger profits is almost the same (nearly 40%) in the entire sample and the Eastern European samples.

Country(ies)	Gross revenue has been well in excess of costs	Gross revenue has been sufficient to make a small profit	Gross revenue has been enough to break even	Gross revenue has been insufficient to cover costs	Gross revenue has been so low as to produce large losses	Total
Hungary	46.8	31.7	11.4	6.3	3.8	100.0
Eastern European	37.8	39.2	16.6	5.1	1.3	100.0
All surveyed	38.6	37.8	12.2	8.2	2.9	100.0

Figure 4. Profitability – revenues in relation to costs – in the Hungarian (n=97), Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey

Ownership	Gross revenue has been well in excess of costs	Gross revenue has been sufficient to make a small profit	Gross revenue has been enough to break even	Gross revenue has been insufficient to cover costs	Gross revenue has been so low as to produce large losses	Total
Foreign	35.4	12.7	6.3	3.8	0.0	58.2
Hungarian	11.4	19.0	5.1	2.5	3.8	41.8
All surveyed	46.8	31.7	11.4	6.3	3.8	100.0

Figure 5. Profitability of organisations in the Hungarian sample

Country(ies)	Labour costs (%)	Head of HR in Board of Directors(%)	Head of HR was recruited from		Involvement of head of HR in strategy development (%)	Existence of strategies (%Existence of strategies (%))	
			outside(%)	within(%)		Business	HR
Hungary	28	47	49	51	58	76	60
Eastern European	19-38	40-67	34-49	51-66	30-59	40-88	44-73
All surveyed	19-64	40-70	34-70	30-66	30-73	26-88	44-80

Figure 6. The position and role of the HR function and the HR department in the Hungarian (n=97), Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey

Profitability	Percentage of total costs accounted for by labour costs (%)		
	Hungary	Eastern European countries	All surveyed countries
Gross revenue has been ...			
.. well in excess of costs	16	22	35
.. sufficient to make a small profit	28	24	37
.. enough to break even	38	22	39
.. insufficient to cover costs	68	30	46
.. so low as to produce large losses	44	38	45
Total	28	24	38

Figure 7. The relationship between labour cost ratios and profitability

In the Hungarian survey, in addition to posing the standardised CRANET questions, we set out to find out about the owners of the organisations. Our findings show that indigenous and foreign-owned companies are represented almost in equal proportions: 49.5% and 50.5%, respectively. It may be of interest what we have concluded on the basis of this supplementary aspect: foreign-owned companies rated themselves more successful in terms of profitability than their Hungarian-owned counterparts.

**Findings of the survey: the position and role of the HR function and the HR department in organisations**

One of the main indicators of the importance of the HR function within an organisation is the ratio of labour costs to total costs; that is, the labour cost ratio. The average labour cost ratio in Hungarian firms was 28% (see Figure 6). The other Central and Eastern European respondents reported similar ratios – with a maximum difference of +/- 10 percentage points between countries. When examining the data from the 32 countries, however, it can be stated that there are quite a few – actually, high wage level – countries; for example, the Netherlands, where some responding organisations have much higher (64%) average staff cost ratios than those in Hungary and Eastern Europe.

It is important to point out the relationship between the labour cost ratio and the profitability of organisations in both the Hungarian and the global samples. Organisations that have higher labour cost ratios are typically less profitable (see Figure 7).

Another interesting aspect is that the F test of this relationship in the Eastern European sample is not significant. This means that presumably there is a threshold value for the relationship between profitability and the labour cost ratio revealed in the Hun-

garian and total sample. Whilst the average 24% staff cost ratio in organisations in the Eastern European sample may be below this threshold, the 28% value in Hungarian organisations may slightly, and the 38% value in the global sample may greatly exceed it.

*The position of the head of the HR department in the organisational hierarchy* is clearly indicative of the importance and role of the HR department in the organisation. The data from the Hungarian sample are, in this respect, somewhat below the average value in all countries in the study. Whilst the head of the HR department is a member of the board of directors or the senior management team in more than half (55%) of the responding organisations in the sample of all countries surveyed, the corresponding rate in the Hungarian sample is slightly lower: 47%.

The Hungarian respondents recruited their most senior HR managers almost in equal proportions from outside of (49%) and from within (51%) the organisation. Of the Central and Eastern European countries, Hungary relies on external resources the most heavily. Countries in other regions source externally to a much larger extent: the rate may be as high as 70% (see Figure 6).

In regard to the involvement of the person responsible for HR in developing the business strategy of the organisation, and the existence of an HRM strategy, Hungarian HR practices belong to the upper third of the mid-range group of the 32 countries. The majority of Hungarian respondents develop an HRM strategy and nearly 60% of these organisations involve the person responsible for personnel in this process (By comparison, the corresponding rate is only 37% in Slovakia).

It is revealing though, that the organisations in almost all Anglo-Saxon countries have written

Number of employees in HR	Country(ies)		
	Hungary(%)	Eastern European(%)	All surveyed(%)
0	7.23	5.87	0.71
1 – 5	43.37	61.05	44.54
6 – 10	19.28	15.46	24.52
11 – 20	13.25	9.89	14.22
21 –	16.87	7.73	16.01
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Figure 8. Size of HR departments in the Hungarian (n=97), Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey**

mission statements as well as documented business and HR strategies. This is particularly noteworthy because the data from all the countries surveyed show a relationship between the existence of the four elements of the organisational strategy (mission statement, business strategy, personnel/HR strategy, corporate values statement) that were examined in the survey, and the profitability of the organisation. The organisations that have such strategies are among the best performers (correlations range between 0.05 and 0.1). It is interesting that in the Eastern European sample this relationship can only be seen in the case of the HRM strategy, while no relationship of this kind was found in the case of Hungarian organisations.

An overwhelming majority (92.8%) of the Hungarian organisations that took part in the survey have an HR department (see Figure 8) or an HR position. More than half of the respondents completing the questionnaire worked as HR managers. Seven per cent of the Hungarian organisations, compared to less than 6% in Eastern European organisations, have no HR departments or independent HR positions, whereas the proportion of such organisations in the total sample is almost negligible (0.71%). This is probably due to the number of truly small companies in the below 250 employee size category, which dominates the Hungarian sample.

The average number of employees in HR departments in nearly half (44%) of the Hungarian responding organisations is between one and five. This is almost the same as the percentage (44.54%) found in the surveyed organisations of all the countries. However, their proportion in the Eastern European sample is much higher – more than 61%. The dominance of the two smallest organisational

size categories (85%) in this sample may be one of the underlying reasons for this rate.

The second most significant HR department size category includes six to ten employees in both the total and the Hungarian samples. The proportion of organisations with large HR departments show a similar figure (16 – 17%) in the Hungarian and entire samples. The number of those working in HR at these organisations is over 20.

The Hungarian sample thus reveals more similarity to the entire sample than to the Eastern European. One explanation for this may lie in the similarities and differences between the samples in terms of the size of organisations included.

A moderately strong and positive relationship (with a correlation value of 0.584) was found between the total number of employees and the number of employees in the HR departments of the organisations in the sample. We can therefore conclude that organisations with higher staff numbers also have larger personnel departments. It is, however, only true across the board for the total sample. No such relationship could be seen in the Eastern European and Hungarian samples. The relationships that could be established and the ones that are missing point to the conclusion that organisations have to grow beyond a minimum size before the observed relationship can be expected to emerge in them.

It is evident from the data in Figure 9 that female employees are prevalent in HR jobs in all three subsets of the sample. However, whilst in the total sample their dominance does not even reach 60%, in the Eastern European sample it exceeds 70%, and it is almost 80% in Hungary. Nearly 35% percent of the studied Hungarian organisations do not have any male employees working in their HR departments. The Hungarian sample indicates that HR is much more a female profession in Hungary than in other countries.

Country(ies)	Gender distribution in HR		
	Male(%)	Female(%)	Total(%)
Hungary	21.50	78.50	100.0
Eastern European	28.70	71.30	100.0
All surveyed	40.63	59.37	100.0

**Figure 9. Gender distribution in HR departments in the Hungarian (n=97), Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey**

A “hard” feature of the HR department and *the work carried out there is the type of information system used* in the support of processes. In answer to this question, 37% of the Hungarian organisations said that they did not have a computerised HR information system, while 43% had independent (stand-alone) systems, and 20% used an HR information system integrated into a wider management information system.

A mere 20.8% of the responding organisations in 32 countries reported that they had no computerised HR information systems. There are significant differences between the surveyed countries depending on what kind of management culture prevails. The most striking survey result in this respect is that in countries with an Asian management culture, a rather high proportion – nearly 40% – of the responding organisations do not use computerised HR information systems. According to respondents, the Hungarian practice is closer to the situation in Asian organisations than to the practice in other Eastern European organisations, where the corresponding figure is around 22%, reflecting a similarity with the data of the total sample.

The next area to be discussed is the issue of “*Who is responsible for making decisions in the area of human resource management, and to what extent?*” We will investigate which members of the line management and HR departments in organisations have primary responsibility for the decisions made concerning the key areas of HR: workforce expansion/reduction, recruitment and selection, pay and benefits, training and development, and industrial relations. The results of our empirical research are as follows:

- The most typical practice in the fields of HR policies studied is shared responsibility. In almost all HR fields surveyed and in all of the samples studied the proportion of decisions made primarily either by line managers or HR specialists, though in consultation with the other party, exceeds 50%, and in most cases it is in excess of 60% or even 70%.
- *Recruitment and selection and workforce expansion/reduction* are the most typical fields of co-operation and consultative decision-making. Joint decision-making on the former issue exceeds 70% in all three samples. It is only in the Eastern European sample that the rate of decisions made jointly on the latter issue stays below 70%.
- Decisions concerning *industrial relations* are made with the least amount of co-operation: respondents in all three samples reported proportions of around 50%.
- *Line management has primary responsibility for making decisions on workforce expansion/reduction and pay and benefits* either on its own or as the dominant voice.
- However, *there are significant differences in this respect in the samples we studied. Workforce expansion/reduction* shows the highest rate of autonomous decision-making by line managers everywhere. Whilst this proportion is roughly 20% in the Hungarian sample and the total sample, it is over 30% in Eastern Europe. In the field of *pay and benefits*, the differences between Eastern European practices are even

Decision makers	Pay and benefits	Recruitment and selection	Training and development	Industrial relations	Workforce expansion / reduction
Line management	19.4	9.7	7.5	10.8	20.4
Line management in consultation with HR department	44.1	36.6	38.7	18.3	48.4
HR department in consultation with line management	34.4	45.2	38.7	44.1	25.8
HR department	2.2	8.6	15.1	26.9	5.4
Total	100	100	100	100	100

Figure 10. Distribution of primary responsibility for major policy decisions (%) on key aspects of HRM in the Hungarian sample (n=97)

greater. Whilst both the Hungarian sample and the total sample reveal a rate of around 19%, the exclusive predominance of line management in decision making is more than twice as high (41%) in the Eastern European sample.

- The field of *industrial relations* is where the authority of HR *specialists* in making decisions is the greatest. In the total sample it is over 30%, while Eastern European firms reported a much lower rate (15.2%). Hungarian responses reveal an intermediate value of around 27%.
- In terms of autonomy in decision-making, *pay and benefits* is the second most important area (14.8%) for HR *specialists*. Both their Hungarian and other Eastern European counterparts have much less autonomy in this field (2.2% and 8%, respectively). By contrast though, Eastern European HR specialists enjoy more freedom to make decisions on issues of training and development, as well as recruitment and selection than their colleagues in other parts of the world.
- *Line managers in the Eastern European sample have higher or significantly higher levels of responsibility in every HR field studied than in the total sample.* In almost every field the Hun-

garian values are closer to the practices prevalent in the total sample.

There is a significant relationship between those responsible for decision-making related to various HR policies and the existence of an HR strategy in all of the fields covered in the questionnaire. This relationship is invariably moderately strong – the Spearman correlation values are around 0.4, and differences are within the range of one tenth of a percent. It can be concluded that the organisations where HR departments have higher levels of autonomy in decision-making concerning various HR functions (staffing, motivation, conciliation of interests, etc.) usually have written HR strategies, and, likewise, where there is an HR strategy, HR specialists have more autonomy in decision-making.

### Using External Service Providers in the HR function

Nearly half (48.9%) of the respondents in Hungary claimed that they had *increased the use of external service providers* in the field of training and development in the past three years. The importance of external consultants has increased in the fields of benefits, redundancy, workforce

	Payroll	Benefits	Training and development	Workforce reduction / outplacement	HR Information systems	Pensions
Increased	6.5	26.9	48.9	24.7	29.8	4.3
Decreased	1.1	-	7.4	2.2	-	2.2
Same	37.6	21.5	29.8	18.3	48.9	30.4
Not used	54.8	51.6	13.8	54.8	21.3	63.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Figure 11. Percentage changes in the use of external HR providers in the Hungarian sample (n=97)

Country(ies)	Use of external professional providers (%)					
	Payroll	Benefits	Pensions	Training and development	Workforce reduction, outplacement	HRIS
Hungary	45.20	48.40	37.00	86.20	45.20	78.70
Eastern European	45.80	47.50	35.60	86.20	40.00	69.10
Total	59.20	64.00	67.30	88.60	57.10	74.30

Figure 12. Use of external professional providers (in percentage) in the Hungarian (n=97), Eastern European (n=864) and the total (n=7952) samples of organisations participating in the survey

reduction and outplacement, and HR information systems to a smaller extent than in training and development, but approximately by the same rate according to roughly a quarter of the respondents. The survey, however, also revealed that more than half of the organisations did not use external specialists in fields outside training and HR information systems.

According to our studies, the increasing use of external providers is most typical among organisations rooted in the Anglo-Saxon culture.

The samples studied show *great similarity in training and development* being the HR function where external professional providers have a robust presence everywhere. More than 85% of the responding organisations in all three samples stated that they used the specialist services of training firms. External providers are also used by organisations in all three samples (at a rate of about 70%) when *HR information systems* are configured and developed.

In the other HR fields surveyed it is clear that the use of external professional providers is higher in the total sample than in the Eastern European sample. The largest differences may be found in the areas of pension administration (nearly 30 percentage points), downsizing and workforce outplacement (almost 20 percentage points).

Nearly half of the Hungarian and other Eastern European organisations turn to external providers when developing, running and managing pay and benefits systems. In the area of payroll, the difference from or the lag behind the frequency of use in the total sample is not significant (only 5 percentage points), but it is remarkable in the area of benefits (nearly 15 percentage points).

It was also observed that whilst the organisations that had large HR departments had decreased the use of external providers, the ones with small personnel departments had increasingly turned to such specialists. The smallest organisations rarely or never use external providers.

The survey also wanted to find out *where policies on key HR issues were determined* if the responding organisation was part of a larger group of companies or divisions. When examining the responses in the samples, the following trends could be observed:

- Whilst *in the total sample* the influence of the *national headquarters* is dominant, even if not equally dominant in every field of HR, in the Eastern European countries, and especially in the case of Hungarian respondents, *local offices* perceive much greater independence than their counterparts in the total sample.
- In the total sample, *pay and benefits* and *management development* are the areas where decision-making is clearly centralised with only the national or international headquarters becoming involved.
- In the total sample, decisions on *training and development*, *industrial relations* and workforce expansion/reduction are made by international or national headquarters (centralised decision-making) and by subsidiaries, divisions, local sites or offices (decentralised decision-making) in nearly equal proportions.
- *Recruitment and selection* is the area where *local sites* or offices have the most autonomy in every sample studied.
- If there is an *international head office*, it primarily determines policies on management development (20%), workforce expansion/reduction (14-20%) and pay and benefits (13%).
- Eastern European respondents – especially Hungarian organisations – *reported lower levels of dependence on headquarters* than the total sample in nearly all areas.
- In the *Hungarian* sample, it is mainly the *national headquarters* that have moderate decision-making powers. Compared to the total sample, decision-making competence in Hungarian organisations is delegated to a large extent to either the divisional or the local level. As a result, Hungarian respondents reported that their local offices rather than their headquarters were involved in decision-making on issues of training and development, industrial relations or even pay and benefits.
- The HR function that *international headquarters* keep closest control over in the Hungarian sample is *management development*. The national headquarters have much less influence on this area compared to the standard practice in the other samples.

## Limitations and Future Directions in the Research

The limitations of the research are as follows:

- The *Hungarian* sample with its 97 elements is statistically rather small. Consequently, it is impossible to draw unquestionable conclusions from them. Not all respondents answered every question, as a result of which the number of actual responses might even be lower in some cases. Random uncertainty may thus significantly affect our findings. For this reason, we have only mentioned statistically relevant relationships in our analysis, and we did not make conclusions based on the (perhaps apparent) lack of a relationship between certain questions. This way we tried to avoid making the mistake of regarding certain interdependent properties as independent. Whilst the relationships presented here are absolutely true for the 97 organisations in the sample, generalizing them for a larger group (e.g. all Hungarian organisations) should be done with circumspection and due criticism. Similarly, responses where fewer than 10 organisations fell into one group or class interval were not analysed as the ensuing relationships could be regarded accidental to the extent that it would be a bit of an exaggeration to call them statistical relationships. Every test was conducted at a 5% significance level so that we could make “strong” statements and decrease the possibility of coming to the wrong conclusions.
- All in all, the total sample including 7952 elements from the 32 countries in the survey can be considered large, but it should be noted that the samples for quite a lot of countries were relatively small (e.g. the Philippines=52, France=140), thus to avoid potential pitfalls we adopted the approach outlined above when analysing such data.

## Summary of Conclusions: Similarities and Differences

We feel that the findings of the CRANET survey confirm our previous research experience, which suggested that a much needed *paradigm shift had taken place* in HRM in Hungarian companies. On the basis of the comparative studies discussed in this paper we can also establish that the once rather

similar *HR practices* of the former socialist countries have gone through *significant changes*, which are, however, *different in terms of their direction and extent*. The changes in Hungary seem to be faster in many respects than those in other countries in Eastern Europe.

The *Hungarian characteristics* related to the *importance of HR or the role of the HR department* and which are different from the average values of both the Eastern European samples and the total sample are not significant but nevertheless interesting:

- HR is a predominantly female profession everywhere, but was reported to be the most *female dominated profession* (80%) in the Hungarian sample.
- *When recruiting HR directors*, Hungarians rely on external sources more than the other Eastern European organisations, but less than the average of the total sample. *The use of external and internal recruitment sources are thus nearly the same.*
- A high percentage of companies operate *without having their own computerised HR information system.*
- If the organisation is part of a *larger group* of companies or divisions, the national headquarters have less influence on *major policy decisions in the field of HR* than the *local offices, establishments or sites, which can thus exercise more influence* on training and development, industrial relations or even pay. If the organisation has international headquarters, they will be primarily responsible for management development.

In this field, the following *characteristics* were *specifically Eastern European* since they were found to be different from both the Hungarian sample and the total sample:

- *Line managers* were reported to have a significantly larger role in and primary responsibility for *every HR function studied* than any other decision-maker who may have influence over HR policies.
- This view and practice may be partly attributable to the fact that the Eastern European

sample included a higher proportion of smaller sized organisations and thus smaller HR departments.

Consequently, in some areas, *Hungarian practices were found to be more similar to other Eastern European practices, whilst in other areas, similarities with the characteristics of the total sample could be observed.*

**Hungarian characteristics** related to the importance of the HR function and the role of the HR department and that *show similarities with other Eastern European countries* are as follows:

- The labour *cost* ratio is rather *low* (below 40%).
- In large companies, the *influence of local offices or subsidiaries* over HR *policy* is *perceived to be strong*.
- *The use of external HR service providers* in the fields of pay and benefits, workforce reduction and pensions is *much less typical* than in the total sample.
- The field of rewards and benefits was reported to be primarily determined by HR specialists, but in both samples a rather modest proportion indicated this in practice (2–8%).

The **Hungarian characteristics** that are **more similar to the average of the total sample** are as follows:

- The distribution of HR departments and their *typical size* (1–5 employees) show a strong similarity.
- *The level of involvement* of Hungarian HR directors *in the development of the business strategy* was rated to be in the upper third of all countries surveyed, and in the top segment among Eastern European countries.
- In all HR functions *shared responsibility* decisions are common: management and HR specialists make decisions together. *Typical areas* include *recruitment and selection* and *workforce expansion/reduction*. Management typically dominates decision-making on *workforce expansion/reduction* and *pay and benefits* (in both samples they account for around 20% each).

- *A relationship* could be observed between the *labour cost ratio* and *organisational performance*: above a threshold value, the higher the labour cost ratio of an organisation, the lower its profitability.

There are some HR functions and solutions where there are hardly any differences between the three samples – the Hungarian, the Eastern European and the total. In other words, we have found areas where there are **universally adopted practices or universal tendencies**.

The universal characteristics related to the HR function and the role of the HR department include:

- HR is a predominantly female profession.
- Written business strategies and HR strategies have a crucial role.
- HR decisions typically involve shared responsibility, in which the dominance of HR specialists is limited.
- HR functions are strongly supported by external providers, with most significant input in the fields of training and development and HR information systems, and it is becoming more significant in other functions as well.

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# Changes in Chinese Organizations from the Institutional Perspective

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## Abstract

This paper is an attempt to study how different environments in history have influenced change in Chinese organizations and to identify the types of change. The research is based on 160 in-depth qualitative interviews with senior managers or middle managers from Chinese companies selected from various industries, ranging from manufacturing and technology, banking and insurance organizations, to those in energy and education industries. The paper carries out an analysis of organizational change in China from the institutional perspective according to historical stages. The findings suggest that Chinese organizations have been going through a continuous change process and a large proportion of these changes were transformational, which are by scope substantially more profound than transitional and developmental changes. Meanwhile, a considerable proportion of the changes could be considered re-creation, the deepest strategic change by scope compared to reorientation, adaptation and tuning. An understanding of change in Chinese organizations in the institutional context could help managers of Chinese companies gain a better understanding of the whole situation and make more appropriate decisions when implementing change.

**Keywords:** organizational change, institutional context, types of change

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## Introduction

In recent years, China has undergone rapid economic reform and dynamic organizational change. The economic reforms Deng Xiaoping started in 1978 have increasingly introduced market forces into the socialist system. Several major developments have given special momentum to those changes: China entering the WTO, opening the western regions of China, building up an information network, transforming new management systems nationwide and encouraging innovations and entrepreneurship (Wang, 2003).

Currently economic reforms in China have come to the stage of reforming and restructuring its enterprises (Wei, 2003). This is a key step towards the final success of the entire economic reform process, which has been made clear by the Chinese leadership (ibid). The dominance of state enterprise is one of the major distinguishing features of the Chinese economy between 1952 and 1975 (Bian, 2005). Even today, under the context of entry into the WTO, the reform of unprofitable state-owned enterprises is still one of the keys to the fate of China's economic reform in the twenty-first century (ibid). All these provide a national, cultural and institutional context for understanding organizational changes in China.

At the same time many multinationals interested in developing manufacturing in China are unfamiliar with conditions inside this emerging market (Foo, 2001). This paper is an attempt to analyze changes in Chinese organizations. The research question is, which types of changes have taken place during the changes at the societal level. The authors use an institutionalist approach in order to explain changes in Chinese organizations. The authors assume that during deep changes at the macro level, deep changes also take place at the micro level, this means within the organizations. To test

this hypothesis in-depth interviews were conducted in 160 Chinese organizations.

