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From the editor

Introduction

It is with great pleasure that I welcome all of you to the fifth issue (Vol. 3, No. 2) of the *International Journal of Management and Business* (IJMB). In this editorial I will reflect on the potential additions of new types of articles to the journal, provide a reminder of our request for proposals for special issues and their guest editors, reflect on the near future of IJMB, present IAMB future conferences and introduce the second issue of our 3rd volume.

New additions to the journal

Since its commencement, the IAMB published one type of article only, research papers. We have recently broadened the opportunities for our authors by providing additional options for publications. In an earlier issue (Vol. 2, No. 2) we introduced a case study. In the last issue (Vol. 3, No. 1) we announced the feature articles format. Both the case studies and the feature articles are peer reviewed and go through a similar review process as our research papers. We hope to introduce additional new options, such as book reviews and opinions in future issues, and we invite our readership to consider such options for submission to IJMB.

Once again, it is a real pleasure for this editor to thank his team without whom this and previous issues would not have the qualities and the scope of subjects covered. I want to thank my Associate Editors: J. Michael Geringer, Maria Francisca Blasco Lopez, Marc Eulerich, Jan Schaaper, Zu'bi Al-Zu'bi, James Jian-Min Sun, and Shmuel Batzri; and a large team of reviewers and the Editorial Board Members for their ongoing participation and contribution to the journal.

I also want to take this opportunity to thank Shmuel Batzri, Ph.D., the founder and the organizer of IAMB, for his continuous and unwavering support and Kelly Anklam for her continuing assistance in editing the papers. I also wish to thank the Frederick E. Baer Professorship in Business at UWGB for partial financial support.

Request for proposal for special issues and their guest editors

Once more we want to announce a request for proposal for special issues and their guest editors. We are looking for subject matters that will strengthen the in-depth knowledge exchange between disciplines and between international academic communities by providing high-quality and novel contributions organized by renowned experts in the area that have the potential to attract articles of the highest quality.

The subject matters should be similar to those covered by the journal and are broadly defined as management and business issues that are of interest to an international academic and practitioner audience. The following subjects serve as broadly defined areas of interest:

- Organizational Studies
- International Business
- Strategic Management

- Marketing Management
- Technology & Innovation Management
- Human Resource Management
- Education & Training
- Management of Social Issues
- Management Studies
- Research Methods
- Auditing & Control
- Finance & Accounting
- Corporate Governance
- Not-for-profit Management

The only requirement regarding content is that articles must include implications for an international audience. For some subjects this will be a natural inclusion. For the others, the authors are expected to add and elaborate on such implications. In either case, the relevance and the importance of the conclusions and implications should be apparent to non-specialists.

For more information about the request for proposal for special issues and their guest editors see pp. 8-9, in Vol. 2, No. 1, available at http://www.iamb.net/IJMB/journal/IJMB_Vol_2_1.pdf

The near future for the IJMB

We are presently on a track to annually publish two issues of the journal. Special issues will be published in coordination with their editors.

The Journal continues to expect submissions for publications from the participants in IAMB conferences, as well as from other high quality scholars in the global academic and practitioners' communities. We encourage submission of traditional research papers (empirical and theoretical) as well as feature articles, case studies, research notes, book reviews, opinion papers, and spotlight on practice papers.

To support our vision, we are including abstracts in multiple languages. This is also the place to thank whole heartily our translators for their excellent work, and to express interest in inclusion of additional languages that are presently missing from our journal. Specifically, we are still looking for translators of abstracts to Chinese, Japanese, Korean and Russian. Serious consideration will be given to additional languages if proposed.

If additional information is needed, you are encouraged to contact the editor.

Future conferences

We currently have conferences scheduled for San Antonio, TX – January 21-23, 2013; and Lisbon, Portugal - April 17-19, 2013. More updated information can be found on the IAMB main website page at www.iamb.net.

This issue of IJMB

We are extremely proud to include in the second issue of the third volume *seven* outstanding papers written by highly esteemed colleagues, *one of which*, **KaoutharLajili et al.**, won the Best Applied Paper Award for the IAMB conference in San Francisco 2011.

A few of the papers went through four reviews over a ten month period, while others went through five reviews over two years. The acceptance rate, as of today, is 19.6%. All the papers in this issue were peer reviewed.

The first paper written by **Fernando Robles**, entitled “Firm Strategy in a Polarized Latin American Region” [from USA]; describes the phenomenon of global polarization at the regional level of analysis, in particular, in Latin America. Specifically, the paper is exposing an increasingly polarized global economic order: stagnation in advanced developed countries and growth and rising affluence in emerging economies within the same region. In Latin America, a group of economies, piloted by Brazil is undergoing a sustainable economic growth and strong domestic markets. Opposing that successful growth, a second group, led by Mexico, is languishing economically and confronting social instability and violence. The author is suggesting that the speed of such polarization is unprecedented and has structural impact on the economies of the region while creating opportunities for local and foreign investors regionally and globally. The author is also exploring the impact that pace and polarization might have on country competitiveness and how firms’ strategies might benefit from the distinct economic milieu. The paper is a worthy example of when conducting an international economic comparison study at a regional and country level of analysis, its most practical implications might be at the company level. This of course should also have implications for business decision makers as well as on policy makers.

The second paper written by **Leon Schjoedt** entitled “Job Design Effects on Novice and Repeat Entrepreneurs’ Job Stress” [from USA]; describes the relevance of the study of job characteristics and the impact it has on job stress in the context of entrepreneurship and starting a new business. The paper discusses four core job characteristics: autonomy, task variety, task identity, and feedback, and assesses their impact on two types of entrepreneurs: novice and repeating. The author’s findings suggest that job autonomy was a significant factor for both novice and repeat entrepreneurs’ job stress; however, task variety was a significant factor in the job stress for novice entrepreneurs only. Task identity and feedback show no significant association with job stress for either type. The study findings reveal that the job characteristics approach augments our understanding of entrepreneurs’ job stress, and vital differences and similarities transpire between novice and repeat entrepreneurs in how perceptions of job characteristics influence job stress. The paper advances our knowledge of the importance of the perceived autonomy the entrepreneur covets. The study insinuates potential venues of training, suggesting that while entrepreneurs are conceiving their new business ideas, the perceived opportunities and potential decision options might be of vital importance.

The third paper written by **KaoutharLajili, Michael Dobler, and Daniel Zéghal**, entitled “An Empirical Investigation of Business and Operational Risk Disclosures” [from Canada and Germany]; is the winner of the Best Applied Manuscript Award. The paper examines attributes

of non-financial risk disclosures by US manufacturing companies prior and during financial crises. The authors focus on business and operational risk disclosures to differentiate between risks exterior to and within the firms' internal control. The findings indicate that the volume of external business risk disclosures far outweigh operational risk disclosures for each year. On the other hand, both operational and business risk disclosures are most predominant on risk factors, on negative news, in qualitative and in forward-looking terms. Most interestingly, the authors find an almost stable pattern of non-financial risk disclosures prior and during a financial crisis