In this paper, the authors first present a brief overview of institutionalism and theories of change. Then the main stages in recent Chinese history are briefly described from the institutional perspective. Following that, the results of the interviews are analyzed and discussed.

### Literature Review Institutional Context of Change

Sahlins (1985) argues that one cannot really understand certain social phenomena without understanding both the historical events and the cultural meanings attributed to these events by the relevant actors. Institutionalists have stressed the importance of the institutional environment for understanding the behaviour of organizations (North, 1990).

According to the institutionalist perspective, organizations are socially embedded in a particular society (Geppert, 2003). Organizations can be described using the open-system approach, in which the organization may be seen as answering the challenges of a new environment.

Institutions could be seen from both the structural and social perspective. From a structural viewpoint, institutions exist as institutionalised forms of 'external social constraints'. From the social perspective institutions can be understood as operating to enforce a behavioural definition, which may take the form of either 'cultural accounts' or 'cultural rules'. This means that institutions are accounts of how the social world works and embody normative principles and social values (Meyer et al, 1994:24).

Socio-economic transformation, at both macro and micro levels, could be understood as institutional change from both the structural and social perspective, embracing both structures and social values. The elements of an institution may lose credibility and need redefining – the processes of *deinstitutionalisation* and *reinstitutionalisation* take place.

During *deinstitutionalisation*, the contingent nature of cultural accounts and rules are revealed, interrogated, contested, opposed, effectively challenged and ultimately overturned. The process may be gradual or sudden and may affect formal institu-

tions and institutional practices at different rates. *Deinstitutionalisation* takes away the certainty associated with institutionalised rules, attacks the meaningfulness of the social world and thereby reduces the level of social support and motivation. *Reinstitutionalisation* involves the construction of new formal institutions and the realisation of new social practices. During this process, patterns and activities are redefined on the basis of values that differ from the values previously taken for granted. New social practices evolve slowly because the values and their underlying logic take time to become reproduced unquestioningly as part of routine conduct (Clark and Soulsby, 1999: 40).

From this institutional view, social transition may be interpreted as the period between the effective demise of one institutional system and the point at which another institutional system has been established and accepted on new cognitive and normative grounds. Such circumstances create acute social and psychological problems for social actors, and this period has been called *social transience* (Clark and Soulsby, 1999:40).

Changes in the environment necessitate that organisations modify themselves as well. Therefore, the authors suppose that during social transience deep changes take place in organizations.

### Types of Changes

Looking at the different types of changes raises a number of questions: what has been changed, by whom and how quickly.

### Types of Change in terms of Scope

In content research, most theorists divide change into two types according to scope: change taking place within the given system and change aimed at modifying the system itself. The most popular terms for this classification are first order change and second order change. First order change provides a method for managing stability. It helps one to manage current strategy more effectively and efficiently (Bartunek, 1993). This type of change proceeds via a sequential step-by-step assessment, guided by a specific objective, making systematic and rational evaluations of an organization and its environment. A first order change cannot produce transformation because it lacks the creativity to discover new strategic ideas (Hurst, 1986).

Second order change calls for innovation in order to lead the change. It searches for agreement about what the end result should be and then considers how an organization could be changed to meet these new expectations. Second order change is difficult to carry out because information gathering in an organization will tend to reify the rules, culture, strategy and core processes that make up its current paradigm (Nutt and Backoff, 1997).

Van de Ven and Poole (1995) describe change in organisations using the terms *prescribed change* and *constructive change*. The prescribed mode of change creates change within an existing framework thereby producing variations on a theme. It can be compared to first-order change. A constructive mode of change generates unpredictable novel forms that have no continuity with the past. This is similar to second-order change.

Nadler and Tushman (1989) divide change according to two criteria: the scope of change and the positioning of change in relation to key external events. According to scope, change can be divided into *incremental change* and *strategic change*. This division describes the changing of the subsystems of the organisation versus the changing of the entire system. Strategic change addresses the whole company and helps an organisation develop a completely new configuration. Incremental change focuses upon some components of the organisation with the goal of maintaining or regaining congruence.

According to the positioning of change in relation to key external events, change can be divided into *reactive changes* and *anticipatory changes*

(Nadler and Tushman, 1989). Reactive change is the response to an external event or series of events. Anticipatory change is initiated in anticipation of events that may occur. When these two dimensions are combined four types of change are discovered:

*Tuning* is incremental change made in anticipation of future events

*Adaptation* is incremental change made in response to external events

*Reorientation* is strategic change made in anticipation of future events

*Re-creation* is strategic change necessitated by external events

The most difficult change to manage is strategic organisational change.

Another typology dividing change into three types puts forward *Alpha*, *Beta*, and *Gamma change*. Alpha change is behavioural change, beta change refers to scale calibration and gamma change is about concept redefinition (Armenakis, 1988). Alpha change involves a certain variation in the degree of some existential state, given a constantly calibrated measuring instrument that taps a constant conceptual domain. Beta change involves a variation in the degree of some existential state, complicated by the recalibration of some portion of the intervals of the measurement continuum associated with a relatively constant conceptual domain. Gamma change involves a basic redefinition or reconceptualisation of a certain domain; a radical restructuring of perceived reality that generates differences in state.

**Table 1. Types of Changes with Examples and Suggestions**

	Definition	Examples	Suggestions
<b>Developmental</b>	Improving what already exists	Technical expertise Team building Expanding market	Enable ideas for change to originate and develop from the individuals affected
<b>Transitional</b>	Achieving a new stage, which requires introduction of new ways of operating	Reorganization New products and services New methods and procedures New techniques	Effective two-way communication: identify similarities and differences between current and new ways; report regularly the status of change. Indicate milestones to measure success, if not met, communicate the reasons and revise plans
<b>Transformational</b>	Achieving a new stage, requiring a dramatic shift in organisational vision and strategy	Mergers and acquisitions Major shift in product line(s) Major restructuring effort	Educate people what transformational change is, why they feel the way they do and why you may not be able to answer all questions they may have. This builds a foundation of understanding and trust from which to move forward

Table 2. A Comparison of Change Grouped according to Scope

	Growth	Development	Transformation
Ackerman (1986)	Developmental change	Transactional change	Transformational change
Armenakis (1988)	Alpha change	Beta change	Gamma change
Watzlawick et al (1974)	First-order change		Second-order change
Watzlawick et al (1974)	Linear change		Breakthrough change
Watzlawick et al (1974)	Incremental change		Radical change
Greiner (1975)	Evolutionary change		Revolutionary change
Weick and Quinn (1999)	Episodic change	Continuous change	
Van de Ven and Poole (1995)	Prescribed		Constructive
Nadler and Tushman (1989)	Reactive change	Anticipatory change	
Nadler and Tushman (1989)	Nadler and Tushman (1989)		Nadler and Tushman (1989)

Beta change occurs when the standard of measurement used by a subject to assess a stimulus changes from one testing period to another (Armenakis, 1988). Gamma change involves discontinuous shifts in mental or organisational frameworks (Golembiewski et al., 1975). According to gamma change, a subject's understanding of the criterion being measured changes from one testing period to the next. If behavioural change must be considered, then gamma and beta change cannot account for the change on a measurement scale (Armenakis, 1988).

Ackerman (1986) has developed a model describing three types of organisational change – developmental change, transitional change and transformational change. These types of changes, with examples and suggestions, are in Table 1.

Developmental change is the least threatening and easiest to manage. Transformational change is the opposite and is the most threatening, difficult to control, profound and dramatic. Where the future stage in a transformational change is largely unknown until it evolves, in a transitional change, each future stage is consciously chosen as a specific goal or end point. However, you may not know how to get there. This makes it somewhat threatening.

In order to compare the different typologies, the author has presented types of changes according to different theorists in Table 2.

Burke and Litwin (1992) have developed a model for distinguishing between two types of deeper

change. They argue that transformational change occurs as a response to the external environment and directly affects transformational factors: organisational mission, strategy, leadership and culture. The transformational factors deal with areas that require new employee behaviour as a consequence of external and internal environmental pressures. Transactional change deals with psychological and organisational variables that predict and control the motivational and performance consequences of the work group climate. These include management practices, structure, systems, task requirements and individual skills. Transformational and transactional factors together affect motivation, which, in turn, affects performance.

Transitional change could be compared with transactional in Burke and Litwin's (1992) terminology. They make a distinction between transformational and transactional changes according to the factors changed. During transformational changes, strategy, mission, organizational culture or leadership style are changed. Transactional factors include structure, task requirements, individual skills, systems and management practices. Because of these lists of factors, the authors of this paper found this typology the most suitable for analyzing changes in Chinese companies.

#### Types of Change in terms of Initiative

Methods for initiating change are grouped as planned and unplanned, self-initiated and imposed, management-driven and participatory changes.

Planned changes can be looked at as self-initiated changes, management-driven or participatory. Imposed changes may be planned also, but by somebody else.

Unplanned change is usually spontaneous and random (Jick, 1993). It can be beneficial or disruptive, but, more often than not, unplanned changes are disruptive. Planned change is a rationally controlled, orderly process (Cummings and Worley, 1997). It is usually triggered by the failure of people to create continuously adaptive change (Dunphy, 1996). The need for planned change can come from external or internal sources or both. Both external and internal planned change can produce resistance in people, or it can increase their energy and productivity. Planned change is intentional and thus occurs as a result of thoughtful efforts and interventions, often with the help of change agents.

Dirks, Cummings, and Pierce (1996) have made a difference between self-initiated and imposed changes. A self-initiated change means that individuals make changes as a result of their own initiative and volition. An imposed change is change initiated by others so that the individual is forced to act.

Management-driven change is typically executed by managers employing a variety of techniques and personal styles ranging from authoritarian to participative, depending on their preferences

and the nature of the situation. But the primary importance in management-driven change is that most, if not all, of the power remains with the management (Bruce and Wyman, 1998). Participatory change, on the other hand, is based on the premise that there is a genuine sharing of power and responsibility for change between employees and the management (ibid).

### Duration of Change

In a change event categorization scheme, Struckman and Yammarino (2003) differentiate between short-term and long-term change, where both could provide radical or continuous improvement.

### Recent Chinese History from the Institutional Perspective

In Table 3, Chinese history starting from 1949, when the Chinese Communist Party came to power, has been presented from an institutional perspective.

Notes: *Deinstitutionalisation* – the period when the contingent nature of cultural accounts and rules are revealed, interrogated, contested, opposed, effectively challenged and ultimately overturned.

*Reinstitutionalisation* – the period then the construction of new formal institutions

Table 3. Institutionalization in Chinese History from 1949

Period	Event	Institutionalization
1949	Founding of the People's Republic of China Creation of new institutions	Creation of new institutions
1949-1977	Mao Zedong Era: command economy Period of stable institutions	Period of stable institutions
1978	Start of Chinese economic reforms	Deinstitutionalization
Late 1970s - early 1980s	Opening trade with the outside world, instituting the household responsibility system in agriculture	Creation of new additional institutions
1980s	Creating market institutions, converting an administratively driven command economy to a price driven market economy	Social transience
1990s	Creating a viable banking system	Creation of new additional institutions
Late 1990s - early 2000s	Industrial reform, involving enterprise reform and the closing of unprofitable state-owned factories	Reinstitutionalization
2001	Entry to WTO	Continuation of Reinstitutionalization

and the realisation of new social practices takes place.

As China had been at war since 1937, deinstitutionalization already took place during the war (Sun and Alas, 2007) and to implement change in the system in 1949, new additional institutions for establishing the socialist order were created.

After many years of war and revolution there was a period of relative stability with stable institutions in China between 1949 and 1978 (Qin, 2005).

Deinstitutionalization started in 1978 when economic reforms started by opening trade with the outside world (Zhang, 2004): the government gave up its rigid monopoly over foreign trade (Foy and Maddison, 1999). The central government started to give some or all of the decision-making power to local governments (Jia, 1998). To this end, additional institutions were created.

In the 1980s, converting an administratively driven command economy to a price driven market economy ushered in the second phase of economic reform. On embarking upon this difficult task social transience started in society. Old institutions common in more closed planned economies had to be replaced with new institutions needed in a market economy. As this new system was not known to the Chinese people, this stage was not familiar for them. They did not know how this new system should function.

In the late 1990s, there was the need for reforms in the banking system (Chinese Economic Reform, 2006). New additional institutions were needed to implement this reform.

The reforms of the late 1990s focused on closing enterprises that had become unprofitable due to the inefficiencies of the state, inefficiencies that had ultimately led to increasingly financing state enterprises via bank credits (Dorn, 1989). This created the need to reinstitutionalize.

An important step for China, which made the Chinese economy more open, was becoming a member of WTO in 2001 (Chow, 2000). While China is pursuing institutional reforms in state-owned enterprises and the banking and financial sectors, it is also aware that the reforms continue.

## Institutional Changes and Organizational Changes

The authors argue that there are connections between the institutionalisation stage at the societal level and the types of change in organisations – they combined the institutional stages at the societal level with the classifications of the types of change developed by Ackerman (1986). According to a recent study of Estonian organizations in Eastern Europe, developmental changes mostly take place during the stable stage of institutionalisation (Alas, 2004). Therefore the authors hypothesise:

*Hypothesis: During social transience, transformational changes took place in Chinese organizations.*

To summarize the theoretical framework for the current study, changes are most often classified according to scope and the way the changes are initiated. In transforming economies, the changes differ from changes occurring in established capitalist countries, not only in terms of scope, but also in terms of the time limit for implementing the changes. Changes with the same scope should be achieved in a much shorter time in order to survive. Therefore, the duration of change is important in understanding change.

## Methodology

In 2006, interviews were carried out in 160 companies in several large cities in the northern part of China: Beijing, Tianjin, Jinan and Zibo. Structured interviews were conducted with top managers or middle managers from different companies to acquire information about change in their organizations. All the interviewees have experienced recent organizational change at work, and have been directly involved in strategy formulation and implementation. Apart from their knowledge and views on the questions asked, the interviewees were encouraged to elaborate on the process and complexities of the organizational changes experienced inside the companies. The characteristics of the respondents according to position are given in Table 4.

The companies involved represented various industries and sectors. Characteristics of the sample according to the industry are as follows: 28.1% of the companies are production firms and 21.9% are serv-

ice firms; 17.5% deal with education and 6.3% with consultation and training; 13.8% with telecommunication, 2.5% with the entertainment industry and 1.3% in banking. Government agencies and trade companies both form 4.4% of current sample.

The questions in the interview were adopted from a survey conducted in Estonian organizations (Alas and Sharifi, 2002). Most questions were open-ended, however, in some cases closed-ended questions were used, for example, in order to figure out those factors that had changed during the changes. The interviews were first analyzed individually to identify issues relating to organizational change and then compared and summarized.

**Table 4. Characteristics of Respondents according to Position**

Position	Percentage
Top manager or CEO	39.4
Deputy directors or vice general manager	40
Middle managers specialized in HR	5
Middle managers specialized in marketing	3.8
Middle managers specialized in finance	3.1
Project managers	2.5
Assistant	2.5
Customer service	1.3

## Results analysis

The reasons behind the change varied a lot due to the differences in size, sector and the age of the 160 companies. The two main reasons were to increase profit and keep up with the trend of national macro development; 18.8 percent of companies implemented change either to save the enterprise from bankruptcy or improve profits in order to survive under the market economy; 18.1% of companies initiated change just to be in line with the nationwide economic reform and enterprise reform or follow the new requirements or rules of the new economic regime. The next two most important reasons were quality improvement and market expansion mentioned by 16.3 and 15 percent of companies respectively. Due to the impact of the liberalization of the economy and accession to the WTO, a considerable percentage of companies realized the necessity to increase the quality of their products or services, and explore new approaches to expand market share. Meanwhile,

11.9 percent of companies started some change as a result of the influence of benchmark companies in the same industry. The managers in these companies learned about successful change experiences from the market leaders and determined to trial a new management style or production model hoping to improve the efficiency of the whole company. Despite the fact that quite a large proportion of Chinese companies had implemented change on their own initiative, there were still a certain number of companies (11.3%) emphasizing that the change was driven by an administrative command from a local authority or government. Finally, the least mentioned reasons were motivating employees, adjusting HR management and becoming listed on the exchange market.

## Initiators of Change

Changes were started from the top. Twenty per cent were initiated by local government or authorities – for example, the government decided to sell the shares of one plant to foreign investors or to privatize some state-owned enterprises. Top leaders of the organization initiated 72.5 per cent of changes, 2.5 per cent were initiated by middle managers and 5 per cent by lower-level employees. At the same time, changes initiated from the lower levels were only developmental changes, which took place in a certain department or in a specific aspect of management. Transformational and transactional changes were initiated from the top.

## Duration of Change

With regards to the duration, the most common planned timeframe was from 4 to 12 months. The range of time planned for changes was from 1 month to 4 years. Among the 160 respondents, about half of them mentioned that changes in their organizations were finished on time. However, 28.1 per cent of the organizations didn't manage to complete the changes within the planned timeframe. Meanwhile, 15.6 per cent of the organizations witnessed a faster pace in accomplishing changes: completing them earlier than planned. This is due to the Chinese polychronic culture. Chinese people normally prefer to plan a longer time than they think will actually be needed. As Chinese organizations normally have quite a large number of employees, it is common that changes are not likely to be finished within a short period. Some enterprises with several thousand employees have to spend several years to complete a dramatic transformation.

### Change in terms of Scope

One classification from Nadler and Tushman (1989) takes into account timing and scope, and divides changes into four types: Tuning, Adaptation, Reorientation and Re-creation.

Based on the analysis of the reason and context of changes, the authors found that most of the companies underwent reorientation and recreation. Reorientation, where strategic changes were made in anticipation of future events, was experienced by 26.9 percent of companies – for example, in order to survive when more foreign companies flooded into the Chinese market within a period of several years, some organizations started to change their mission, strategy or entire quality inspection systems. According to 64.3 percent of interviewees, the changes were necessitated by external events, such as the threat of bankruptcy, enterprise reform policy or increasing demand from clients about quality. The strategy and mission along with the principal managerial elements were also changed. So they clearly experienced drastic strategic change, which can be seen as re-creation.

Tuning and adaptation were discovered in only 8.8 percent of the organizations: in 3.8 percent of organizations incremental changes were made in anticipation of future events and in 5 percent of organizations incremental changes took place in response to external events.

To carry out a deeper analysis on the basis of the scope of change in Chinese organizations, Ackerman's (1986) model was deemed suitable. The model classified change into three categories: developmental change, transitional change and transformational change. In order to distinguish between two types of deeper change, Burke and Litwin's (1992) model were taken as the basis. They divided the change into two types: transformational and transactional change according to the factors changed. Transformational factors deal with areas that require different employee behaviour as the consequence of external and internal environmental pressures. Transactional factors deal with psychological and organizational variables that predict and control the motivational and performance outcomes of the climate of the work group.

The list of factors was presented to respondents and they had to indicate, which factors were changed in their company (Table 5).

The following analysis is based on data presented in Table 5.

In the process of change, transformational and transitional factors were changed. Changes in strategy were experienced by 83.8 per cent of organizations, 77.5 per cent and 74.4 per cent changed their leadership and management practice. While, in 72 per cent and 71 per cent of organizations, there were changes in structure and systems respec-

**Table 5. Changes in Chinese Organizations based on the Burke-Litwin model**

	All sample	Sector-Production	Others	Established Before 1978	Established After 1978
%	100	28.1	71.9	31.3	68.8
<i>Transformational factors</i>					
<b>Strategy</b>	83.8	91.1	76.4	90.0	77.5
<b>Mission</b>	69.4	73.3	65.4	78.0	60.8
<b>Culture</b>	65.0	75.6	54.4	74.0	56.0
<b>Leadership</b>	77.5	95.6	59.4	80.0	75.0
<i>Transactional factors</i>					
<b>Structure</b>	65.0	86.7	43.3	70.0	60.0
<b>Task requirements</b>	65.6	71.1	60.1	62.0	69.3
<b>Individual skills</b>	41.9	46.7	37.1	42.0	41.8
<b>Systems</b>	71.3	84.4	58.1	78.0	64.5
<b>Management practices</b>	74.4	75.6	73.2	78.0	70.8

tively. Then 70 per cent and 65 per cent of respondents mentioned they changed mission and culture respectively. For example, in some organizations the corporate culture changed from being relationship-oriented to more task-oriented. Compared to the above factors, the factor that was changed the least was individual skills, which was mentioned by only 42 per cent of respondents. This shows that changes in most organizations tended to be organization-level oriented, while individual skills were rather ignored. This can partly be attributed to the situation that managers in Chinese organizations lack the competence to handle change and employees lack the knowledge and skills to accept and adjust to change.

There were more changes in the production sector compared to other sectors, including services, education, etc. Strategy was changed by 91 percent of production plants, while 76.4 percent of companies in other sectors experienced a change in strategy. Meanwhile almost all production companies (96 percent) changed their leadership, while only 60 percent of companies in other sectors witnessed changes in leadership. The percentage of production companies that changed structure is twice that of firms engaged in other sectors (86% vs. 43%). Moreover, there are a larger proportion of production companies than companies in other sectors undergoing changes in individual skills (46% vs. 37%) and systems (84% vs. 58%). The percentage of companies in the production sector and other sectors changing management practices is almost equal.

When analyzing these results, another fact should be taken into consideration – that is, Chinese companies, especially some large production plants, were quite old with a long history of several decades or even longer. The authors compared the companies founded before and after the economic reform in 1978 (See Table 5). All the companies founded before the economic reform were state-owned or collective enterprises. Among the nine factors, companies founded before the economic reform experienced more changes in eight of them (except task-requirement) than those established later on. In 90% of the companies established before the economic reform began, strategy changed. In 80% of these companies, leadership changed. Along with the national economic reform, the government realized how urgent it was to change the previously centralized decision-making towards a more democratic leadership style in state-owned enterprises, and so they made efforts to create a suitable envi-

ronment for the cultivation of this new style. In 78 percent of the older companies, mission, systems and management practices were changed. Even organizational culture, normally regarded as an element hard to change, changed in 74% of the enterprises founded before 1978. This is mainly associated with the change of the whole system and management style. Under the planned economy their job was lifelong and regarded as an “iron rice bowl”. Under the new system, where the salary was calculated on the basis of the quality of work and a competitive system, employees were more motivated and dedicated to their job.

In the younger companies, less change took place compared to the older companies; however, the changes were still significant. Faced with a market economy and the enterprise reform, companies founded after 1978 were also active in implementing change. Strategy was changed in 77% of companies, although the percentage is less than that of older companies, it nevertheless indicated that great efforts had been made to adjust to the market economy and survive in a fiercer environment of competition after accession to the WTO. Accompanying the changes in the transformational factors, all transactional factors also changed in organizations established after 1978, of which task requirements were changed in 69% of companies, having changed in only 62% of the older group of companies. It can be seen that under the new price-driven market economy, younger companies were aware of the great importance of implementing change in order to survive, retain their competitive advantage and increase profits.

Changes were analysed in terms of the size of the companies in Table 6.

In terms of size, the largest companies underwent more changes in all transformational and transactional factors. There was an especially sharp contrast in changes in strategy, culture, structure and task requirements if we compare the largest companies with the other smaller companies. The results indicated that the larger the company, the more drastic changes taking place and the more factors were changed.

Based on these results and the subsequent analysis, it could be concluded that only 5 per cent of the changes were developmental changes, which normally took place in one department. For example, the introduction of new software

**Table 6. Changes in Chinese Organizations in terms of the Size of the Company**

Number of employees	All sample	-100	101-500	501-1000	1001-3000	3001-5000	5001-
%	100	23.1	37.5	9.4	11.9	8.1	10.0
<i>Transformational factors</i>							
Strategy	83.8	75.7	88.5	73.3	84.2	76.9	93.8
Mission	69.4	67.6	70.5	60.0	68.4	76.9	75.0
Culture	65.0	51.4	70.5	60.0	63.2	69.2	81.3
Leadership	77.5	64.9	78.7	73.3	84.2	84.6	93.8
<i>Transactional factors</i>							
Structure	65.0	56.8	70.5	66.7	89.5	84.6	87.5
Task requirements	65.6	56.8	65.6	53.3	78.9	46.2	93.8
Individual skills	41.9	32.4	36.1	33.3	73.7	46.2	56.3
Systems	71.3	70.3	67.2	73.3	78.9	69.2	81.3
Management practices	74.4	70.3	70.5	73.3	89.5	61.5	93.8

into the IT department or adjusting new systems within one department. Meanwhile, 41.3% of the changes were transitional and 53.7% were transformational. As the Chinese economy is still transferring to a market economy from a planned economy, half of the organizations in the survey experienced dramatic changes in ownership, especially after the enterprise reform was launched. For example, some state-owned enterprises experienced the change to a private limited company, some small state-owned enterprises were merged to become a large one and some enterprises were acquired by private owners. Some government agencies under the planned economy even became independently run companies or affiliates of local authorities.

## Conclusions and Discussion

The authors are of the opinion that organizations cannot be understood in isolation from social contexts. The main context for this study was the social transience in China during the change from a command economy with a centralized control system to a free-market economy with a price-driven system under a socialist political regime. The Chinese government's commitment to replacing the planned regime with free-market mechanisms provided the dominant institutional context for organizational change in China. Importantly, since the economic reform, the reform of Chinese

state-owned enterprises has been an integral part of the economic reform in China. In addition, the globalization of markets has added to the urgency with which companies in China needed to implement organizational changes in order to deal with the increased competition.

Interviews in 160 Chinese companies indicate that deeper organizational changes, where transformational factors were changed, were initiated from the top and only a few developmental changes were initiated from lower levels.

Our research results supported the hypothesis: during social transience transformational changes took place in Chinese organizations. Table 7 summarises the changes in Chinese organizations within the institutional framework.

In the era ruled by Mao Zedong in China, only some developmental changes were allowed to take place. Then after the economic reform program was launched, drastic and strategic changes started to take place.

A comparison of the changes in different industries revealed that more changes took place in the production sector than other sectors. Changes were also much less profound in the services sector. A possible reason for this is that conventional wisdom regards China as a strong low-cost manufacturing base, and the Chinese government has been reluc-

Table 7. Changes in Chinese Organizations within the Institutional Framework

Period	Institutionalization	Types of organisational changes
1949-1977	Period of stable institutions	Developmental changes
1978	Deinstitutionalization	Transformational changes
Late 1970s - early 1980s	Creation of new additional institutions	Transitional changes
1980s	Social transience	Transformational changes
1990s	Creation of new additional institutions	Transitional changes
Late 1990s - early 2000s	Reinstitutionalization	Transformational changes
2001	Continuation of reinstitutionalization	Transformational changes. Transitional changes

tant to open its services sector to international competition, because of its weak competitive position.

Analysis of change in terms of the size of the organizations showed that the larger organizations experienced more drastic changes than the smaller ones. In terms of age, younger companies, although experiencing less change due to adopting a less profound approach to change than the older companies established before the economic reform started, were still found to be quite active in implementing change.

To summarize, the results indicate that Chinese organizations have been in a continuous change process and a large proportion of the changes were transformational, which are much deeper and more profound than transitional and development changes in terms of scope. Based on Nadler and Tushman's model, almost two thirds of the changes could be considered re-creation – the deepest strategic change in terms of scope compared to re-orientation, adaptation and tuning. These could be explained more explicitly in the institutional context. During the social transience and reinstitutionalization stage, the deepest changes in terms of scope took place.

### Further Research Proposal

This study was based on interviews conducted with top or senior managers in Chinese companies from several areas. The research results could be more generalized if a larger number of companies from more cities or areas were included. Another

option for future research is that the same interviews could be conducted again after some years in order to obtain dynamic knowledge about the types of changes from the institutional perspective.

The finding that transformational changes took place during social transience in Chinese organizations is consistent with research results obtained by Alas and Vadi (2006) in Estonian organizations during social transience in Estonian society. Therefore, the authors can already start to make broader generalizations on the basis of these conclusions about organizational change in two countries in transition – Estonia and China – and assume that transformational changes are also likely to take place in organizations in other countries undergoing economic transition. But this assumption should be checked by observing other countries, such as the Ukraine or Russia, which have not been so successful in their reforms.

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# Structures of Motivation and Entrepreneurial Orientation in Students as the Basis for Differentiated Approaches in Developing Human Resources for Future Business Initiatives

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## Abstract

The paper studies motivation structures among business students in comparison with the general population in Estonia and analyses their entrepreneurial orientations. The research question is: how measurements of motivation structures and differentiated entrepreneurial orientations of students can serve as the point of departure for new approaches in business education in order to develop human resources for future business opportunities? The conceptual basis of the paper integrates research on motivation structures reflecting achievement, power, affiliation and failure-avoidance needs and entrepreneurship orientation studies. The tripod SEV/V2 motivation questionnaire revealed that business school students score higher than the average norm in all elements of the motivation structure except failure-avoidance. Linking motivational structures to the self-assessment questionnaire for specifying imitative, individual innovative and co-creative entrepreneurship orientations of students

allowed the identification of clusters labelled as power-driven change leaders, rationalistic failure-avoiders, individualistic innovators, affiliation driven co-creators and low-ambition imitators. The paper discusses educational approaches that support differentiated development paths among business students that reflect their motivational structures and entrepreneurial orientations.

**Keywords:** Estonia, business students, entrepreneurial orientations, educational approaches, human resources, motivation structure, self-assessment

## Introduction

Synergy between developing business education and human resource management is a key factor for successful organizational change in a rapidly

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changing society. Complex changes create challenges for managers eager to align business development and human capital development goals. An important task in business education institutions is to prepare future managers for these challenges in the systematic way. In Estonia, a small country that became a member of the European Union in 2004, entrepreneurial drive can be seen as a key human factor of international competitiveness. Business education in a dynamic market economy should develop entrepreneurial human resources for the creation of new ventures, and not limit its role to preparing students to work in hierarchies of large organizations. The standard theory of the firm analyses repetitive decisions in an enterprise that is already present and fully grown (Baumol, 2005). Such a context does not fully reveal the role of human resources in creating new business opportunities. Peter Drucker (1985) has described entrepreneurs as individuals who exploit the opportunities that change creates. New organizations create new jobs and broaden social mobility (Carroll and Hannan, 2000). Although entrepreneurship assumes risk-taking, in the post-modern society it can be a greater risk not to be entrepreneurial, and not to see self-employment as a personal career alternative (Kjellmann and Ehrsten, 2005). In this framework the entrepreneurial focus of business education is related both to entrepreneur-owners of new ventures and to intrapreneurs acting as gatekeepers of new business opportunities and champions of new business ideas in large organizations.

The research question in the present paper is: how measurements of motivation structures and differentiated entrepreneurial orientations among students can serve as the point of departure for new approaches to business education in order to develop human resources for future business opportunities? Estonian Business School entrepreneurship and international business programs have been used as the test site for generating empirical data and development efforts to answer this question.

The paper proceeds through four main steps. The creation of a theoretical framework as the first step presents the concepts of entrepreneurial orientation and studies of motivation. These concepts are linked in the paper to educational approaches that can support synergy between human resource development and business studies. The learner-centred approach is discussed in the context of a focus on identifying entrepreneurial opportunity

in business training and enabling self-perception among students as the departure point for experiential learning.

This empirical study explores two questionnaires that were applied in the research process, and describes the nature of the sample, the process of data collection and feedback to respondents.

The analysis of the empirical results includes a comparison of the motivational structures of Estonian Business School students to a control group. Differences based on gender and study groups are discussed. A cluster analysis is applied in order to link motives and entrepreneurial orientations and to highlight target groups that need differentiated educational approaches.

Educational approaches to business education with an entrepreneurial focus are developed in the paper using the empirical results as the input for customizing the educational objectives, methods and tools to the motivational structures, entrepreneurial orientations and student clusters identified in the empirical study. Examples of applying some elements of these approaches at the Estonian Business School are presented and discussed in the broader framework of human resource development and the institutional framework of a transition economy.

## Entrepreneurial Opportunities

Defining the essence of entrepreneurship has been part of a longstanding conceptual debate (Henry et al., 2005). J. Schumpeter (1949) interpreted entrepreneurship as the equilibrium disturbing force that causes creative destruction. Kirzner (1978) in his theory of entrepreneurship concluded that the entrepreneur is a driving force in the market due to his or her role in discovering unused opportunities in the marketplace, and his or her competitive behaviour is operational in restoring the equilibrium of the market. The innovative entrepreneur described by Schumpeter is more related to introducing creative business ideas that may change the nature of markets whereas the entrepreneur described by Kirzner is more an opportunity seeker able to perceive market gaps and mistakes made by other entrepreneurs in the situation of incomplete information supply. The ability of the entrepreneur to take risks, innovativeness and market knowledge has been stressed together with business management skills and abilities to co-operate and to iden-

tify business opportunities (Casson, 1982). Shane (2003) links Kirznerian entrepreneurial opportunities to equilibrating forces, to limited discovery, common and less innovative solutions that do not require new information whereas Schumpeterian opportunities are disequilibrating, rare, innovative, involve creation and require new information. The literature dealing with the identification of entrepreneurial opportunities discusses four ways in which opportunities are identified: active search, passive search, fortuitous discovery and the creation of new opportunities (DeTienne and Chandler, 2004). The active search for business opportunities assumes systematic goal setting, competitive analysis and business planning (Baum et al., 2001). Although both passive search and fortuitous discovery require creativity in order to recognize the objective opportunities initiated by market disequilibrium, the role of creativity and innovation is more central if the imagination of an entrepreneurial individual is treated as the main source of the creation of a new opportunity. Taking into consideration international transfer of business ideas between more and less advanced markets, one way of reacting to market disequilibrium in less advanced market environments is to fulfil the empty market by copying a business concept that has been already successfully implemented in a more advanced marketplace. Copying can sometimes be illegal, but often it is accomplished as a legally correct import, franchise or other business transaction that allows the transfer of the existing best business practice. In a broader sense we can use the term imitation as direct copying is an extreme case and some adaptation to the local market context is usually needed. Innovation as opposed to imitation is driven by the creative imagination of the entrepreneurial individual and the desire to commercialize his/her innovative business idea.

Innovation that is fully dependent on individual knowledge and the creative aspiration of the entrepreneur faces the risk of incompatibility with the market demand and lack of resources from other stakeholders. In a rapidly changing and globalizing business environment, networking is a way to broaden the resource base for entrepreneurship. Participation in formal and informal entrepreneurial networks has been discussed as a factor of successful entrepreneurship since the last decades of 20th century (Sweeney, 1987; Johannisson, 1998; Breschi and Malerba, 2005). Networking has become an especially important busi-

ness model under the influence of internet-based learning communities and collaborative innovation networks (Gloor, 2006) that help to overcome distance as a barrier in business co-operation. Entrepreneurs in Estonia and in other new EU member states often lack domestic resources for commercializing ambitious innovative ideas. Networking with other entrepreneurs can broaden their resource base.

The choice to become an entrepreneur is based on the individual's past activities, present situation and future aspirations that can bring change to an individual's life space (Kjellmann and Ehrsten, 2005). The life space can be expanded by acquiring new actionable knowledge that helps the individual to understand his motives and to choose between entrepreneurial opportunities that will correspond his or her preferred orientation.

### **One or More Entrepreneurial Orientations?**

Research into entrepreneurial orientation has been developed by Morris and Paul (1987), Covin and Slevin (1991). Lumkin and Dess (1996) use a concept of entrepreneurial orientation that identifies five dimensions – autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness. Entrepreneurial orientation as one integrated construct however, does not fully address crucial choices that have to be made by future entrepreneurs when undertaking an entrepreneurial venture and potential contradictions between rapid proactive use of business models already applied by other entrepreneurs, developing and commercializing the entrepreneur's individual innovative ideas or giving priority to a broad social network of co-entrepreneurs over the competitive aggressiveness of a "lone rider". In order to support self-reflection in business students as potential entrepreneurs, three entrepreneurial orientations can be specified.

#### **Imitative Orientation**

This orientation is assumed to be successful in a business environment where empty market niches can be filled by introducing business ideas that have proved their effectiveness and efficiency in similar conditions in other markets. This should not be seen simply as copying the ideas of other entrepreneurs, but also as a readiness to monitor and introduce best practices efficiently without

losing time inventing new “bicycles” if the old ones can meet the needs of the customers. Imitation in a non-saturated market can support market proactiveness and the competitive aggressiveness of a fast mover.

### **Individual Innovative Orientation**

Innovative orientation is a good basis for entrepreneurial ventures in a business environment where creative differentiation is the main prerequisite for creating and retaining competitive advantage. This orientation will work for business growth if the creative entrepreneur is able to protect his/her innovative solution and to individually control human resources and investments that are needed in order to implement an innovative product or technology. It is exhibited in a clear-cut form in inventors that use their creativity to generate new ideas, but tend to be scared that risk capitalists or business partners might steal their ideas. It is not guaranteed that long-term technology-driven innovative product development can be aligned with short-term market proactiveness.

### **Co-creative Innovative Orientation**

Co-creative orientation is a reflection of the emerging network economy of the 21st century. Here entrepreneurs can co-operate as members of global value chains. Software development projects that are based on open source code and communities of practice are examples of co-creative environments that may generate synergetic entrepreneurial ideas. Co-creative orientation assumes knowledge sharing readiness and mutual trust in a business environment where, as in a brain storming session, it is not always possible to fix and protect authorship of the idea. Co-creative orientation means that new value creation has priority over owning and controlling a business. Business ventures can emerge in co-creative communities as entrepreneurial co-creative spin-off teams.

### **Motivation Structure and Entrepreneurship**

Motivating individual employees and groups is a classical human resource management issue starting from Elton Mayo’s approach to human relations (1933), Abraham Maslow’s hierarchy of needs and motives (1954) and Douglas McGregor’s human side of the enterprise concept (1960). Entrepreneurial personality is characterized by

a self-motivation that makes overcoming risks possible and is driven by new business opportunities. Rotter (1966) introduced the concept of “locus of control” and stressed the importance of the feeling of the ability in the entrepreneurial subject to control events and outcomes. The need for achievement leads people to activities that involve personal responsibility for the outcome, demand individual effort, involve moderate risk and provide clear feedback. There is considerable research evidence that entrepreneurs have a greater need for achievement compared to the general population (Hines, 1973; Shane, 2003). Surveys of university alumni have also demonstrated that people with a higher need for achievement are more often planning to start their own business (Hull et al., 1980). Jean Lee (1997) conducted an empirical study in Singapore to find out the motives that attract women to become business owners. The study revealed that female entrepreneurs are motivated by a high need for achievement, a reasonably high need for dominance and moderate needs for affiliation and autonomy compared to female employees.

McClelland, Atkinson, Clark, and Lowell (1953) asserted that the achievement motive is related to entrepreneurship, but they also claimed that the motive was a subconscious one. Thus, it had to be measured with a projective test. Locke and Latham (2004) referred to Collins, Hanges, and Locke that the self-report measures of achievement motivation are typically uncorrelated with projective measures, but both types of measures are significantly associated with entrepreneurship. People who place high emphasis on affiliation tend to be supportive team members, but may be less effective in promoting innovative entrepreneurial initiatives that are not supported by their reference groups. People who exhibit the need for power are most satisfied by seeing their environment moving in a certain direction, due to their involvement.

As an example of the need for personal power, an entrepreneur can stress personal control over the direction in which the company is moving. The need for failure avoidance can direct a person to avoid situations where others seem to be more competent and business opportunities where the probability of failing in competition is high, or to discard entrepreneurship as a risky career option altogether. A low need for failure avoidance enables efficacy in critical situations.

## Educational Approaches to Entrepreneurship

Opportunity identification has been discussed by researchers as an essential capability of entrepreneurs and has become an important element of education in the area of entrepreneurship (Ardichvili et al., 2003). Methods for identifying opportunity in business however, depend on orientations of entrepreneurship. Systematic search skills and the ability to consider the right information channels (Fiet, 2002), including international information available via the internet, can support both co-creative communities and imitative entrepreneurship opportunities that are based on best practices. Innovative entrepreneurship that is focused on radically new business ideas will benefit from creativity training, but also from educational approaches that integrate market focus, understanding the business implications of new technologies and the creative re-defining of business ideas. Co-creation assumes synergy between co-entrepreneurs. Synergy-creation is the aim of group work that is often used in case study discussions and teamwork for drafting business plans. An important tool for developing competencies for the creation of such synergy is, however, a diversity of team members and an appreciation of the different roles in a team in the educational process.

Experiential learning as the process of creating knowledge through the transformation of experience in the learning cycle of experiencing, reflecting, thinking and acting (Kolb and Kolb, 2005) is an educational approach that can link the identification of entrepreneurial opportunity to exploiting opportunity and learning from after action feedback. Experiential learning can also make use of failure as a learning experience in order to redesign how business planning is taught by focusing on divergent thinking (Honig, 2004). The humanist approach to adult learning stresses freedom of choice and the personal growth of learners. The responsibility for learning lies with the individual and assumes sense making, the use of prior knowledge to assign meaning to new information (Schwandt, 2005). Learner-centred education can be integrated with experiential learning and teams if the composition of the teams and their customized tasks take into consideration entrepreneurial orientations and the motivation of team members. Empirical analysis of the motivation structures and entrepreneurial orientations of students can serve as tools that facilitate mass customization

in the business school learning setting, where full individualization is not a technically realistic opportunity.

The SECI model (Nonaka and Takeuchi, 1995), which explains knowledge conversion through externalization, combination, socialization and internalization, helps us understand the complexity of knowledge sharing in co-creative entrepreneurship and provides direction for the educational approach that links competencies for externalizing tacit preferences and positive emotions, searching and combining new information, socializing for creating the common ground for team activities and internalizing common values. Situated learning theory (Lave and Wenger, 1991) sees learning as a process of becoming a member of a community of practice or a learning community through legitimate peripheral participation. Learning social skills in order to join new communities is a function of team formation processes and the rotation of members between teams that depend on motivation and orientations of students. One task of a business school is to raise the awareness of students about international networking and cross-border information search and knowledge sharing tools. Course design and learning methods should support learning motivation and entrepreneurial orientations by providing opportunities for students to search and combine relevant information from virtual sources and from other students to identify new business opportunities.

## Empirical Study

### Motivation Questionnaire

A revised version of the Motivation Questionnaire *SEV/V2* (Nölvak and Pullmann, 2002) was used as a self-report inventory to measure four aspects of basic motivation among students at the Estonian Business School (EBS). The questionnaire included 18 items assessing the need for achievement (for example "I like to make plans for the future and implement them"), 13 items for the need for power ("I feel no need to always pursue higher positions in my career", reverse scored), 12 items for the need for affiliation ("I wish to receive feedback about how peers understand and trust me") and 11 items for the need to avoid failure ("I am not afraid of making mistakes in my life", reverse scored). The questionnaire was completed online within the testing-system provided by Tripod at

the [www.tripod.ee](http://www.tripod.ee). Agreement with each item was rated on a 5-point scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Higher scores on each subscale represented higher levels of motivational aspects reflecting the need for achievement, power, affiliation or failure-avoidance. The sample consists of 419 learners, 40% in the sample were male and 60% female. The sample included 256 new bachelor and master-level students — 88% of all students entering the Estonian Business School from 20.07.2005 to 19.07.2006.

### Entrepreneurial Orientations Questionnaire

The self-assessment tool for analysing entrepreneurial orientations introduces 15 choices in response to statements. Each choice has to be made between 3 statements that correspond to imitative, individual innovative and co-creative innovative orientations. Respondents were asked to choose one statement that most accurately described his/her preferences in regard to entrepreneurial activity. For example, students had to choose between statements such as: “I am entrepreneurial because I have personal and original ideas” or “I am entrepreneurial because of my ability to let others be innovative” or “I am entrepreneurial because I keep my eyes open to implement ideas that have already proven to work well in other places”. The statements cover three main blocks that differentiate action priorities within these orientations: sources of entrepreneurial ideas and entrepreneurship motivation, type of interaction with customers and partners, transparency and risk management.

The layout of the questionnaire helped the researchers to give rapid guidance after the questionnaire was completed, about how the respondents themselves could work out their scores based on their answers in columns that summarize each of the 3 entrepreneurial orientations. Summary scores were then used for further reflection in classes on organizational behaviour and entrepreneurship. As the self-assessment of entrepreneurial orientations was integrated into the educational process and specifically into courses that are relevant for follow-up discussions on entrepreneurial orientations, the results from 120 students that completed both the motivation questionnaire and the entrepreneurial self-assessment questionnaire have been used to link data about entrepreneurial orientations and motivational structures.

### Analysis of Motivation Structures

The motivation questionnaire SEV/V2 has been validated by Tripod for the Estonian population in 2002. The norm group that was used was composed of various professions and fields of activity, one third of the norm group had higher education. The sample of 419 EBS students scored significantly higher than the average Tripod norm group from the Estonian population (N=657) in all elements of motivation structure except failure-avoidance. The independent samples t-test was conducted to compare the male and female students. In the sample of the general Estonian population males have a slightly higher achievement motivation than females but EBS female students had a higher achievement motivation than male students (table 1).

**Table 1. Estonian general population and EBS students - achievement, power, affiliation and failure avoidance needs compared**

		Estonian general population (N=657)		EBS students (N=419)	
		Mean	Standard Deviation	Mean	Standard Deviation
Need for achievement	males	3,89	0,48	4,26	0,44
	females	3,84	0,53	4,35	0,41
Need for power	males	3,3	0,59	3,91	0,56
	females	3,09	0,66	3,86	0,54
Need for affiliation	males	4	0,47	4,15	0,53
	females	3,97	0,49	4,22	0,51
Need for failure avoidance	males	2,92	0,47	2,86	0,6
	females	3,08	0,56	2,92	0,58

Source: SEV/V2 Estonian data and EBS data by authors

While the power needs among males in the general population were considerably higher compared to females, males and females in the EBS sample were quite similar. However, EBS female students simultaneously have a higher affiliation need ( $\underline{M}=4,22$ ) than male students ( $\underline{M}=4,15$ ), whereas in the general population male affiliation needs were even slightly higher compared to females. Female students also have a higher score for the avoidance of failure than male students ( $\underline{M}=2,86$ ), although both score lower than the general population (females  $\underline{M}=3,08$ , males  $\underline{M}=2,92$ ).

We conclude that the motivation structures of EBS business students compared to the control group represent a strong need for achievement and other motives that facilitate an entrepreneurial career. The female students that have chosen business studies and exhibit relatively high achievement and power needs, but at the same time also score high in affiliation and failure avoidance may need special attention when experiential learning approaches are being applied.

An ANOVA (LSD) test was conducted and there were significant differences between Master of Business Administration and Master of Art students. Master of Business Administration students ( $\underline{M}=4,14$ ,  $\underline{SD}=0,52$ ) tend to score lower in the need for achievement than full-time bachelor students ( $\underline{M}=4,40$ ,  $\underline{SD}=0,34$ ) and Master of Arts ( $\underline{M}=4,39$ ,  $\underline{SD}=0,31$ ) students ( $p<0,05$ ). Master of Business Administration students ( $\underline{M}=3,58$ ,  $\underline{SD}=0,51$ ) also had a lower need for power than full-time bachelor students ( $\underline{M}=4,02$ ,  $\underline{SD}=0,45$ ) and Master of Arts students ( $\underline{M}=4,06$ ,  $\underline{SD}=0,41$ ) ( $p<0,01$ ). The latter are continuing their master studies after taking the bachelor degree in business or economics. Full-time bachelor students have a higher affiliation need than students in other programs. MBA students have more professional experience than students in other programs, and that may lead to more realistic aspirations about career and human relations.

Students that had chosen international business administration scored higher for achievement need ( $\underline{M}=4,36$ ,  $\underline{SD}=0,37$ ) and power need ( $\underline{M}=3,97$ ,  $\underline{SD}=0,49$ ) than students that had chosen the entrepreneurship study stream (achievement need  $\underline{M}=4,21$ ,  $\underline{SD}=0,50$ , power need  $\underline{M}=3,79$ ,  $\underline{SD}=0,64$ ). Entrepreneurship students do not have the highest or lowest average scores for any of the elements of motivation structure when compared to other study

streams. Business administration & languages students have the highest affiliation need ( $\underline{M}=4,35$ ,  $\underline{SD}=0,47$ ) and the public administration stream represents the highest failure avoidance need ( $\underline{M}=3,15$ ,  $\underline{SD}=0,64$ ).

### Relations between Motivation Structures and Entrepreneurial Orientations

Among 120 students involved both in the motivation self-report inventory and in the self-assessment of entrepreneurial orientations, 50 % had the highest score for the individual innovative orientation, 31 % for the co-creative orientation and only 4 % for the imitative orientation, 15% had equal scores in two or even in all three orientations.

The main differences between male and female students in the 120-student sample were the same as those among learners who had only completed the motivation test. For instance, if the power orientation of males in the general Estonian population had considerably higher score compared to females, in the 120-student sample, male ( $\underline{M}=4,08$ ,  $\underline{SD}=0,53$ ) and female ( $\underline{M}=3,92$ ,  $\underline{SD}=0,53$ ;  $\text{Sig}=,164$ ) students had quite similar scores for power need, as in the sample involving 419 learners.

An independent-samples t-test was conducted to compare the orientation and motivation of students who had some previous entrepreneurial experience and those who did not. The score for the co-creative orientation was higher among students that had previous entrepreneurial experience ( $\underline{M}=5,88$ ,  $\underline{SD}=3,433$ ) compared to the co-creative orientation score of students with no experience ( $\underline{M}=5,09$ ,  $\underline{SD}=2,063$ ;  $\text{Sig}=,001$ ).

Analysis of the results from students that had used the motivation questionnaire and the entrepreneurship orientation self-assessment tool demonstrated a strong positive correlation between the achievement and power motivation scores ( $r=0,55$ ,  $n=120$ ,  $p<0,001$ ). A correlation analysis did not reveal statistically significant linear correlations between the four aspects of individual's basic motivation and the three entrepreneurial orientations. However, some non-linear U-shape connections were found. The power motivation score is higher among students that have extremely low or extremely high co-creative orientation whereas students with average co-creative orientation have lower power motivation than these extremes. At the same time, students that have average power motivation received a consider-

ably higher individual innovative orientation score than co-creative orientation score. High affiliation motivation characterizes students representing high imitative orientation, whereas students with moderate imitative orientation have slightly lower affiliation needs than students with no imitative orientation. The affiliation need is strong among students with low individual innovative orientation and low among students with clearly expressed individual innovative orientation, but moving from average to moderately high innovative orientation score translates into an increasing affiliation need.

### Five Clusters of Students

Clustering was applied using the nearest neighbour algorithm in the statistical package SPSS. Five significant clusters that combine motivation structures and entrepreneurial orientations were identified. The first cluster (24 students) can be labelled as “power-driven change leaders”. They have the highest achievement and power motivation and the lowest need for failure avoidance combined with average individual innovative and co-creative orientations. The second cluster (15 students), “rationalistic failure-avoiders”, is characterized by low affiliation need and high failure avoidance need whereas other motives and entrepreneurial orientations are about average. The third cluster (32 students) can be called “individualistic innovators” as their individual innovative orientation is the highest and co-creative orientation the lowest. The fourth cluster (33 students), “affiliation driven co-creators” represents students with low individual innovative orientation

and high co-creative orientation and also have a high affiliation need. The fifth cluster (16 students) can be labelled “low-ambition imitators” as their differentiating features include the highest score for imitative orientation combined with low achievement and power needs.

### Adapting Educational Approaches to Suit Different Motivation Structures and Entrepreneurial Orientations in Students

The results of the empirical study demonstrate the need to adapt educational practices to different subgroups of students representing specific motivation structures and entrepreneurial orientations in order to apply learner-centred and experiential learning (Kolb and Kolb, 2005) that prepares students for entrepreneurial opportunities. The cluster analysis revealed that differentiating educational practices is relevant for student subgroups, but evidently the proportion of students represented in such clusters within student populations is dependent on a number of contingent factors, and the educational approach has to be flexible enough to reflect different motivation and structures and entrepreneurial orientations in specific classes. Adapting educational approaches to five clusters should help students to overcome potential challenges in their future entrepreneurial activities. It assumes an educational focus on supporting their dominating orientations, but also on broadening their views for co-operation with people representing different motivation structures and orientations (table 2).

**Table 2. Customizing educational approaches to five clusters of students**

Student cluster	Potential challenges in entrepreneurial activity	Educational approach focus
<b>Power-driven change leaders</b>	Too dominating for creative teamwork, take high risks	Coaching for affiliation in a co-creative team; critical analysis of failure stories, after action feedback
<b>Rationalistic failure-avoiders</b>	Avoid reasonable risks, underestimate the human factor	Experiential learning cycles for business opportunity identification; organizational behaviour and communication training
<b>Individualistic innovators</b>	Do not use the potential of networking, limited resources may inhibit commercialization of their innovations	Knowledge for protecting intellectual property and for co-operation with risk capitalists; individual and team-based creativity techniques
<b>Affiliation driven co-creators</b>	High conformity may inhibit entrepreneurial choices and independent action	Positive experience of co-creation in a community of practice; negotiation skills and disputes
<b>Low-ambition imitators</b>	Slow to follow first movers, low ambitions lead to missed entrepreneurial opportunities	Learning from success stories, skills for monitoring best practices; positive feedback about their own ideas; introduce competitive environment

Power-driven change leaders may need coaching to better understand the role of affiliation in teamwork that can in some entrepreneurial activities support their achievement needs. Individualistic innovators can be taught how to protect their future intellectual property, but they can also be involved in experiential learning exercises that demonstrate the limitations of the individual innovative orientation. Low-ambition imitators need encouragement and positive feedback in order to become more open to new business opportunities.

Economic theories are based on the assumptions of *homo economicus*, the rational decision maker whose main objective is to maximize profit or other measurable individual gain. Frank, Gilovitch and Regan (1993) found that after extensively studying economic theories, students had difficulties in solving co-operative team assignments (for instance the „Prisoner’s Dilemma”) compared to students that had not studied economics.

At the Estonian Business School all students get some communication training experience and study the role of business etiquette and protocol on business communication in order to avoid the *homo economicus* bias. Pursuing entrepreneurial opportunities is not limited to rational decision-making, intuitive and emotional components are also important, both for individual creativity and co-creation. Rationalistic failure avoiders and individualistic innovators are especially in danger of being trapped in convergent rationalism if the educational approach does not balance the economic and behavioural sciences.

In order to overcome limited rationalism in entrepreneurial opportunity identification, knowledge sharing in communities of practice and enabling the humanist freedom of choice are both essential for adapting educational approaches to motivational structures and entrepreneurial orientations of students. Opportunities to experience individual creativity, team leadership and peripheral participation in a community (Wenger, 1991) are all valuable elements of the learning process that helps to understand pluses and minuses, challenges and limitations of different entrepreneurial orientations.

#### **Stages of Applying Differentiated Educational Approaches**

The first stage in differentiating the educational approach is a self-reflection upon motives and

entrepreneurial orientations by the students themselves in order to decide what entrepreneurial self-development vision, if any, would make sense for them as individuals, and to choose the type of business opportunities they would be interested in identifying as part of their learning activities. At this stage, the tutor can use motivation and entrepreneurial orientation self-assessment tools to facilitate this reflection. The tutor can raise the awareness of students of entrepreneurship-related success factors, but also the inhibiting factors that can influence their life space.

At the second stage, students can be involved in teamwork for experiential learning both in homogeneous teams with students that represent similar orientations and in teams with a more diversified composition. Diversity of team compositions will improve their social skills in order to manage human resources that represent different motivation structures and entrepreneurial orientations. Experiential learning can be based either on entrepreneurial opportunities identified by students themselves or on helping practitioners to search meaningful information for developing their businesses.

#### **Some Applications at the Estonian Business School**

The context of a rapidly changing transition economy has to be taken into consideration when developing entrepreneurship education in Estonia. The Estonian Ministry of Finances (2006) estimated that by October 2006 at least 20 000 people had emigrated from Estonia to work abroad. That corresponds to 2.9% of the working age population, which was 686 800 in 2006 (Statistics Estonia, 2007a: 44). The real number of Estonians working in other EU countries may be much higher, as many Estonians work abroad through duty assignment in the context of the free movement of services. Unemployment has decreased. According to Statistics Estonia the long-term unemployment rate decreased to 2.8% in 2006 while the average in the European Union (EU-27) was 3.6% (Statistics Estonia, 2007b).

The Estonian Business School follows the principle that none of its students should face the risk of being unemployed. In order to react to the high labour market demand and to give students an opportunity to test if they have chosen the right specialization, students are encouraged to match studies and acquire work experience already during the first study year.

At EBS, all full-time students that have so far not experienced the role of entrepreneur are engaged in student teams that create and run real student enterprises. The diversity within the teams will be increased if students from art and technological universities can also join. EBS students have the opportunity to choose an elective course, where they join international student teams in order to identify new international business opportunities for Estonian companies. In classroom activities, the rotation of team members and world café (Brown and Isaacs, 2005) processes are used as tools to facilitate the formation of teams that bring together students of similar orientations, but also to create opportunities for synergy between students representing different entrepreneurial orientations and opportunities. A group assignment is, however, not a panacea if we accept that individual innovative orientation also has its role in the entrepreneurship landscape. In the majority of entrepreneurship-related courses at EBS, creative individual and group assignments are combined in order to give students the opportunity to prove their competencies both in individual and team-based learning activities. From the point of view of the development of imitative orientation, learning from the success stories of entrepreneurs is a suitable learning method. A smart imitator should, however, study both best and worst practices. At EBS, entrepreneurial failure stories have been regularly collected and discussed as an element of the learning process.

### Combined Educational Approach

Combining e-learning, field projects in companies and classroom-based face to face group work in line with the SECI model of knowledge conversion is an educational method that helps students to practice a large variety of information search, knowledge creation and knowledge sharing modes. Students develop externalization skills through sending brief overviews of their problem statements or overviews of interviews with practitioners to the e-learning forum. Combining knowledge sources is learnt by reviewing relevant internet sites and presenting internet-based actionable knowledge to entrepreneurs. Socialization and internationalisation is experienced in the teamwork involved in company projects and in reflecting the inhibiting and supporting factors of such teamwork, including the feedback that is given to other team members. Blended learning environments, where individual student contributions are made transparent through open postings to virtual discussion forums and

reflected upon in classroom discussions, creates a good space for students to test their readiness for co-creative entrepreneurship in the networking economy of the 21st century.

The potential role of social software in enabling learning communities supported by wikis, easy web publication in weblogs and the sharing of links and photos has become a topical issue for the younger generation. Social software is a knowledge-sharing tool that provides the individual with control of his own generated content as opposed to the hierarchical control of centralised knowledge repositories (Avram, 2005). Although social software has already transformed the group interactions of people actively involved in blogging, its potential for co-creative entrepreneurship venture creation has only been used on a limited scale.

### Conclusions

Our research demonstrated a multiple entrepreneurial orientations analysis alternative to the single entrepreneurial orientation concept that is still dominating entrepreneurship theory. A higher awareness of business students and their motives and entrepreneurial orientations serves as a tool for learner-centred entrepreneurial emancipation in the educational process, but also broadens the life space of entrepreneurial students. They can pursue alternative success paths and cope with people with different motivation structures and orientations. Business opportunity identification as an essential capability of entrepreneurs can be developed by taking into consideration features of imitative, individual innovative and co-creative entrepreneurial orientations. Business students recognize that opportunities for developing themselves and other people as human resources depend on choosing the role of entrepreneur, but also on following different entrepreneurial orientations. Using a motivation self-report inventory and entrepreneurial orientation self-assessment tools is a good departure point for learning entrepreneurship and allows us to differentiate educational approaches to motivation structures that are influenced by the gender and study stream of the learners.

The motivation self-report and entrepreneurial orientations self-assessment can both serve the role of independent self-analysis tools, as there were no statistically significant linear correla-

tions between the results of these questionnaires in the total sample. However, the non-linear U-shape connections that were revealed and the cluster analysis results provide guidance for further research involving a larger sample. The sample of students that used both the motivation questionnaire and the entrepreneurial orientation self-assessment tool was limited by the logic of the educational process in which the self-assessment tool has been embedded. In future studies, the longitudinal approach can be applied by repeating the same questionnaires with students after they have graduated from business school, but also through conducting projective motivation measurements that can be linked to learning assignments within the educational process. Subconscious and conscious self-reported motivation structures can then be compared.

The institutional background of a rapidly developing transition economy should also be taken into consideration when generalizing the present research results. Estonia has experienced higher economic growth than established European market economies in recent years. Young people have got used to ICT-innovations that enable easy access to the Internet and to rapid changes in the business environment. Labour mobility to highly paid jobs in Nordic countries has increased and created additional opportunities for entrepreneurial young people. In a country that experiences economic crises or stagnation and high youth unemployment, business students may express higher failure-avoidance needs and become more careful when choosing between imitative and innovative entrepreneurship opportunities.

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# Transnational Leadership: Harmonizing “Long Wave” Career Influence and “Leader as Bard”

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## Abstract

This conceptual review presents the shortcomings of traditional models of leadership (or leader as “architect”) in a global context and proposes that a new conceptualization of the transnational leader (leader as “bard”) is more appropriate to the culturally and geographically dispersed control requirements of the transnational firm. This transnational leader combines a culturally-flexible charismatic authority with the conscious manipulation of world-wide corporate iconography and the maintenance of an integrated set of global images by applying the technologies of the internet and global telecommunications (“long wave” influence). In the following, the authors will present a carefully organized global career progression as the developmental source of these new “bardic” leaders,

and discuss the subsequent role of these bardic leaders in directing the global career development of their geographically dispersed followers. The paper concludes with a review of the potential advantages of reconceptualizing leadership in the transnational context.

**On Leadership:** Leadership, particularly global leadership, is a complex area of study in organizations. Building on the literal Anglo-Saxon translation of leadership as “people on a journey”, it is just those journey-specific aspects of leadership we will emphasize. Organizational leadership must ultimately be context-specific if it is to be strategically directed behavior – influence in an already “shared domain [corporation], influencing a specific audience [followers/employees] which is already sophisticated in the stories, the images and *the other embodiments* [our emphasis] of the domain.” (Adler, 2001:78).

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The overarching goal of global leadership is nothing less than the creation, reinterpretation and continually refreshed enhancement of a globally shared corporate culture. This globally shared culture balances a consistency with and acceptance within a wide variety of local national and regional cultures while simultaneously identifying itself with higher, unique corporate values and purposes (Deal et al., 2003). Global corporate cultures must be firmly rooted in these local cultures and yet floating and flowing beyond them. Leadership is the manipulation

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of organizational culture – the conscious creation of meaning (Schein, 1985). Associated values, literally that which is more valuable in any given decision situation, are communicated largely through symbolic actions and not explicit communications.

Leadership is both the *process* of influence via rich communication as well as the *outcome* of an improvement – improvement in the form of the vision of a better existence for the firm's members and all the societies that host the firm. The outcome cannot be separated from the process. If we present the future visionary state (the outcome) we want, then we can talk about appropriate processes of leadership and how leaders need to appear.

If outcome without process is philosophical musing, then process without articulated outcome is demagoguery. Both of these incomplete situations are dangerous for firms, their employees, their shareholders, as well as host societies.

This paper has six sections: First, a definition of leadership as a context-specific process of clarifying and infusing a corporate culture that transcends national cultures is posited. Key leadership processes and outcomes are presented. Second, the statement of global leaders in a more traditional role as corporate "architect" follows. The third section provides a contrasting model of the global leader in the role of corporate "bard". The fourth section will present a discussion of the relationship between global careers as they "cause" leader capabilities associated with the bard leader. The fifth section is comprised of a reciprocal discussion of the relationship between bard leaders as they "effect" the careers of other employees in global firms. Finally a review of the potential advantages of adopting this new conceptualization of transnational leadership will conclude the paper.

### The Traditional Role of the Global Leader: Leader as Architect

Traditionally, leadership in larger firms has taken on the role of corporate architect – the "master builder" that as entrepreneur starts out with a vision for a new or better way of doing business – new *products* or new models of an existing business, new *markets* or new uses in existing markets or new *functions* added for customer satisfaction or regulatory requirements. In the early stages of firm development a personal, one-on-one or one-on-small group leadership dynamic (hereafter referred

to as "*level one leadership*") is responsible for the creation or re-energizing of firm culture. This stage is characterized by the successful articulation and widespread acceptance of the *vision* (goal) and the *discipline* (those physical and psychological paths to walk) required to achieve the vision.

As the firm becomes larger "level one leadership" changes into leadership by organizational design – Max Weber's (1947) "routinization of charisma." During this transition the selection of key disciples, the creation of tasks, jobs, hierarchies and a structure of formal relationships, all must be structured to create "spaces of influence." Personal influence is largely supplanted by specialization (to hold on to a piece of the vision) and requisite integration mechanisms, hereafter referred to as "*level two leadership*." Setting up and maintaining a structure of command and control is deemed the most effective way to focus attention in increasingly specialized, truncated and myopic pieces of the vision (goal) and the path (values).

"*Level two leaders*" spend much of their time tinkering with structures and gaming the chess-like placement of "key" players embedded within these structures. Influence here is the influence of creating the architectural setting.

"*Level one leadership*" interacts with "*level two leadership*" through two primary mechanisms. First, as the firm becomes larger and more diverse – diverse in terms of products, technologies, functions, activities, and particularly geographically and culturally diverse – leaders engage in occasional "walkabouts," showing the flag, cutting the literal or symbolic ribbon, instilling confidence and/or shock and awe as the case requires.

Second, architectural leaders may occasionally intervene personally to tear down an aging edifice, either subtly, with the replacement of a single key executive, or more aggressively with the sledgehammer of a "night of the long knives" style wholesale sacking and reassignment of personnel, or even with the wrecking ball approach to product line reductions, restructuring and downsizing. Within this second mechanism, mergers and acquisitions may be seen as the masterstroke of the architectural leader. This interaction between "*level one*" and "*level two*" leadership will be referred to as "*short wave*" leadership interactions (see Figure 1).

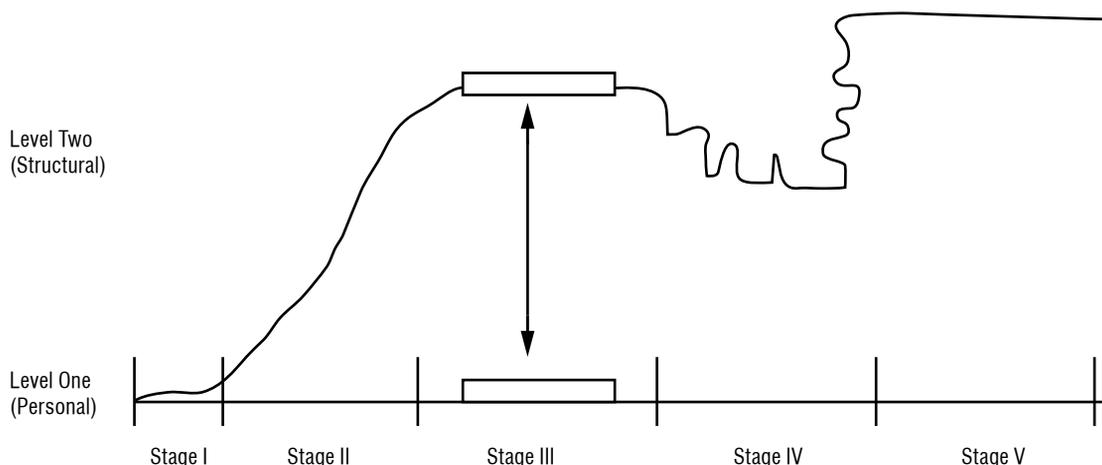


Figure 2: Leader as Architect

The role of leader as architect is increasingly inadequate for today’s global firms. Environmental complexity, dynamism, diversity and uncertainty are so much a part of our professional worlds that architect leaders spend all their time moving people between positions and rearranging structures, always two or three moves behind changing environmental conditions. Leaders simply cannot be everywhere in person all the time (Davis and Bryant, 2003). The owners (shareholders and other constituents) do not like the way the house is “looking,” so they sack the architect and hire a new one, etc.

### An Alternative Role for Global Leaders: Leader as Bard

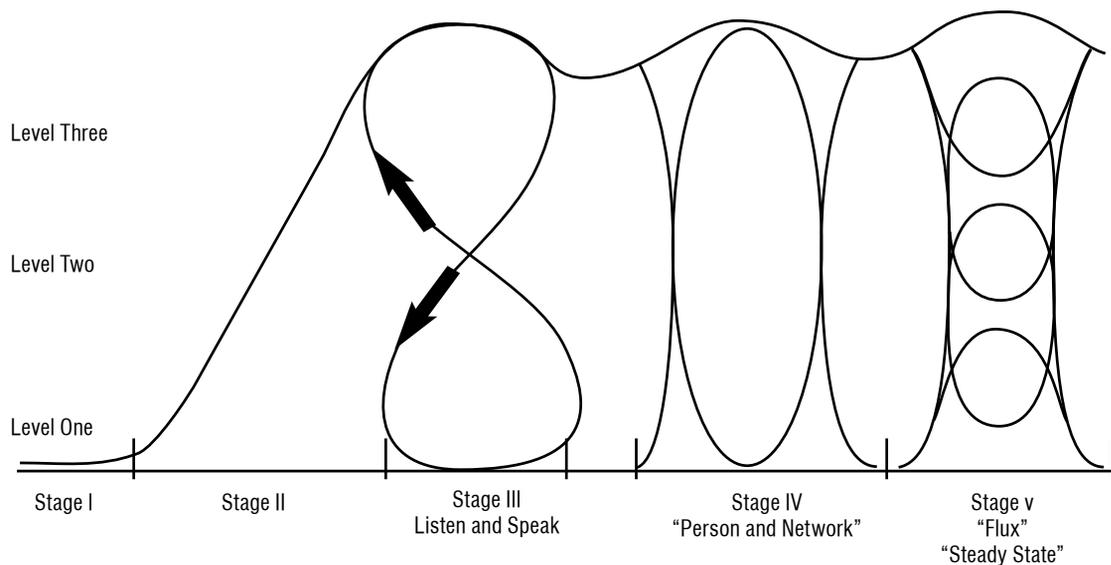
Recent developments in telecommunications and information systems provide a unique opportunity for these globally “stretched” leaders. Global leaders can do much more than merely apply these new technologies to reinforce the structural basis of command and control inherent in the leader-as-architect role. These technologies allow the leader to depart from this old role and take on an even older role: the leader as bard. The bard leader initially follows “level one leadership” with one on one, person-to-person communication (stage i). At this stage assumptions, values, imagery, stories, symbols and ceremonies are introduced and reinforced via personal exchanges. Things depart from the earlier role in stage ii with the explicit “mapping” and translation of organizational culture – its values, symbols and iconography – onto the virtual space of a global information system. It is this web-based decision support environment that creates a new incarnation of what Allan Bird would call a “sharing

field” – a place and time for dialog where critical tacit and implicit knowledge can be transferred (2001). Sharing this tacit knowledge across cultural, functional and product divides is critical if global firms are to blend global standardization, local customization and the diffusion of innovation in an effort to realize the firm’s now-global vision. To quote Bird “The difficulty in organizations is in fixing a location for the sharing field and in assembling participants with the right set of shared experiences” (2001: 32).

The global virtual “sharing field” creates what we will refer to as “level three leadership.” Conventional wisdom states that the influence of leaders breaks down with physical distance (Kerr and Jerimer, 1978; Yukl, 1994). However, if we orchestrate and coordinate the personal messages and iconography of “level one leadership” with the iconography and interactive virtual symbolism of a global decision support network, then why can’t this “level three leadership” act as a sounding board or amplifier of the original message? (see Figure 2 for a presentation of this model)

The purpose of these networks is not to independently create the tune of the cultural message, but rather reverberate – resounding and evoking the values of culture. In this manner the pattern of personal messages and values of leadership are expanded upon.

This interaction between “level one leadership” and “level three leadership” is what we will refer to as “long wave” leadership. Structure and architecture still exist, but they are of secondary importance and not strategically relevant to top-level leaders. The



**Figure 2: Leader as Bard**

critical role for bard leaders is to orchestrate and harmonize the song of influence across the personal and virtual levels.

Whereas in modern parlance the term “bard” has become generalized to the point of being synonymous with “poet” and is most often used in connection with Shakespeare, it has a unique and much more specific history. In Celtic cultures, particularly Welsh and Irish, the bard was a master-poet, professionally trained in music (specifically, the harp), oral recitation, poetry (mastering up to one hundred highly formalized poetic metres), the reading of manuscripts, and the history, law and customs of his people. In some cases the position was hereditary, whereby a particular family became well-known. Bards were an established entity by the 6<sup>th</sup> century AD, and flourished up through to the 1600s. The bard received patronage from a chieftain and produced poetry that was in turns, if not simultaneously, eulogistic, satirical, genealogical and commemorative. As a free man, he could travel anywhere and was highly valued as the bearer and repository of news, messages and history as he moved from village to village. Outside the Celtic tradition, in the Estonian tradition “regivärss” folk songs celebrated mythological themes as well as songs of marriage, family life and agricultural work (Raun, 1991:12).

Favored themes in Celtic bardic verse were love, war, religion, and death; the bard celebrated the conflicts and victories of his chieftain and his people, and thus played important roles in exhortation

and unification. The Welsh “bardd teulu,” a chief minstrel to the court, had “special duties toward the household troops, one of which was to sing the ancient strain entitled ‘The Monarchy of Pictland’ in front of the ranks as they were arrayed for battle” (Lloyd, 1911: 121). Throughout the twelfth century, in the Welsh uprisings against the Anglo-Normans, the bards “took fire and chanted deathless lays which their countrymen would not willingly let die.” These singers rose “on the crest of the movement for independence,” transferring “the passion of the people into song” (Lloyd, 1911: 122). In Ireland as in Wales, the bards were loathed by English colonists as potent and influential representatives of indigenous Celtic culture. Ironically but inspirationally, in recognition of these men’s power, the recently-imported Christian culture converted and joined hands with many of the heretofore-pagan bards. Irish “Franciscans formed an early and enduring alliance with the bardic poets, and were accused by the late thirteenth century of preaching insurrection to the Irish chiefs” (Foster, 1989: 74).

Whether pagan or Christian, bards sought to convey the truth, and were seen as wise messengers: visionary prophets well versed in history but also gifted with second sight. Thus, beyond their duties to a temporal lord, bards were often considered intermediaries between two worlds, those of the physical and the spiritual – between the present and the future, between men and gods. Tales of various actual and legendary bards abound with stories of divination and amazing power. One bard was said to be able to calm storms with his music,

another could induce sleep. While some operated as peacemakers, others spurred their people on to victory in combat or even shattered the morale of an enemy army before a battle.

The new global bards are not the lapdogs of late medieval or renaissance courts. Rather they should be seen as newly incarnated personifications of the earlier warrior-poets, evoking national/tribal heritage and values in the face of the tumult and confusion of battle.

Shared, trans-cultural decision support networks allow both the leaders and followers to listen to each other (Boudreau et al., 1998; Engle and Mendenhall, 2001). Leaders can send messages customized to followers and groups to reinforce and clarify cultural visions, values and norms as well as receive information on the state of individual employees and groups (stages iii and iv). This system will allow the leader to keep in touch with the actions and career progress of a wide number of geographically dispersed individual followers (Davis and Bryant, 2003).

*Level three* interactions, when reinforced by personal “*level one*” “sharing fields” in the form of retreats, action learning assignments, seminars, etc., can create a “steady state” or “flux” between the two levels of leadership (stage v). In a sense, this “flux” is merely a centralized extension of the reportedly increased use of virtual intercultural task forces and project teams, a use expanded to more fundamental cultural issues (Oddou et al., 2001: 115). Coordinating and “spinning the top” of this global “flux” relationship is the role of the bard.

### Global Careers and Leadership: Careers as the “Cause” of Leadership

What kinds of career experiences will cause (influence) individuals to have those capabilities and perspectives needed in order to be successful global bards? Larsen and Ellehave (2000) provide empirical information on the transformation from vertical career ladders to what one of the authors of this paper has termed “widening career weirs” – open, horizontal activities and assignments intended to build knowledge and competencies across cultures, functions, products and institutions/customers (Engle and Mendenhall, 2004). Careers are conceptualized in terms of developing and maintaining these competencies – open, ongoing

linkages to developing product technologies, sources of the latest functional knowledge, cultural contacts as well as links to key clients and institutional players (Engle et al., 2001).

Careers may be seen to be composed of two elements:

$$\text{Career} = f(\text{Personal Capabilities, Situational Experiences})$$

Personal capabilities (cognitive capabilities, the ability to perceive stimuli and apply what is experienced in a purposeful manner) and situational experiences (those assignments, places and events; those environments we place ourselves in) combine and interact. Experience alone is no guarantee of future capabilities. In the 18<sup>th</sup> century, many young gentlemen from England took the “grand tour” of the continent and returned effectively unchanged. One must have the quality of mind to respond to what one has experienced.

Personal capabilities, often called competencies, emphasize those qualities of mind that act upon or react to circumstances – literally that which surrounds us. Traditional global leadership competencies, as presented by Mark Mendenhall, Marion Festing and Torsten Kuhlmann (Mendenhall et al., 2001), include inquisitiveness, personal character, flexibility of thought, business savvy, empathy, open mindedness, behavioral flexibility, tolerance of ambiguity, curiosity, cognitive complexity, reflectiveness and learning capabilities. To this list, and specific to bards, we submit:

“Ortsinn” defined as “a sense of locality” and “the power of quickly forming a correct geometric idea of any portion of country, and consequently of being able to find one’s place in it exactly at anytime.” (von Clausewitz, 1968: 153). In the U.S. Civil War (1861-1865) Confederate General “Stonewall” Jackson had the ability to ride over a range of countryside and be able to use the terrain to tactical and strategic military advantage months or years later and in the heat of battle. What is the global competitive equivalent – “the global mind set” put to competitive use (Aycan, 2001; Pucik and Saba, 1998)? Ortsinn may be the combined, balanced cultural, functional and product competency set that allows the global executive to see the global competitive implications or potential in a location,

process or set of activities located anywhere on the globe (Bartlett et al., 2004: Chapter 7; Evans et al., 2002: 382-397).

Communication capabilities drive these role incumbent-communications on a personal and human level, as well as across diverse cultures. The ability to listen, personally and from a cultural, physical and functional distance, is critical for the bard. To tell a leader's story you must have an ear attuned to the listener's frames of reference (Hitt et al., 2003).

Finally, and often overlooked – “the constitution of a goat.” Global leadership requires the ability to travel well (an adjustable biological clock) and the ability to think globally and yet eat locally (recall George Bush's unfortunate dining experience in China in the early 1990's).

In terms of experiences and careers, five observations follow. First, early exposure to the core values and capabilities associated with a firm's major success or even a significant failure can be useful. It is the “whistling of bullets” that clarifies the mind and sets the stage for serious adventurousness. Second, early, in-depth experiences in a variety of core functional areas, critical product lines and with key customer-client relationships are invaluable in gaining a balanced overview (Black et al., 1999). Third, assignments that stretch communication capabilities are useful, particularly communicating in difficult, complex, cross-cultural situations. Fourth, a real understanding of the capabilities of global decision support systems, leading to the ability to send and receive complex cultural messages across cultures, functions and products is of course absolutely fundamental for the bard leader.

Experience with the capabilities of global decision support systems may be very difficult for many traditional executives as they may be tempted to relegate these activities to low level technical specialists. Finally, mentoring experiences, first as a protégé and then as a cross cultural, functional and product mentor is a requirement.

*An aside on careers:* Do global careers have to be such a stretch for organizations? Shouldn't we so design domestic or regional careers that a variety of product lines, functional areas and regional subcultures are covered? In this way, the leap to a global career would not be so daunting. Domestic careers should,

as much as possible, capture those significant aspects – albeit on a narrower frame – of global careers. Does it make sense to play rugby in lower leagues and then be called up to the premiere league to play football? And yet, too many global firms create domestic career patterns with very limited activities across functions, products or cultures (Black et al., 1999; Mendenhall et al., 2001).

If we want an executive to be successful in experiencing the “Grand Tour” of global assignments, perhaps his or her domestic career should emulate the “Repertoire Tour” of repertory theatre that forces young British actors to learn their craft in a variety of plays and settings.

### **Leadership and the Global Careers: Leadership's “Effect” on the Careers of Others**

As presented in the discussion of global leader as bard, the global leader, by personally and virtually monitoring and tracking the careers and assignments of any number of far-flung employees, can intervene to provide an orchestrated pattern of tasks, assignments, projects, retreats and seminars to allow those “shared experiences” that provide and reinforce the cultural glue of the global firm. The employee competency database (comprised of capability assessments and experience logs) within the global decision support system has the capability to track employee activities and experiences (Engle and Mendenhall, 2001). The leader can, almost at a glance, determine the most appropriate, efficient and timely forms of cultural influence – be it live and personal or indirect and remote; individual or group; or interactive or unidirectional influence.

A constant stream of sustained shared meaning can be the location for “the sharing field ... assembling participants with the right set of shared experience” (Bird, 2001: 32). According to Bird “if managers don't share a sense of community, they cannot effectively share the tactic knowledge they have acquired” (2001: 34).

Bard leaders are responsible for directing and orchestrating the global careers of a wide range of followers. By weaving personal and virtual influence sources across time zones, space, functionality and culture, the bard may overcome these differences and provide a persuasive, journey-specific balance of global, corporate purpose and local, personal sensitivity.

## Conclusions: Transnational Capabilities in a Dynamic Context

The tasks outlined above are nontrivial. Fundamental changes in firm culture, the necessarily long-term investments of time and effort in complex and subtle career development systems, and the acquisition of hardware, software and organizational capacities to create a living trans-cultural system of web-enabled "sharing fields" (Bird, 2001) are daunting. Yet by making the commitment to this new conceptualization of bardic leadership – and the attendant values, imagery and shared belief systems – firms embracing the transnational model of leadership have significant competitive advantages. First, leaders will avoid over commitment, and be able to focus on the long term management of culture, while more judiciously balancing personal contact with more remote "long wave" influence (Boudreau et al., 1998). Second, by decentralizing control away from formal, structural authority and toward processes of personal cooperation the transnational firm is in a better position to nimbly adjust to unpredictable changes in its worldwide business context (Engle and Mendenhall, 2004). Finally, by emphasizing the potential of career development systems to transfer and maintain firm culture, the transnational firm can develop an enduring capacity to move steadily toward strategic ends, while more successfully adjusting to the inevitable shifts in its far-flung environments (Evans et al., 2002).

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# Women in Global Business - Female Expatriation

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## Abstract

This paper examines issues related to women in global business, more particularly to female expatriation. According to the general perception, women are more hesitant to start an international career than men and it is believed that the reasons for women's modest participation in international business are due to their own unwillingness to take international assignments, the issues concerning family and childcare, lack of mentoring and networking and the fear that host country nationals will not accept women as equal partners.

The purpose of our paper is to find grounds for these assumptions and the reasons for why women are hesitant to start an international managerial career in multinational corporations. To this end we have conducted a qualitative study among a sample of junior and senior female managers in the hotel industry who have worked for multinational corporations in different parts of the world.

**Key terms:** diversity issues, equality, expatriation, female managers, global business, multinational companies

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## Introduction

The last decades have been filled with stories describing the role of women in society and at work (Adler, 1984; 1993, Rosener, 1990; Gilligan, 1993; Linehan and Walsh, 1999; Boatwright and Forrest, 2000; Gardiner and Tiggemann, 1999; Gibson, 1995). No doubt we can say that today an increasing number of women strive for good positions in companies, higher compensation and greater responsibility. Obviously, the opportunities for women to become good managers or leaders are wider than ever before, but still in higher management positions and especially in global business we find more men than women (Caligiuri and Cascio, 1998; Linehan and Scullion, 2001; Jennings, 1987: 15).

To be a leader in business, politics or any other field is traditionally related to being ambitious, taking great responsibilities and risks. Ambitiousness and risk taking have always been considered to be male characteristics, and were not considered appropriate for women (Rosener, 1990; Haywar, 2004; Silver, 1996). Today, nobody can deny that female business leaders are succeeding at an unprecedented rate and their success has surprised many, but even with the significant increases in recent decades of women holding domestic managerial positions, only a few women have become international managers (Adler, 1984; Linehan and Walsh, 1999; Linehan and Scullion, 2001; Taylor et al., 2002).

According to the general perception, women are more hesitant to start an international career than men and several explanations have been offered to affirm this assumption. It is believed that the reasons for women's modest participation in international business are due to their own unwillingness to take international assignments (Adler, 1993) because of family and childcare (Marx, 1999; Linehan and Walsh, 1999), lack of mentoring and net-

working (Linehan and Walsh, 2000; Caligiuri and Cascio, 1998) and the fear that host country nationals will not accept women as equal partners (Adler, 1987; 1993; Caligiuri and Cascio, 1998).

The purpose of our paper is to ascertain if these statements are grounded and why women are hesitant to start an international managerial career in multinational corporations. To this end we conducted a qualitative study among a sample of junior and senior female managers in the hotel industry who have worked for multinational corporations in different parts of the world. Qualitative interviews were selected to obtain more thorough information on the subject reflected in this research. The interviews were conducted via skype and e-mail because of time and financial limitations, and also because all the respondents were located some distance from the researchers and from each other. After a pilot study, the initial 21 questions were reduced to 8 open-ended questions to encourage the respondents to discuss their own values, attitudes and perceptions openly. The interview questions contained the main issues brought out in earlier surveys conducted in this area.

## Women in Business

Good people allow corporations to compete. Yet, while top-quality human resource systems provide competitive advantages, companies worldwide draw from a restricted pool of potential managers (Adler, 1993). Although women represent over 50 percent of the world population, in no country do women represent half, or even close to half, of the corporate managers.

According to Bell et al. (2002: 67), at the lowest levels, women comprise a larger percentage of managers, making more obvious the disparities between women in high and low-level managerial positions. The barriers that result in such disparities are often subtle, and include gender stereotypes, lack of opportunities for women to gain the work experiences necessary to advance and a lack of top management commitment to gender equity and equal employment initiatives.

Recognition of the potential role that women can play in business management has been painfully slow. Hackamack (1973: 23) believed this is because the intrusion of women into this particular male domain has been retarded by powerful social

and psychological constraints. Because men have pictured women as the passive, weaker sex for centuries, a sudden change in this image is extremely difficult to accomplish. Deeply instilled and highly structured, this pattern of thought hampers and often effectively limits the upward progress of female members of management.

Women have obstacles that confront them as they seek true equality in the world of work (Uris, 1988: 274). One of these obstacles in the external block – the bias, resentment and resistance of males who feel threatened by both the thought and eventuality of women in the echelons of management. A survey conducted in 1985 in the USA showed that over 50 percent of the respondents thought that women would never be completely accepted in business. There is a lot of evidence suggesting that women also have difficulties making it to the top today.

Studies of corporations and other settings have shown that women are far less likely to attain positions of authority within organizations than their male counterparts (Jacobs, 1992: 3). According to Schor (1997: 5) executive positions in US corporations are still overwhelmingly dominated by men. A study conducted among women corporate officers and top earners in 2000 in USA (Scott, 2001: 2) showed that out of 12845 (100%) corporate officers only 1622 (12,5%) were women and out of 2255 (100%) top earners only 93 (4,1%) were women.

According to Williams (2000: 473), contrary to popular opinion, women are actually worse off in Europe than in the US. Women make up 41% of the European work force, hold only 29% of all managerial jobs, about 2% of top management jobs and just 1% of board membership positions. At the same time in the US, women hold about 10% of board seats.

Until very recently, the general perception of business management was a structure dominated by males whose leadership style was hierarchical, action-oriented and even quasi-military (Yukl, 2002; Stelter, 2002). The ideal leader was seen as an independent, tough, individualistic hero. But now a new generation of women is bringing to business a style often described as more consensus-building, more open and inclusive, more likely to encourage participation by others and even more caring than that of many males (Gilligan, 1993; Rosener, 1990).

The last ten to fifteen years have seen a lot of growth in the publication of articles on women in leadership (Rosener, 1990; Boatwright and Forrest, 2000; Gardiner and Tiggemann, 1999; Gibson, 1995). Many articles discuss popular ideas about the emerging leadership styles that work best in the new, less bureaucratic and hierarchical types of organization, and make frequent comparisons to the qualities women are naturally seen to exhibit as leaders (Kanungo and Mendonca, 1996; Bass et al., 1996; Kouzes and Posner, 1992; Kirkpatrick and Locke, 1991). Whether or not the leadership skills that are needed today actually do come more naturally to women, the attention given to the idea seems good to the extent that it gives encouragement to women who find themselves with the opportunity to take on a leadership role (Appelbaum et al., 2003; Kent and Moss, 1994; Lämsä and Tiensuu, 2002). While most sociological studies find no real gender-based differences in leadership, studies in management journals that are based on surveys tend to find differences that reflect the modern stereotype of women leaders as more people oriented and unencumbered by ego and image concerns (Oakley, 2000; Adler, 1993; Rosener, 1995; Haywar, 2004). But according to Linehan and Walsh (1999), women still face barriers to career advancement within organizations and these barriers are more evident in countries where the social role of women is linked to their role in the family. In countries with more flexible social roles, the ratio of female managers is higher; e.g., about 40 per cent of US managers and 27 per cent of UK managers are female (Linehan and Walsh, 1999; Adler, 1984). However, the more senior position, the larger the gender gap. In the largest and most powerful companies worldwide, women's share of the top positions is limited to 2-3 per cent.

## Global Business and Expatriation

Today, companies increasingly compete on a worldwide basis, and few firms have the luxury of competing primarily on domestic markets (Adler, 1994). As a result of such internationalisation of businesses, companies must increasingly be managed globally. According to Dowling et al. (1999), the complexities of operating in different countries and employing different national categories of workers are the key variables that differentiate domestic and international human resource management. A major part of international human

resource management involves management of expatriates.

According to Selmer and Leung (2001), multinational companies have already used expatriation, employing employees who work outside their home country, for a long time as a means of maintaining control by enforcing and protecting company interests. Other benefits of using expatriation include the facilitation of communication between the parent company and operations abroad, and the growth of the firm's international knowledge. This implies that expatriation could lead to a competitive advantage, and it creates a pool of international managers who are attentive to international opportunities and threats (Selmer and Leung, 2001).

In today's information society, expatriates become experts, importers, and local traders of expertise, which are the most valuable resources of all. Studies have shown that the number of expatriates multinational companies are sending on international assignments is steadily increasing (Caligiuri and Cascio, 1998).

Much of the knowledge of expatriation and the processes of managing expatriates come from North American researchers analysing the policies and practices of North American multinational corporations (Scullion and Brewster, 2001). According to the authors (*ibid*), the companies take greater responsibility for expatriates than for domestic employees, as the expatriates have been asked to work outside their home countries.

In practice, the choice of using expatriates often depends on the availability of qualified managers in the host country. Usually, multinational companies staff their top management positions with expatriates, while middle and junior management consists mostly of host country nationals (Adler, 1984). Even though 'expatriate' by definition means an employee who works outside his/her home country, it must be noted that most of the expatriates are placed in management positions (*ibid*).

Linehan (2000) suggests that a profile of the ideal expatriate does not exist, but certainly the majority of expatriate managers are men. Research suggests that the number of female managers taking international assignments still remains considerably lower than those in domestic management (Linehan and Scullion, 2001).

## Women as Expatriates

Business decisions about hiring and promoting should be made in an unbiased way. When sex stereotyping influences the decision process, such decisions are not only unfair, but can lead to large economic and social costs (Russ and McNeilly, 1988: 43). This means that women should be given equal opportunities. But despite all of the optimistic opinions, this issue still remains a problem.

The subject of female expatriation has been studied by different authors for several decades. As Taylor, Napier and Mayrhofer (2002) state in their article, two decades ago gender-based studies in the field of expatriation were scarce, such issues are now a regular part of various research efforts in different parts of the world.

The fact that greater barriers exist for women in international management compared with the domestic situation is reflected by comparing the number of female managers domestically with the number of female expatriate managers (Linehan and Walsh, 1999). Despite the fact that the number of female expatriates has increased since Nancy Adler's studies in the 1980s, when they constituted only 3 per cent of the North American expatriate population, the under-representation of women in global assignments is still obvious (Linehan and Scullion, 2001; Taylor et al., 2002). Moreover, the international practice of selecting only a small number of women for international assignments may be contributing to the already existing workplace phenomenon known as the "glass ceiling" (Stroh et al, 2000). The term "glass ceiling" is used to describe a barrier that is so subtle that it is transparent, yet so strong that it prevents women from moving up the managerial ladder (Redwood, 1996; Davidson and Cooper, 1992). In fact, researchers have suggested that only exceptional expatriate women can succeed in senior managerial positions in multinational companies, since outstanding competence is necessary for overcoming the additional barriers faced by women (Linehan et al., 2001). But if we look at this from another angle, according to Carol Gilligan (1993), women managers care more about relationships, while men act according to the rules. As Gilligan (1993) stated in her book "In a Different Voice", in order to be compatible and successful girls have to play boys' games.

Still by hiring women, multinational companies that take a global approach can act as role models

for firms in many countries that have seriously considered promoting significant numbers of women to managerial positions. In addition, the more expatriates companies involve in foreign affiliates, the less likely they are to follow local human resource practices, including being less likely to restrict the number of women managers. Since multinationals use expatriates as well as domestic managers, they can also benefit from the greater flexibility that many cultures allow foreign women (Adler, 1994). According to Nancy Adler (1994), most countries do not hold foreign women to the same professionally limiting roles that restrict local women.

Moreover, female managers bring needed collaborative and participative skills to the workplace. It is also important to note that well-managed diversity, including gender diversity, is an inherent source of innovation, which has been identified as a key factor in global competitiveness. Women bring diversity to multinational companies that have been primarily male (Adler, 1994). Adler (1994) concludes that global multinationals benefit organizationally from women's professional contributions in new ways – both from women's increased participation at all organizational levels and from their unique methods of contributing to the organization that complement those of men.

## Explanations for the Low Number of Female Expatriates

According to the general perception, women are more hesitant to start an international career than men. It is believed that women's modest participation in international business is due to an unwillingness to take international assignments, their concern for family and childcare, the lack of mentoring and networking and the fear that host country nationals will not accept them as equal partners.

### Unwillingness to Take International Assignments

One of the "myths" often used as an explanation for the low number of female expatriates, is that women are simply less interested than men in pursuing international careers (Adler, 1993). Adler (1993) tested this myth by simply surveying more than 1 000 graduating MBAs from seven top management schools in the US, Canada and Europe. The results showed clearly that there was no significant difference – both female and male MBAs

had equal interest or disinterest in pursuing international careers. However, male as well female MBAs agreed that firms offer fewer opportunities to women than to men and significantly fewer opportunities to women who want careers in international management. Adler (1993) also concludes that even though there might have been a difference in the past, women and men today are equally interested in international assignments. According to Harris (1995), the low level of women in international management may not be due to lack of motivation, but rather a response to a blocked opportunity.

### Family and Childcare

According to Marx (1999), when a person has been offered an expatriate assignment, family considerations greatly influence the decision to accept it, and this concerns men as well as women. However, there are additional sacrifices to be made by female managers in international management, as it is much more difficult to balance career, marriage and childcare at a distance. It has been suggested that a lot of women managers in fact choose between career and family because of the extra strain and feelings of guilt that women experience in balancing an international career with childrearing responsibilities. Female international managers may have to make this decision partly because of the organization's tendency towards flexibility in their demands, and this forces expatriates and their families to be flexible in responding to organizational demands. Other factors affecting the choice between family and career include the organizational and societal assumptions that a woman's primary role is to be a mother and the fact that career success is still based on a male model (Linehan and Walsh, 1999).

By the time a woman reaches her thirties she is often beginning to establish herself in her career, and at the same time she is reaching the older years in terms of child-bearing. Female managers perceive that when a male manager is on expatriate assignments, they do not have to take responsibility for housework and childcare (Linehan and Walsh, 1999). At the same time when a female manager is on an expatriate assignment, they also have to think about family and household issues.

In a study conducted by Stroh, Varma and Valy-Durbin (2000), female assignees as well as their supervisors thought that women in dual-career

relationships accepted slightly fewer international assignments than single women. In general, female managers are interested in accepting international assignments. The difference in interest and willingness become apparent only when evaluating data for women with children and the women without. Women with children are less likely to accept international assignments (ibid).

According to the preference theory, Catherine Hakim (2001: 138) has divided women into three groups: home-centred, adaptive and work-centred. She claimed in 2000 (Hakim, 2007: 125) that home-centred women form about 20% of the total, for these women family life and children are the main priorities throughout life, and whenever possible they prefer not to work. After giving birth to their children, they prefer to stay at home and (higher) education and qualifications obtained are primarily regarded as cultural capital, thus not an investment in building a successful career. These women hardly ever accept international assignments or commit themselves to working abroad. There is a much greater likelihood of finding expatriates from a group of work-centred women forming another 20% of the total (Hakim, 2007: 125).

For these women, the main priorities in life are employment and career, including activities in the public arena, such as politics, sport and the arts. They are committed to work and make large investments in their education, training, and increasing qualifications; childless women are common in this group. The largest number of women belong to the adaptive group (60%), these women try to combine work and family life, want to work, but are not totally committed to working life. As this group is the most diverse including women who want to combine work and family, plus drifters and those who follow unplanned careers, we may find some potential expatriates also from here. Hakim (2007: 127) believes that personal preferences are causal attitudes and strongly shape behaviour. In the absence of major contextual constraints, they can become the primary determinant of behaviour.

Furthermore, she (Hakim, 2007: 124) argues that the heterogeneity of women's preferences and priorities creates conflicting interests between groups of women: sometimes between home-centred women and work-centred women, sometimes between the middle group of adaptive women and women who have one firm priority (whether for family or employment). The conflicting interests of women

have given a great advantage to men, whose interests are comparatively homogeneous; this is one cause of patriarchy and its disproportionate success, which also affects choices made in global businesses and may be regarded as one of the reasons for fewer women in expatriate assignments.

### **Lack of Mentoring**

Managers with international experience bring advantages to other managers by establishing mentoring relationships, which provide support for junior managers. In the study by Linehan and Walsh (2000), the majority of respondents attribute their success in part to mentoring relationships. Mentors have been defined as higher ranking, influential, senior organizational members with advanced experience and knowledge (Linehan and Walsh, 2000). Previous studies reported that more women than men who advance to senior management positions have mentors, and women who fail to reach these levels bring out the absence of mentors as critical to their failure (Caligiuri and Cascio, 1998). Therefore, one reason for the low number of female expatriates might be because there is a smaller supply for mentors available to women than men.

It has been argued that women need female mentors who can act as role models. Where a female mentor is available to act as a role model, it is likely that the aspiration levels of women managers are raised, even for work traditionally done by men. However, female executives may face barriers to becoming mentors for other women in organizations. Such obstacles include non-supportive environments and time pressures – female executives are likely to have less time for being a mentor (Linehan and Walsh, 2000).

### **Lack of Networking**

While mentoring is particularly useful in the early stages of career development, networking can be useful at all stages. Such relationships often last longer than mentoring; they are not hierarchical and involve two-way assistance (Linehan and Walsh, 2000). Just as with mentoring, the benefits provided by formal and informal networking in international management are perceived to be of a greater value than the benefits provided in domestic management (ibid).

In the study by Linehan and Walsh (2000), the female expatriate managers shared the opinion that

quite an amount of business is discussed, and useful contacts are made, when male managers network informally, but as females they are excluded from access to these informal situations. For example, there are all-male golf clubs and special days for ladies. In addition, women might be further disadvantaged from networking, as they have less time than their male colleagues due to home and family commitments (ibid).

Gaining access to male networks may in fact be the most significant barrier that women in senior management have to overcome in relation to networking. Participants in the Linehan and Walsh (2000) study suggested that the exclusion of females from male managerial groups preserves male customs, traditions and negative attitudes towards female managers. The participants thought that if women had more access to networking groups they could be socialized in both the formal and informal norms of the organization and gain advantages from them (ibid). Furthermore, if more females become integrated into informal networks, then perhaps more women would reach senior management positions and in turn take part in international management.

### **The Attitude of Host Country Nationals towards Expatriates**

While the experience of a successful international assignment may be equally beneficial for both male and female managers, the predictors of success on international assignments may somewhat differ for men and women (Caligiuri and Cascio, 1998). Caligiuri and Cascio (1998) also propose four categories of predictors: (1) individual characteristics (e.g. language skills, technical skills, open-minded personality), (2) family (supportive and well-adjusted spouse and children), (3) organization (support from headquarters), (4) the attitudes of host nationals towards the expatriate. While the first three predictors are not very different between the sexes, the fourth (the attitudes of host country nationals towards the expatriate) may differ depending on the gender of the expatriate. To be more specific, female expatriates in comparison to male expatriates may be negatively stereotyped by host nationals – especially in countries that do not value women as professionals (Caligiuri and Cascio, 1998). This concern, while largely untested, has driven global staffing decisions in the past.

It has been proposed that the acceptance of female expatriates by host nationals may, in part, be pre-

dicted by the values and beliefs of the host nationals towards women at work. From a series of qualitative studies, Adler (1987; 1993) found that decision makers in multinational companies tend to make assumptions, based on popular beliefs, which result in the small number of female expatriates. One of the 'myths' Adler (1993) brought out and dispelled in her research, was that host-country nationals refuse to transact business with women.

Adler's (1993) research revealed the story of a noun, *woman*, that appears to have become mixed up with an adjective, *foreign*, when predicting expatriate manager's success. It revealed a set of assumptions that managers and executives make about how foreign firms would treat expatriate women, based on their beliefs about how foreign firms treat their own local women. The problem with the story, Adler (1993) states, is that the assumptions proved to be false.

According to Adler (1993), one pattern is clear; first and foremost, foreigners are seen as foreigners. Like their male colleagues, female expatriates are seen as foreigners, not as local people. A woman who is a foreigner (a *gaijin*) is not expected to act as local women. Therefore, the societal and cultural rules, governing the behaviour of local women, which limit their access to managerial positions and responsibility, do not apply to foreign women.

In conclusion, local managers see female expatriates as foreigners who happen to be women, not as women who happen to be foreigners (ibid). The knowledge of this difference is crucial.

Nancy Adler's (1983) 'myths' of twenty years ago have been largely discarded. The evidence today shows overwhelmingly that women can and do succeed at working abroad (Caligiuri and Cascio, 1998; Napier and Taylor, 1995; Stroh et al., 2000) even in presumably unwelcoming environments.

## Research Methodology

In order to investigate if these beliefs and 'myths' are grounded, and why women hesitate to start an international career, we conducted a qualitative research among a small sample of female expatriates who work for multinational companies in the hotel industry in different parts of the world.

A draft version of the interview questions consisted of 21 questions composed by the authors. Since the time of the respondents was limited, we picked out 10 questions. At first the interview questions were tested on our personal friends working in the hotel industry in different countries. Feedback from the pilot study required us to make some changes to the questions. The changes consisted of making the questions simpler and clearer to facilitate the respondents' understanding.

Field-testing of the questions gave us an understanding of potential answers and possible misunderstandings that might arise from the questions. The final version of the interview consisted of 8 open-ended questions, containing the main issues discussed as reasons why women hesitate to start an international career.

The first two questions were addressed to women's general opinion of women in international management. The remaining questions were linked to women's willingness or unwillingness to take international assignments, family issues, mentoring, networking and cultural aspects. Before answering the questions, the respondents had to submit personal information such as their age, the company they are working for and the position in the company, for the period of their assignment abroad, their marital status and number of children if any. This section of the questionnaire was added in order to find out personal similarities or differences for women who take on international assignments.

The research was conducted in the form of semi-structured interviews via skype and e-mail because of time and financial limitations, and also because all respondents were located some distance from the researchers and from each other.

The method for collecting the information on female expatriation involved contacting a sample of women managers who worked for multinational corporations in different parts of the world. The sample selection of female managers suggested that the women had to work for the hotel industry as junior or senior managers in different locations representing different countries and cultures. In addition, the companies should be multinational corporations with large activities abroad to be sure that they were experienced in expatriate management. In order to find suitable respondents, we made inquiries among people and business repre-

sentatives who might know women with experience of working as expatriate managers.

Through these inquiries we got several e-mail addresses of junior and senior female managers from large hotel chains, such as Radisson SAS Hotels & Resorts, Corinthia Hotels International and Crowne Plaza Hotels & Resorts. At first we contacted these women by e-mail, asking if they would agree to participate, which they immediately did. Most of the respondents worked in middle management, while one of them worked as a general manager. The respondents did not differ much in their backgrounds, being mainly from Scandinavian or Nordic countries, all of them working in the same field and had experience in international business; there was a slight differences in their age and the stage of their career (for more detailed information about the respondents please see appendix 1).

## Research Results and Discussion

### Women in Global Business

According to Nancy Adler (1994), female managers bring the needed collaborative and participative skills to the workplace. Adler (1994) concludes that global multinational companies benefit organizationally from women's professional contributions in new ways – both from women's increased participation at all organizational levels and from their unique methods of contributing to the organization, complementing those of men. All the respondents strongly agreed with these statements.

The respondents thought that it was very important to give a woman's perspective and experience to global companies. They found that women bring a very much-needed diversity to the companies. The respondents agreed with Adler's (1994) statement saying that women in international management bring value from a different angle to the company because in combining women and men's approaches, both contribute to whatever task.

They claimed that women can often be more devoted to their work and most companies could benefit from men and women managers since both genders have different approaches to business.

There have been lots of assumptions about why women do not start international careers (Adler,

1994). Although women today are very well educated and have plenty of experience, still their number in international business is significantly lower than that of male managers (Rosener, 1990; Denmark, 1993; Helgesen 1995). The respondents were asked to give their personal opinion about the lack of women in international assignments and the opinions offered were rather similar.

Respondent 2 (*SO*) believed that a lot depends on the women themselves – on their values and beliefs. She argued that one of the reasons might be the lack of self-confidence, often women are better educated, but they seem to have a perfectionist view and if they are not 100% perfect they might not want to take the challenge. Also, a lot depends on family situations and most of the women she knew were happy to stay in a less challenging position so they could combine work and family life.

Respondent 1 (*SD*) suggested that women first need to decide what they want. She stated that it is important to structure life, and then it is possible to manage everything; however, not at the same time. *SD* argued that women need to learn from men as well, because men have more experience in business than women whether women like it or not, but she also found that women make it hard for themselves.

Respondent 3 (*RK*) thought that the reason why women are not seen as a part of international business is due to the fact that women have become independent rather recently. But she was sure that this would change very soon with more experience, education and independence.

Respondent 4 (*IS*) claimed that the main reason for a lack of women in international management is the lack of information. She also suggested that more knowledge should be shared by present and post-expatriates from different areas; for example, including some sessions on this subject in the international universities program. She was of the opinion that in the long run the knowledge gathered abroad will also benefit the home country on returning, and therefore, be beneficial to every counterpart.

### Women's Willingness to Take International Assignments

Some studies claim that women and men today are equally interested in international assignments

(Adler, 1994), while others have found that male managers are more receptive than female managers to expatriate assignments (Caliquiri and Cascio, 1998). The respondents indicated support for the first statement; thus, one of them (*SD*) added that women and men simply show interest in international assignments in different periods of life.

Respondent 1 (*SO*) agreed with the latter statement – saying it is easier for men to move to a new place, as they can either take their family with them or arrange for the family to stay at home while he works abroad and visits home as frequently as possible. With the same statement (men are more interested in international assignments) Respondent 3 also agreed (*RK*). She stated that at some point women tend to settle down in one place earlier than men.

Respondent 4 (*IS*) agreed that males are more interested than females and added that in her opinion the situation will definitely change over the next few years. She believed that it might even approach a 50-50 situation. She argued that, “*women are often afraid to take a big step alone and go abroad. They think of family, close ones, boyfriend or husband – meaning they are more sensitive to those changes; however, if they take the step they are probably even more successful than men.*”

Women entering managerial and executive positions are often the first of their gender to take such posts. Being the first or one of a kind illustrates what has been termed the token status. The term refers to individuals who make up less than 15 percent of an entire group. Tokens experience different demands, such as the need to be more visible, to serve as representatives or spokespersons for their field, they often feel isolated and outside the informal network, or are seen in stereotyped roles and experience the fear of earning the displeasure of the majority group. Respondents found that this attitude that men are more eager to take international assignments could be changed if more information about women expatriates is distributed in society – articles in the media, government support etc.

Our findings showed that even though women probably are as interested as men in expatriate assignments, their tendency to consider family issues more might give the impression that they are less interested. It was also said that for men it is easier to move around and take the family with them than for women, because it seems to be easier

to be an expatriate’s wife rather than an expatriate’s husband.

### Family Issues

Billsberry (1996: 222) argues that the lower proportion of women managers is in some sense “*natural*” in its most respectable form in terms of career choice. It is argued that women as child bearers actually leave employment at a crucial time in terms of their possible development as managers, and that many of them neither want nor expect managerial careers. Organizational attitudes that mirror that expectation are therefore thought to be understandable and proper. This view is deeply engrained in some women and in many male-dominated organizations.

According to Linehan and Walsh (1999), many women managers choose between an international career and family because of the extra strains and guilt feelings that women experience in balancing international career with childrearing responsibilities. This choice may have to be made because of the organizational and societal assumptions that a woman’s primary role is to be a “*mother*” (ibid).

Many problems stand in the way of women who try to get to the top. Evidence suggests that women do have difficulties making it to the top (Wehrich and Koontz, 1993: 7-8). According to Nelson and Burke (2000: 110), a survey of 325 CEOs and 461 women at the levels of vice president and above found that women executives also face additional challenges likely not faced by men in balancing their careers and personal lives. Twenty percent of women respondents decided not to have children, and about 25 percent postponed having children. Interestingly, more senior women than CEOs believed that commitment to family responsibilities and having children hindered women’s advancement. Interviews with 196 managers working in organizations that had been somewhat successful in supporting the career advancement of women and minority managers and professionals revealed consensus among the managers concerning the six critical barriers to advancement. The barriers were prejudice (treating differences as weaknesses), poor career planning, a hostile working environment, lack of organizational savvy, exclusion from informal networks, difficulty in balancing career and family.

It has been stated that women may sometimes have difficulties with training. In the United Kingdom,

a survey conducted by training supplier Cambridge Online Learning found that twice as many women as men are missing out on training because of domestic responsibilities... (Kaplan-Leiserson, 2003: 2). Claudette Mackay-Lassonde in her article "Let's stop fooling ourselves" (1996: 5) presented the opinion that a woman leader cannot have it all in life, meaning that family life and career are incompatible.

One of the respondents believed that by nature women's role is to be a mother, since only women are the ones who can give birth to a child (*SD*). At the same time she disagreed that a big choice has to be made and suggested that one can also be a successful international manager and have children as she did. She stressed, that first women have to make clear for themselves what they want and it doesn't have to be one or the other, but can also be both.

Another respondent (*SO*) also disagreed with Linehan and Walsh's (1999) statement. She clearly stressed that for a long time they have not had such an assumption in Finland, so for her it did not mean anything. Like the first two respondents, the third female expatriate (*RK*) also thought that this was just an assumption. She said that it is definitely each woman's own choice and it has to be understood that women are different and they have different goals.

Also, the fourth respondent (*IS*) believed that a successful woman can be a good mother as well and priorities can be set accordingly. She added that if a person wants to be good in different things it is possible.

It was suggested that it is possible for women expatriates to feel that they have to choose between an international career and a family. However, the research findings showed that this choice might be temporary, since women who want to start an international career might adjust their career patterns around the point where they start to raise a family. This could be shown, especially by the fact that the women participating in the survey chose to have children later in life. Therefore, it is possible that women who choose between international career and family only do so at some point in life, which means that the choice is not necessarily a final one. The research showed that even if women do choose between an international career and a family, it need not necessarily be related to an organizational or societal assumption that a woman's primary role is that of a mother.

According to Hakim's preference theory (2001), the women who participated in our study belong to either the adaptive or work-centred group of women – they have all invested strongly in their education and training and are devoted to their work and career, but at the same time believe that it is possible to combine work and family life, making choices that can allow them to have both a successful international career and a family.

### Lack of Mentoring

Hammond and Holton (1993: 73) have said that there are companies who also introduce career development programs specifically for women employees frequently involving "women only" courses, active support and encouragement for them to attain appropriate qualifications, and career guidance and counselling. They encourage women to manage their careers, and they in turn, demonstrate their commitment and loyalty to the organization.

According to Linehan, Scullion and Walsh (2001), the influence of mentoring is one of the most important informal factors that may affect the participation of female managers in international business. The participants were asked whether a lack of mentoring could be one of the reasons why women hesitate when offered international assignments or whether women just do not seek mentors. The answers to this question were surprisingly varied.

Most of the respondents agreed that mentoring is important when starting to work abroad. One participant, on the other hand, believed that if a woman is truly interested she can pursue it without a mentor. But all respondents actually disagreed that the lack of mentors could be part of the reason that women hesitate when offered international assignments (Linehan et al., 2001). Respondent 1 (*SD*) believed that there was no lack of mentoring. She stressed that if a woman wants to be successful, she can get herself a mentor. According to another respondent (*SO*), mentoring is something that should arise naturally; that is, that women managers trust other's experience and seek the advice or experienced opinions of this person and a mentor does not necessarily have to be another woman.

Respondent 4 (*IS*) believed that there is a lack of both mentoring and women seeking mentors in the local society. She suggested that women, who have

gone to work abroad, should share more of their knowledge; for example, through articles, participating in conferences addressing these topics etc. She argued that there is often just no information, or women who want to take this opportunity do not know from whom to ask.

Respondent 5 (*JH*) explained that at her Hotel School, equal opportunities were given for traineeships. She had to find her own way after school to start in the business, so there was certainly a lack of mentoring from the school's side. She believed that the first experience working abroad is the most important, and therefore, it is essential to find a mentor.

The participants were also asked if they have used mentoring themselves. Most of the participants answered positively to this question. A pleasant surprise was that women expatriates would be glad to share their knowledge with other women who are starting an international career.

The important factor when starting an international managerial career also seems to be the availability of mentors. A mentor can be seen as a role model and a career support, due to his or her higher position and longer experience. The results of the research, though, did not give so much support to the notion that the reason why women are hesitant to start an international career is the lack of mentoring. What came out more from the study is that there might not be so much a lack of mentoring, but a lack of information about where to find these mentors. Interestingly, when talking about mentors, the authors did not clarify the gender, but some women spontaneously talked about mentors as being male. However, the gender of a mentor does not seem to be of any importance when it comes to his or her function as a career supporter.

### **Lack of Networking**

According to Linehan, Scullion and Walsh (2001), female expatriates feel excluded from access to business discussions and the useful contact making that takes place when male managers network informally. This variable was not supported by any of the respondents that participated in the study.

For example, Respondent 2 (*SO*) agreed that men can network more easily than women but she did not think that women were excluded from access to these networks. She also said that it all depends on

the person and her contacts, but also on how outgoing and interested she is.

Respondent 4 (*IS*) claimed that if a woman wants to participate it is possible to be part of some men's discussions. She thought that it is essential to know how to approach different levels of business contacts depending on their background, including their Cultural background.

When talking about male networking none of the respondents showed any support for the assumption that female expatriates are excluded from access to men's informal business discussions and useful business contacts. The results showed that in order to get access to informal male networking women themselves have to show interest and be out-going.

### **Foreigners Prejudice against Female Expatriate Managers and Cultural Adoption**

According to Howard Perlmutter (1969), multinational companies may pursue policies that may be described as ethnocentric (or home-country orientated), polycentric (or host-country orientated) and geocentric (or world-orientated). Although these companies never appear in a pure form, some differences can still be seen. It can be said that culture has become an essential factor in understanding different economic and business environments (Hofstede, 1997; Trompenaars, 1997; Hodgetts and Luthans, 1997). Culture reflects the history of a nation and the characteristics of its people, influencing diverse aspects of the society. But for decades, people have considered culture an independent variable, apart from other social fields. In other words, culture has been considered as an element of history that has been passed on from generation to generation and was viewed mostly from an anthropological or sociological perspective (Schein, 1998).

Recently, however, scholars have come forth with various cultural models, showing how cultural differences affect national and business competitiveness. Before focusing on the cultural models, the concept of culture must be taken into consideration. By understanding what the nature of culture is, people can acknowledge, understand, and accept the cultural differences that exist around the world.

Expatriates employed in a foreign subsidiary will be working with host country nationals at different

levels in the organization and this requires new skills to cope with the demands of globalization in order to be successful in their roles and careers.

Appold (1998: 10) has stated that the proportion of women in higher status positions is a key indicator of equity for those interested in social stratification. How women are employed also has important implications for organizational performance and for national economic growth.

According to Adler (1993) managers and executives tend to make assumptions about how foreign firms treat expatriate women based on their beliefs about how foreign firms treat their own local women. The majority of the participants supported Adler's (1993) statement and agreed that these assumptions tend to be false. Although, it has to be mentioned that depending on the country some expatriates actually had faced some resistance from nationals from the host country.

The only time Respondent 2 (SO) had problems with host country nationals was in Azerbaijan. For her it was difficult to understand their culture, but before she went on the assignment, she was aware what problems might arise. She suggested that these cultural differences are the spice in life – that is what makes living and working abroad interesting. She added that she faced cultural differences every day – different ways of seeing things, how people say things in different cultures, the meaning of the words, “friendly and polite” people vs. ignorant and non-chalet people etc. With 10-years work experience in Russia, she had learned to see things the Russian way (e.g. one could always face problems or difficulties, but somehow there is always a way). She explained “Sometimes you just have to look at things through your fingers”.

Respondent 4 (IS) believed that if a woman is a professional and self-confident she will be accepted as equal, therefore, women should not be so afraid. She said that depending on the cultural differences it might be difficult sometimes, but these can mostly be overcome. She described her experience as follows:

*„If you go to a very different cultural environment it takes time to adapt to their way of working. If it is a multinational country like Bahrain, this is not a big problem, however. And if it is an international company, then it will be even easier. Keeping contact with home and your close ones is*

*not difficult either because of technology. And if you think how often you really meet your close ones when you are living in the same country, maybe it is not very often either, therefore this is not an excuse to say NO so easily.”*

Another respondent (RK) on the other hand, disagreed with Adler's (1993) statement that foreigners see women as foreigners (*gaijin*), not as women. She gave an example from Japan, where she was sent on a 3-month assignment. She explained that she as a Brazilian is very extraverted and had difficulty working with the Japanese who are extremely introverted. She also asked lots of questions, which is not welcome in Japanese culture. She continued with an example about cultural differences in the United States where she was currently living. Being a Brazilian she comes from a very collectivist society, where teamwork is valued. In the United States, she argued, teamwork does not have the same meaning as in Brazil and people are driven by their own personal goals. She highlighted that people in the US are more direct than Brazilians and not as pleasant as in her own culture.

Respondent 5 (JH) also disagreed with Adler's (1993) statement that women are not seen as women, but as foreigners. Since she worked in Islamic countries, where women's role in society is quite different from Western cultures, she often faced resistance. But in order to be successful, she explained: “you just have to get over it and show them what you are worth in actions and results”. In her opinion, Egyptians are very religious on the surface, but if you dig a little deeper it can be seen that they are a little hypocritical and do everything Allah forbids them. Still, religion and Israel are sensitive subjects and need to be avoided. Another respondent (MZ), agreed with her because she also used to work in Egypt facing more or less the same problems.

It came out from the research analysis that in very masculine societies (e.g. Japan, Islamic countries), women tend to face more fear of not being accepted as equal because of their gender. As seen from the interviews there is no easy way when choosing to work abroad and women just have to adjust to the fact that they may feel some resistance in male dominated cultures. The most important thing is to be professional, competent and also show characteristics in ones attitudes and job results.

When starting an international career abroad, the expatriates are aware for most of the time what kind of cultural differences they might face. The success of the expatriates highly depends on how prepared they are, but also on how long it takes to adjust to the cultural differences when going to work abroad. Cultural differences tend to be the spice in life for expatriate managers. This can be identified as one of the reasons why they like to move around and work with people from different cultures.

## Conclusion

The number of women in management has increased statistically over the past decades. But although women have become quite active in domestic business, there is still a lack of female participation in the international sphere. As a result of extensive internationalization of business, firms also have to be managed globally. This leads to the fact that human resource management also has to change. In this paper we discussed the main obstacles that may prevent women from going on international assignments.

The purpose was to find out whether general beliefs as well as the reasons stated by N. Adler, P. Cailigiuri, W. Cascio, M. Linehan, J. Walsh and H. Scullion in their studies on female expatriation are well grounded and what the main reasons are for why women hesitate when offered an international managerial career. The most often discussed obstacles were women's own unwillingness to take international assignments; women's commitments to their family; limited access to male networking; lack of role models or mentors; and the fear that foreigners would not accept them.

The findings of this research showed that some of these statements are either old-fashioned or just different because of differences between American and Scandinavian business culture. The reason why the second assumption was made is because most of the studies on female expatriation have been carried out on American women by American writers.

The analysis of the results clearly showed that the importance of including women in international business is very high in order to bring diversity and a softer way of thinking to these companies. The combination of both genders in the firm can contribute to whatever task.

The female expatriates questioned in our research found that including women in international business is very important. Since women bring diversity to the organisation with their different way of thinking and understanding. By hiring women, multinational companies taking a global approach can act as role models for firms in many countries that have seriously considered promoting women to managerial positions. If companies want to send their most qualified managers abroad, they cannot continue to rely primarily on men. The increasing demand for qualified and experienced international managers can successfully be fulfilled by including more women in the candidate pool.

With this paper we do not intend to suggest that our research can provide wider generalisations. This was just an attempt to discuss the issues related to female expatriates and explore whether the assumptions about women hesitating to start an international career are confirmed by a sample of women working as expatriates in different countries.

## Appendix 1

### Characteristics of Respondents

**Respondent 1 (SD)** is Swedish, 43 years of age, divorced and has two children. She is General Manager of Radisson SAS in Bratislava Slovakia and she has been on her international assignment in Slovakia since 2000. She is responsible for overall management and international sales.

**Respondent 2 (SO)** is Director of Marketing and Sales in Corinthia Nevskij Palace Hotel in St. Petersburg, Russia. She is responsible for the sales of accommodation in the hotel (e.g. big travel agencies and corporate clients) as well as promotion and pricing of the services. She is Finnish and has been working for Corinthia Hotels in St. Petersburg for 10 years.

**Respondent 3 (RK)** is Group Coordinator in Intercontinental Group Hotels (Crowne Plaza, New York). She is 30-years old and married, Brazilian and works in New York City, United States. Her main responsibility is communicating with the biggest airline companies. She has been on several assignments in Japan for few months at a time.

**Respondent 4 (IS)** is a 29-year-old Estonian woman, who works as Conference and Convention

Sales Manager in Bahrain. She just recently started her international career and time for her assignment lasts for 2 years. Her responsibilities are conference and events sales, but also organizing conference department work generally.

**Respondent 5 (JH)** works as a Food and Beverage Manager in Radisson SAS Sharm El Sheikh in Egypt. She is 28-year-old Dutch woman and has been on her assignment for 1 year. Just recently she extended her contract for another year in Egypt. Her responsibilities are organizing the work of food and beverage department and taking care of outlets sales. She has worked in many different countries including Ireland, South Africa, China and Taiwan.

**Respondent 6 (LL)** is an Estonian who moved to France, Nice 5 years ago, where she started her hospitality career in Plaza Hotel Nice as a conference coordinator. By today she is 25-years-old and recently started her assignment for 1 year as a Front Office Assistant Manager in Crowne Plaza, London.

**Respondent 7 (MZ)** is Danish and at this moment has taken a career break to raise a child, but she has worked outside her home country for a long time. She is 45, and has worked in hotel management in Thailand and Egypt. She shares her 2-year experience as General Assistant Manager in Radisson SAS Sharm El Sheikh, Egypt.

**Respondent 8 (EB)** has worked as Public Relations Manager in Radisson SAS, Dubai for 3 years. She is 29-year-old Dutch expatriate. Her main responsibility is to take care of media affairs in the country.

**Respondent 9 (MF)** is General Manager in Radisson SAS Gothenburg. She is Swedish, 40 years of age, and owns one child. Although, she is now back working in her home country, she talks about her work for several years as General Manager in Radisson SAS Zurich, in Switzerland.

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# Job Descriptions to Job Fluidity: Treading the Dejobbing Path

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## Abstract

**Purpose of the paper:** Traditionally, job descriptions have been a popular mechanism for determining the requirements of a job. However, the present turbulence of the corporate landscape has prompted organisations to be agile and responsive. Under such precarious circumstances, laying down specified duties can be fatal. We have entered the world of 'dejobbing'. An increasing number of firms are moving towards jobs that are broad and that may change every day. In such a situation, people no longer take their cues from a job description. Signals come from the mutating demands and imperatives of the environment. This paper explores the various contours and dimensions of dejobbing. It discusses the rise of dejobbing as an all-pervasive phenomenon, and the related organisational and individual imperatives. The paper discusses the phenomenon of dejobbing in a new light. It explores those dimensions of dejobbing which have not been touched upon previously. It introduces the 'Ability-Willingness Matrix' for discussing organisational imperatives. This work is based on a review of extant literature and industry experience. Corporate examples are cited to drive home the central idea of the thesis. The paper reveals that since dejobbing is inevitable, there is a need to address the issue head-on. Individuals need to demonstrate their deliverables to the organisation. In order to survive, people will have to shrug off job-mindedness. This paper

will provide insights to strategic decision leaders vis-à-vis the crafting of a dejobbing strategy. Through an in-depth discussion accompanied by suitable examples, the paper attempts to appeal to a wider audience of practitioners.

**Keywords:** Ability-Willingness Matrix, Dejobbing, Discontinuity, Job description, Job fluidity, Organisational life stages, Shamrock Organisation, Strategy.

## Introduction

Dramatic changes are taking place in the job world. We are witnessing the disappearance of jobs. Over the years we've been taught that a steady pay packet, well-defined tasks, long-term employment and daily reporting to a specific workplace are the constituents of a 'real job'. The truth, however, is that 'real jobs' are gradually starting to belong to the tales of a by-gone era. Work is being accomplished today in innovative ways, with more and more organisations exploring alternatives to conventional forms of hiring. We can look back with nostalgia at the days of so-called job security, fixed-term employment and specified duties, as they appear to be slowly but surely disappearing. Statistics from around the globe give even more startling revelations. Figure 1 cites statistics that point towards the increasing fluidity in jobs.

Figure 1 brings home the point that 'real jobs' are gradually vanishing. And what's more than just this, in the present context the very definition of the term 'job' is getting transformed. Webster's Dictionary defines a job as "an activity performed regularly for payment." This definition arose from the way firms organised work during the Industrial Revolution. The traditional concept of a job implied stereotyped work that needed to be done in the mushrooming factories. The job was a way

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to get organisations to run their assembly line smoothly and efficiently.

Today, with the emergence of a borderless world and advances in information technology, the assembly-line mentality of doing a job no longer provides firms with a competitive advantage. According to Dent (1995), “in the work revolution ahead, jobs won’t be the narrowly defined functions of performing a single task over and over as you’re used to seeing in the standardised, assembly-line economy of old.”

- Less than half of the workforce in the industrial world will be in proper full-time jobs in organisations by the first quarter of the twenty-first century.
- The temporary workforce as a whole has increased almost 60 percent since 1980.
- More than a third of global companies employ temporary workers in managerial or professional positions.
- Most of the remaining companies plan to increase their use of temporary employees during the next five years.
- Temporary professionals (executives and managers) are increasing twice as fast as the temporary workforce as a whole.
- 50% of households will engage in a home-based business by the turn of the century.
- In the manufacturing sector, automation is responsible for a drop in employment from 73% of the workforce in the 1960s, to a predicted 2% of the workforce by 2020.
- About 10% of the workforce changes job every year.
- 70 percent of all jobs that will exist after the millennium don’t exist today, suggesting that the average person indeed will change careers five to seven times in his or her lifetime

A different kind of statistic began to receive attention during the 1990s. It measured not the number of people who were out of work but the number of jobs that those out-of-work people would never be able to find because those jobs had disappeared from the economic landscape. The message was clear: jobs are going away, not just until times improve, but for good.

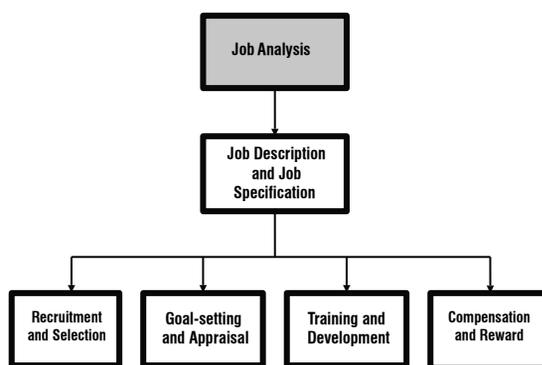
**Figure 1. Emerging Job Fluidity**

Source: Data Collated from Industry Sources

### Traditional Job Analysis

Traditionally, job analysis has been a popular mechanism for determining the duties and skill requirements of a job and the kind of person who should be hired for it. The typical outcomes of a job analysis exercise were the *job description* and *job specification*. While the job description contained

a list of the tasks, duties, responsibilities, reporting relationships, working conditions and supervisory responsibilities associated with each job, the job specification provided a list of the job’s human requirements, that is, the required education, skills, qualifications, personality, and so on. This data was then used by HR executives for the purposes of recruitment and selection, compensation, performance appraisal & training (Dessler, 2004). Figure 2 describes the functions of job analysis.



**Figure 2. Traditional Job Analysis**

Job analysis data was a simple means of determining who would do what. This kind of set-up would work sufficiently well in stable environments where people would be normally expected to perform predefined repetitive tasks. However, with the onslaught of increasing competition and the turbulence of an ever-changing corporate landscape, organisations are now required to grapple with a number of revolutionary forces. These forces have altered the playing field on which firms compete. This has prompted business organisations to be agile, dynamic and responsive.

D’Aveni (1994) talks about ‘hyper-competition’ to indicate the new and radically different scenario in which firms compete today. Under hyper-competition, firms need to follow different rules of behaviour and respond to market needs with a dynamic and continually changing strategy. In this context, Toffler and Toffler (1995) remark that currently, we are living through one of those exclamation points in history when the entire structure of human knowledge is once again trembling with change as old barriers fall. The hyper-competitive global economy has created a new competitive landscape – one in which events change constantly and unpredictably (Ireland and Hitt, 1997).

Under such precarious conditions, laying down specified duties and tasks on the basis of the traditional job analysis can be fatal. The need for responsiveness has, in fact, blurred the conventional meaning of the job as being a set of well-defined and clearly delineated responsibilities. The concept of the job and of work itself is being radically transformed. We have entered the world of ‘dejobbing’.

### Dejobbing – What it Entails

An increasing number of firms are moving towards new organisational configurations, ones built around jobs that are broad and generalised and that may change every day. In such a situation, people no longer take their cues from a job description or a supervisor’s instructions. Signals come from the changing demands and imperatives of the environment. Dejobbing is beyond job descriptions.

According to Bridges (1994a), the job is normally viewed as a little packet of responsibility (job description), rewarded in accordance with a fixed formula (pay level), and with a single reporting relationship (place in the chain of command). The inflexibility inherent in this structure proscribes an organisation’s ability to be responsive to change. Bridges’ solution is the ‘dejobbing’ of individuals and organisations.

Dejobbing specifically refers to the act of broadening the responsibilities of the company’s jobs, and encouraging employees not to limit themselves to their job descriptions (Dessler, 2004). With dejobbing, workers are paid not for their ability to provide fixed hours of labour but rather for their performance of some task (Dooley and Prause, 2004). Dejobbed organisations encourage their employees to move from narrow and compartmentalised specialist tendencies to a generalist frame of mind. Employees are given the flexibility and freedom to innovate, experiment and develop the dexterity of being multi-skilled. Essentially, dejobbed organisations prepare their employees not for today’s jobs but for tomorrow’s roles.

Based on extant literature (e.g. Bridges, 1994a; 1994b; 1998; Dent, 1995; Dessler, 2004 etc.) certain characteristics of dejobbed organisations can be isolated. Figure 3 summarily describes the characteristics of a dejobbed organisation.

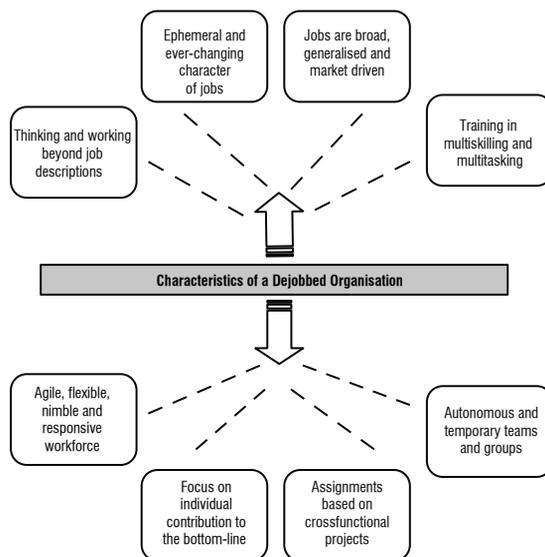


Figure 3: Characteristics of the Dejobbed Organisation

Campbell (1995) opines that the workplace of the future is going to be organised not around jobs but around projects. The project will be the new way to package work in the knowledge economy. From an organisational perspective, a project allows firms to quickly organise around tasks that need to be accomplished. Projects provide flexibility and speed to meet the needs of the hyper-competitive global marketplace. From the workers’ perspective, a project focus allows unparalleled flexibility and opportunity for professional and personal growth. It frees workers from the job paradigm and moves them to the project paradigm. Workers create projects to accomplish tasks, without being handcuffed by their job descriptions.

Dejobbing is a numbers game. The same work that used to require a hundred workers a few years ago can be done by fifty today owing to the fact that workers are more versatile and multi-skilled now. Rifkin (1995) warns that in the coming years, new sophisticated software technologies will bring about a near worker-less world. Scholars agree that if a person can’t say why he actually makes his company a better place, he’s out. It is evident that careers in the present scheme of things will revolve around this new fundamental truth. We need to ask ourselves continuously, what have we done to improve our company today, or else our future may be in jeopardy.

The new phenomenon has set organisations to unbundle activities that used to be centralised. This is being accompanied by the reassignment of activi-

ties and tasks across organisational units. This new arrangement frees the employee from the constraints of a job description, rigid organisational hierarchy, restrictive personnel policies and conventional procedures. In such a set-up, jobs change each day in keeping with the mutable demands and challenges of the market and the business environment.

A new genre of sophisticated information and communication technologies, together with new business models is predicted soon to wipe out full-time employment for millions of traditional blue- and white-collar workers. Rapid product and technological change, global competition, deregulation, escalating competition and the rise of a service economy warrant a rethinking of traditional business models. Dent (1995) describes the brave new world of work – a world where technologies empower the individual and bring exciting opportunities. Perez (2002), in one of her seminal works, explains how technological revolution gives rise to a paradigm shift and leads to the emergence of a new economy. The concept of dejobbing may well be linked to this idea. With each technological shift, there arises a greater need for inculcating the dejobbing mindset.

Bower (2003) compares the emerging scenario to the game of rugby. According to Bower (2003), soccer is a position game. Players have specific talents and roles, and they are taught to stay in their position, passing to their team-mates who can be relied upon to be in their position. Rugby is different. Players have particular positions, but when the ball is loose they move to get the ball and then, while in play, reassemble themselves in formations to advance the ball forward. Great companies can learn from rugby. Managers need to know that for certain purposes – usually related to operating to plan – they must perform assigned tasks in expected ways, but during challenging times, they must be ready to use their knowledge and skills to work on cross-functional assignments.

Dejobbing marks a paradigm shift from the job description era to an era of job fluidity and haziness. Figure 4 illustrates this comparison.

While Part A of Figure 4 describes a typical job description for a particular position in a traditional organisation, Part B depicts the dejobbed organisation where the job description is replaced by the skills matrix. Part A presents a scenario where jobs

used to be static and predefined in terms of specific duties. However, as markets evolve, organisations may be required to shift to something like the skills matrix depicted in Part B. Here, the organisation does not rigidly lay down specific duties, rather it only provides broad guidelines and the incumbent is motivated and encouraged to expand his skill repository which is commensurately rewarded. On attaining the highest skill level, the incumbent may be promoted to better avenues. Organisations such as these, offer plentiful opportunities to perform, innovate, improve and get rewarded. These are, more precisely, dejobbed organisations.

**Part A: Job Description in a Traditional Organisation**

<b>Job Title: XYZ</b>	<b>Reports to: ABC</b>
Manages the daily functions of a speciality retail department. Responsible for customer service, supervision of sales staff, training of new employees, merchandising and maintenance of inventory.	
<b>Principal Duties</b>	
1. Assists customers in merchandising selection	
2. Clarifies any query that sales staff encounter	
3. Trains, coordinates, directs, and supervises sales staff	
4. Maintains inventory records	
5. Prepares the department for opening at the beginning of each day	
6. Ensures that the department is professionally organised.	

**Part B: Skill Matrix in a Dejobbed Organisation**

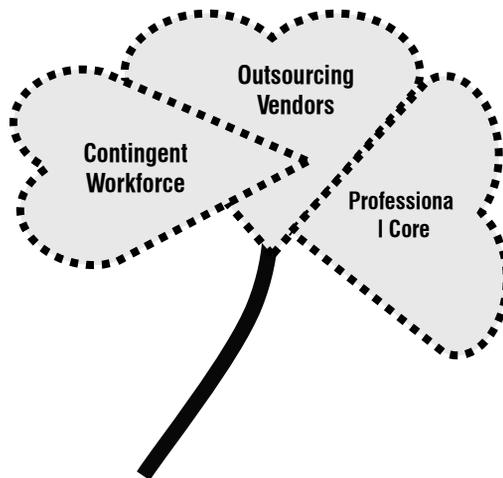
Job Title: XYZ

<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Technical Expertise	Communication & Interpersonal Ability	Business Acumen & Decision Making	Leadership & Guidance	Planning & Organising	Initiative & Problem Solving

- 1, 2, 3 etc. are descriptors for each level of the skill e.g. in case of technical expertise (1) might read: basic knowledge of handling machine while (8) might read: conducts and supervises complex tasks requiring advanced knowledge of a range of skills.
- Dark boxes indicate minimum level of skill required in each skill category for the position XYZ.
- Incumbent is required to move from minimum level to higher levels. The appraisal and rewards are tied to this movement to higher levels.

**Figure 4. Job Descriptions and Beyond**

The dejobbed organisation is different from the traditional Fordist organisation. It is based on flexible systems, processes and styles. Handy's (1998) concept of the Shamrock Organisation illustrated in Figure 5 depicts the characteristics somewhat associated with dejobbing.



**Figure 5. Shamrock Organisation**  
Source: Adapted from Handy, C. (1998). *The Age of Unreason*. Boston: Harvard Business School Press

According to Handy, organisations will more and more come to resemble a three-leafed shamrock, representing three different types of workforce.

- The first leaf is the *professional* core. It consists of professionals, technicians and managers who possess the skills that represent the organisation's core competence.
- The next leaf is made up of *self-employed professionals or outsourcing vendors* who are hired on contract or on a project-by-project basis.
- The third leaf comprises the *contingent work force*, where there is no career track and often routine jobs. These are usually part-time or contractual workers.

Shamrock Organisations provide businesses with the speed and flexibility they require to be competitive. Organisations are gradually employing less and less full-time workers in their professional core (Handy, 1998). The dejobbed organisation is like the Shamrock depicted above. It is marked by a certain degree of fluidity in the nature of employment relationships.

Watson-Manheim et al. (2002), forwarded the concept of discontinuity, which also fits into the concept of the dejobbed organisation. The notion of discontinuity refers to the increasing flexibility in work, which has gradually altered the very nature of the workplace. Emerging technologies have enabled organisational boundaries to become less confining, allowing dramatic changes in the workplace. Present day organisations comprise groups of people who have discontinuous work group membership or physical or temporal locations, and who often have discontinuous tasks and interact with a discontinuous set of people working for other companies on a discontinuous set of projects. According to Watson-Manheim et al. (2002), these discontinuities could be:

- discontinuities in temporal work location
- discontinuities in geographic work location
- discontinuities in work group membership
- discontinuities in projects/tasks
- discontinuities in cultural backgrounds and
- discontinuities in organisational affiliations

Discontinuities offer several advantages to the organisation. The creation of discontinuities can be part of the conscious strategy of a company. They provide the benefits of flexibility at work, thereby enabling manoeuvrability in the light of changing environmental requirements and market dynamics. They also help companies meet unexpected demands through temporary work arrangements (Khan and Azmi, 2005).

Dejobbing is happening owing to the dynamics of the modern business environment. In such an accelerating environment, narrowly defining a job no longer clicks. Jobs are best suited for static and stable environments, which certainly does not describe the workplace of today. In a ruthlessly competitive terrain, companies can no longer afford the luxury of holding on to more employees than they need. Workers who are not contributing effectively to the bottom line are let go. Analysts predict that, in this century, employment and jobs as we always knew them are likely to be phased out gradually.

### Dejobbing and Organisational Life Stages

According to Bridges (1994a), the concept of dejobbing is closely intertwined with the life cycle of organisations. In start-up companies 'job-haziness' is a commonplace phenomenon. Normally these companies aren't big enough to have job descriptions. Since start-ups are in their formative stages, jobs *per se* have not crystallised as yet. People just

do whatever needs doing. These organisations symbolise a natural form of dejobbing.

However, when start-ups grow and expand, jobs begin to firm up. This gives rise to concrete job descriptions and the specifying of duties and tasks for individuals within the organisation. This gradually leads to frequent omissions (*that isn't my job*) or commissions (*I'm just doing my job*). In both cases it is illustrating the way jobs can become dysfunctional in a company that is changing.

As organisations grow further and as competition intensifies, managers may realise the need to handle unplanned work demands and challenges. This may therefore warrant the introduction of a culture where people pick up cues from emerging threats and opportunities and redefine their tasks each day. This phenomenon creates the need to dejob the organisation in order to equip it to be agile, proactive and responsive. Thus in the high growth stages of the organisation, dejobbing may become a pre-requisite. During this stage, organisations realise the need to have a no-holds-barred approach to dejobbing. Figure 6 illustrates how dejobbing is linked to organisational growth stages.

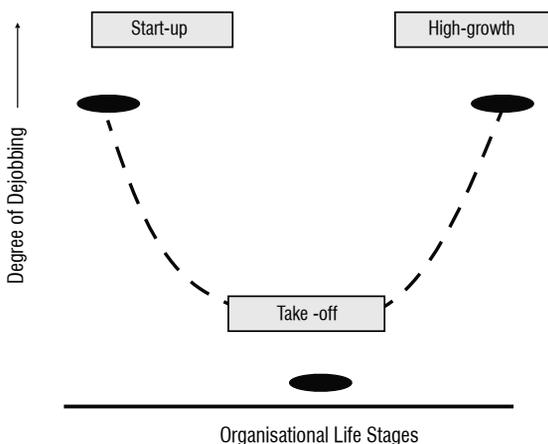


Figure 6. Dejobbing and Organisational Life Stages

Figure 6 clearly brings out the relationship between organisational life stages and dejobbing. The U-shaped curve demonstrates that dejobbing is high in the initial stages (start-up), weakens as job descriptions start firming up (take-off) and rises once again as an organisation expands and dejobbing becomes essential (high-growth). It is interesting to note that while dejobbing is a natural phenomenon in a start-up company, it becomes an imperative in the high growth stages of the organisational life cycle.

### Global Trends in Dejobbing

Dejobbing is inevitable. Businesses are required to be innovation-minded and adapt to change or they will be rendered obsolete. Dent (1996) explains how current economic trends will lead to transformation of the world's workplaces, bringing tremendous possibilities for greater personal fulfilment and prosperity. Dejobbing has already arrived. Intel, Microsoft, Sun Microsystems, Apple, Ikea, Unilever, Nestle and hundreds of other fast-moving, fast-growing companies have already left jobs behind. Figure 7 gives some illustrations of corporate initiatives in dejobbing

Company	Initiative
Intel	Work based on projects that change over time and, with it, change responsibilities. Employees work under several team leaders, keeping different schedules, being in various places, and performing a number of different tasks. Hierarchy implodes and gives way to a flexible set-up.
Apple	The nature of the duties keeps changing. People do whatever needs to be done without being selfish or shirking responsibility. There is a lot of flexibility and work goes beyond the ambit of a job description.
Microsoft	Frequently deploys project-based assignments as the essential building block. These projects keep evolving and the membership keeps changing. People work on discontinuous projects with a diverse mix of people across functions, divisions and geographies.
GE	The company believes in teaching new and diverse skills. It encourages people to take on different roles and work with different teams. A can-do perspective prevails vis-a-vis new assignments and uncertain challenges.
P&G	The company optimises organisation design and work processes to unleash the full potential of employees. So while the job description may look like a standard role on the surface, there are ample opportunities for working in diverse teams and on diverse assignments, and for job rotation, flexible locations, career development and growth.
IKEA	Initiatives related to flexible work design promote work-life balance. Prominent elements of IKEA's culture are creativity, diversity, openness and competitiveness. The company values the individual's abilities and encourages people to experiment, innovate and grow.

Figure 7. Corporate Initiatives in Dejobbing

Dejobbing is becoming an all-pervasive phenomenon. It has already enveloped a number of sectors and industries. For instance, Bridges (1994a) points out the impact of dejobbing on the film industry. In the era of the big studios in the 1940s, almost everyone connected to films would have

been a studio employee – either an actor, a director, a producer, a camera operator, a makeup artist or a publicist. However, the rise of independent film companies and stiff competition from television has changed the shape of the film industry. Today, big movie projects are put together by ad hoc groups of independent people and small businesses under independent producers.

Saver (2002), who explored the impact of dejobbing on the nursing profession, opines that rather than having 'jobs,' nurses will soon think of themselves as consultants to particular clients. Nurses may have to subcontract themselves to service providers. Functional departments such as nursing education, infection control, quality improvement, and nursing administration will be subcontracted to individual professionals, nursing groups, and hospital service corporations. An increasing number of nurses will set up independent companies designed to fulfil an unmet health care need. Nurses will be required to be cross-trained, flexible, eager to learn, and not tied to one speciality.

Similarly, Reenen (1988) studied the impact of dejobbing in libraries. Reenen observes that for almost three decades, libraries have experienced rapid change which provides new opportunities for library workers. In the evolving information economy, library workers are reportedly experiencing a career renaissance and admit that their job responsibilities have changed. Contrary to the stereotypes, librarians have embraced new technologies enthusiastically. They also felt that it is the uncertainty and turbulence that has forced them to learn to re-invent jobs. Libraries are investing heavily in training and re-training. Libraries are also realising the need to re-organise jobs.

Edstein (2004) states that dejobbing has affected the teaching and academic profession too. Here also the 'one lifetime, one career' principle no longer applies. Teachers are today being called on to teach in ways radically different from the ways in which they were taught, or were taught to teach. Everyone in the classroom has to learn to be a learner. Technology is giving teachers and students a unique way of expressing themselves. It also readies them for both formal and hands-on research for effective learning and teaching. Teachers need to develop educational programmes that suit changing needs. Teachers are also realising the need to update the curriculum from time

to time and adopt innovative teaching pedagogy to cater to students' real needs.

It is thus evident that dejobbing has pervaded even non-business sectors too. The new rules spell the end of jobs as we have known them. They define a new and innovative approach to work and the career path. Unless we begin to re-educate ourselves, we will soon be in for some serious trouble.

### Crafting a Dejobbing Strategy

In the modern era, companies can no longer bank on the flywheel of momentum created by a superior product or technology to sustain their success. Even perennially successful companies are finding it difficult to deliver consistent results. Prahalad and Lieberthal (2003) prefer to call it the *end of corporate imperialism*. They have stated that success in the emerging markets will require innovation and resource shifts on such a scale that life within the multinationals themselves will inevitably be transformed.

Business organisations and their employees who were till now basking in the glory of stable returns need to graduate to the realities of the dejobbed world. Some of the modern day imperatives that accompany a dejobbing strategy are:

- **Reinventing the business model:** The path to dejobbing mandates reinventing, revitalising and redefining the organisational model. The purpose for which the organisation exists has to be valid and viable even under changing circumstances. This necessitates constantly invigorating the organisational mission, business philosophy and management styles to keep pace with changing times.

*Tesco's 'Steering Wheel' strategy has enabled the company to emerge as the largest retail chain in the UK. The strategy comprises the company's core purpose, values, principles and goals. The company uses these as the basic pillars of its success and constantly rejuvenates them in light of the following four quadrants of its scorecard: operations, people, customers and finance.*

- **Redesigning traditional structures:** Ready-ing the organisation for dejobbing will

require a major overhaul of the traditional structures. Organisations need to do away with the rigid chains of command and tall pyramid-like hierarchies and pave the way for a flat, flexible, team-oriented structure. Dejobbing demands a close-knit arrangement of people facilitating upward, downward and lateral communication.

*HP followed a highly centralised organisational structure earlier. Later, with an increasing number of operating divisions and product lines, the company adopted a group structure. Under the new structure, related divisions were combined under a group manager. The company's orientation towards decentralisation enabled it to improve its field marketing activities and also led to an improvement in employee capabilities and skill.*

- **Transforming organisational culture:** Success through dejobbing does not hinge only on a reformed structure. It requires a more complete makeover. It requires received wisdom to be challenged and the way the work is organised to be rethought. Organisational culture needs to be firm but flexible at the same time so that it facilitates the creation of a system that is challenge-seeking and adaptive.

*Toyota pulls ahead of its competitors year after year. The company carries with it an aura of invincibility. Commentators attribute its consistent excellence to the mysteries of its strong culture. The motto of the company declares: if you're successful, change. Toyota focuses on a cultural change model that values an organisation's willingness to accept change under market imperatives.*

- **Redefining work:** Dejobbing is moving beyond narrow job descriptions. It requires rethinking the concept of work. Organisations moving on the road to dejobbing need to change their orientation towards work. They need to imbibe the fact that work is to be guided not by predefined policies but by environmental imperatives.

*British Airways' key strategy is based on the model of the 'Flexible Firm' in four areas:*

*functional or task flexibility, numerical flexibility, temporal flexibility, and financial or wage flexibility. This flexibility is enmeshed in its employment relationship and HR policy. Employees are encouraged to think beyond the typecast.*

- **Realigning people and resources:** Dejobbing requires the realignment of people and resources in a seamless link with as little effort as possible. Men, material and machines all have to be reconfigured to facilitate the assimilation of new skills. With changing business imperatives, strategists will have to design new relationships between people and resources that match changing market demands.

*3M's success can be attributed to its commitment to innovation. 3M has a culture that provides employees with the necessary resources to conduct research in areas of their choice even if the research is not related directly to their official projects. By thus nurturing the talents of its employees and fostering the assimilation of new knowledge and skills, 3M has managed to become one of the most innovative companies in the world.*

- **Multi-skilling and multi-tasking:** Dejobbing also requires an unflinching passion for learning the new and constantly upgrading one's skill set. It creates the need to be multi-skilled in order to be ready to face the new-fangled challenges of the modern business world. It also demands that people be ready to perform more than one activity together if need be.

*Nestlé relies on the potential of its people for success. The company is committed to continuous improvement rather than dramatic, one-off changes. To keep ahead in its ever-changing industry, Nestlé is committed to the continual training and personal development of its people. It encourages employees to learn something new every day, adapt to changes and develop multi-functional and multi-cultural skills.*

- **Uphold the HR values:** The key to building an efficient dejobbed atmosphere is the organisation's human resources. It is neces-

sary to elevate HR from the status of merely being a resource to that of an invaluable asset. Because HR is inimitable and vital for organisational success, there is a need to have a strategic perspective to managing it.

*Framed and valued since FedEx's inception in 1973, the people-service-profit (PSP) philosophy views employees as the key contributors to the company's profitability. FedEx has introduced several innovative HR practices which are upheld by others as benchmarks. To support its employee-friendly initiatives, FedEx lays serious emphasis on integrating HR issues with corporate strategy.*

Dejobbing is here to stay. Sooner or later, all organisations will be forced to dejob. This new order appears to be both exciting and scary. While on one hand there are tremendous possibilities and unlimited opportunities, on the other hand there is the uncomfortable prospect of unstable and fleeting jobs. Organisations wishing to navigate the uncharted territories of dejobbing need to go about it in a balanced and systematic manner. Initiatives by companies such as those above facilitate the process of dejobbing.

Organisations starting out on the path to dejobbing need to inculcate a learning mind-set, one that provides individuals with the ability to adapt to new situations. It is an established fact (e.g. Harigopal, 2006) that change or transition involves the assimilation of new skills, and hence the need for learning. Since dejobbing is about change and transitions, organisations need to have a conscious strategy for managing transitions through a continuous and seamless process of learning. It is believed that in times of change, it is the learners who will inherit the future. Some learn better than others and survive while the more successful learners thrive. Those that fail to learn will eventually disappear (Nevis et al., 1995). There exists a strong relationship between learning and the survival of organisations (Kanter, 1992).

The role of leaders in organisations is to set the necessary conditions for the organisation to develop learning capability (Shaw and Perkins, 1991). Effective organisations are configurations of management practices that facilitate the development of knowledge (Slater and Narver, 1995). However, learning is not a one-shot programme,

it is an on-going process (Azmi, 2003). Crafting a successful dejobbing strategy mandates the setting up of a supportive learning culture.

## Organisational and Individual Imperatives

The road to building a dejobbed organisation is not easy to follow. Organisations embarking on dejobbing need to adopt a gradual and steady strategy of adapting to the change. Individuals require time to adapt to new systems and processes. In several instances, they are subject to extreme psychological pressure owing to the challenges of dejobbing. It is also vital to note that there cannot be a universal strategy for adaptation and coping for all members of the organisation vis-à-vis dejobbing. Since individuals exhibit diversity in their behaviour and disposition, executives will have to delineate carefully crafted strategies for different categories of employee while propelling the organisation along the path of dejobbing. It requires a workable and customised strategy for coping to be put in place during dejobbing.

Members of the organisation display differing levels of ability and willingness to perform. On the basis of high or low levels of ability and high or low levels of willingness to perform, four categories of individual can be identified in an organisation. Each category demonstrates a different learning and adaptation orientation, hence requiring different strategies for coping too.

- **High ability - High willingness: Achievers**

These are individuals who have high levels of both ability and willingness to learn and perform. They are the go-getters and hence, star employees for an organisation. They are chiefly responsible for organisational productivity and performance. They are eager and quick learners and adaptors. Investments made in them are almost always recouped in the form of greater results. They can be developed as leaders and trend-setters vis-à-vis dejobbing strategy.

- **High ability - Low willingness: Idlers**

These are those who have the ability to perform but are reluctant to put in the effort to learn. They are usually complacent about things and often happy with the status-quo. They prefer to work less and idle away. How-

ever, given the right incentives, exciting challenges and necessary motivation, they too can be geared up to learn new skills. Idlers may sometimes be seeking challenging assignments that enable them to attain their hidden needs.

• **Low ability - High willingness: Doers**

They fall short of the required ability but have the desire and urge to learn and deliver. They have the hidden potential to perform and improve. They suffer from lack of either confidence or improver guidance. Doers require empathetic counseling and considerate understanding to enable them to overcome their inhibitions. Organisations need to encourage them to enhance their competencies through self-motivation. They can be groomed well as they are eager learners.

• **Low ability - Low willingness: Strivers**

These are individuals who have neither ability nor desire to perform. They are laggards and a cost to the company. They are usually the wrong people in the wrong places. Either they need to be channelled in the right direction or the management may start contemplating their continuity and existence in the organisation.

Figure 8 demonstrates this Ability - Willingness Matrix.

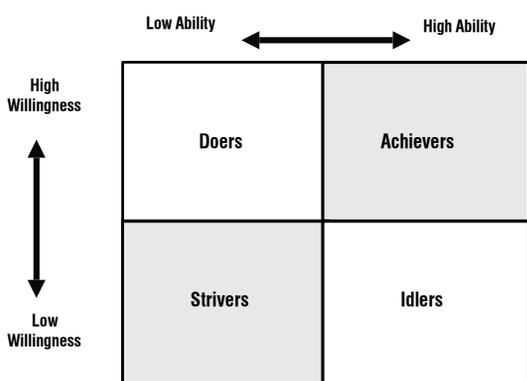


Figure 8. The Ability-Willingness Matrix

Organisations need first to categorise organisational members on the ability-willingness continuum and then to design effective and commensurate strategies for coping and adaptation for them.

## Dejobbing and Career Progression

Dejobbing has serious implications for the career paths of individuals. In a rapidly transforming work environment, individuals will be required to craft some excellent transition management strategies for handling issues like coping with change and stress, managing the loss of stability, understanding the inevitability of flexibility and so on. Bridges (1998), proposed the idea of ‘Creating You & Co’ a micro-business and company of one. He advises that people should learn to think like the CEO of their own careers. This will go along way in delineating their long-term career path in a dejobbed world.

Individuals need to be geared to change. The following are some of the personal strategies that can be worked on in order to command and control a career path in a dejobbed context:

➤ **Gearing to Change:** The one thing in life that we can be sure of is that change is inevitable. Too often, however, people like to use their ‘rearview mirrors’ and look back on things that they can’t control, instead of looking ahead and figuring out how they can control their future. Individuals need to be ready for the future.

➤ **Identifying your core competencies:** It is crucial to first identify your core competencies, which could be manifest in specific skills or more general attributes. This helps in understanding how those competencies can be channelled and applied to other jobs when the job changes.

➤ **Finding passion in what you do:** It is important to choose a field and nature of work that you are passionate about. Passion provides energy, purpose and enthusiasm. This helps in graduating to even higher levels of excellence.

➤ **Making learning a habit:** Learning is the hallmark of success in the current competitive world. Learning develops the ability of self-renewal. Constantly improving and honing your skills is critical to ensuring survival and success.

➤ **Becoming flexible:** Flexibility provides you with the potential to accept uncertainties.

Individuals need to emerge out of their self-created safety zones and accept the need to be pliant.

- **Becoming a team player.** Individuals need to understand the power of teamwork. Today's workforce is made up of teams working on projects. You should never forget the value of expressing genuine appreciation for the contributions of co-workers.
- **Thinking outside the box:** Existing challenges warrant a completely new orientation. Unleashing your creativity and thinking outside the box is the answer to meeting the ever-increasing environmental challenges.
- **Delivering results:** You have to constantly prove your contribution to the organisation's bottom-line. Survival in the modern demanding world is conditional. It depends on merit.
- **Mastering technology:** With technological developments taking place at lightning speed, individuals who don't endeavour to keep pace will be left behind. For survival in the dejobbed world, mastery of technology is a prerequisite.
- **Becoming multi-skilled:** Employees need to have a broad range of skills that spill across functional rigidities. Mastering multiple skills that include cross-functional and cross-cultural abilities increases your employability.
- **Creating your own future:** There is no such concept as job security today. Making yourself indispensable to the organisation is the only way to survive. Individuals need to shift from thinking of jobs to thinking of careers.

Kaputa (2006) believes that today's challenging world demands strategic thinking and adaptability and a self brand mindset. With self branding, we empower ourselves. Self branding involves looking at oneself as a marketer would look at a product that he or she wants to make a winning brand. We need to develop a plan to create a valuable asset out of ourselves. It also necessitates undertaking a per-

sonal SWOT analysis to calibrate your strengths, weaknesses, opportunities and threats. Such an analysis helps in outlining a mental map of your future career progressions

Bridges (1998) points out that it's helpful to think of yourself in terms of D.A.T.A. The D stands for *Desires*: the real interests and passions that you bring to work. A means *Abilities*: the knowledge, skills and capabilities that you bring to a work situation. T comes from *Temperament*: the particular make up of preferences and personal style that influences where and with whom we work best. A means *Assets*: the aspects of your life and experience that create job satisfaction.

In the present scheme of things, everyone is a contingent worker since every person's employment is contingent on the contributions that they make to their organisation. In light of their contingency, workers need to develop an approach to managing their own careers that is more like that of an intrapreneur than that of a traditional employee. The wise company will work with these people collaboratively to make the relationship as beneficial to them as possible.

## Conclusion

According to Bridges (1994b) the job is vanishing not because some theorist recommended we abandon it, but because jobs inhibit the flexibility and responsiveness that are the do-or-die for today's organisation. Jobs are disappearing primarily because of the switch to a fast-break, no-huddle style of doing business. As a way of organising work, the job is a social artefact that has outlived its usefulness. Its demise confronts everyone with unfamiliar risks – and rich opportunities.

There is a need to address the issue of dejobbing head-on. Organisations need to take steps to educate workers about the changes and show them where they fit into the larger scheme of things. Recognising the uncertainties in the business environment, workers need to be educated about the need to demonstrate their value to the organisation in each successive situation they find themselves in.

Since more and more of the organisation's efforts are likely to be undertaken by project teams made up of individuals from different functional backgrounds, workers must be able to switch rapidly

from one task to another, to work with people with different vocational backgrounds, to perform in diverse settings, to work without clear job descriptions, and to manage several projects at the same time. Just as workers must be prepared to shift from project to project within the same organisation, they should expect to move frequently from one organisation to another. Long-term employment with one organisation is a thing of the past.

Recognising these demands, organisations are expected to provide the requisite information, training and support to enable people to make that difficult transition from old rules to the new order. The organisation cannot afford to wait until individual workers see the writing on the wall. Just as individuals and organisations need to prepare for the new order, governments too need to recognise the link between dejobbing and increasing productivity and to develop programmes to help people learn to work under the new conditions.

Dejobbing has indeed arrived. In certain industries and sectors, these changes will take a while to crystallise, but the wheels are already in motion. Soon, the trend is expected to envelope the entire world. We must realise that in order to survive in the future, people will have to let go of their rigid job-mindedness. Individuals in the existing set-up will have to see themselves as providing solutions, rather than as 'doing a job.'

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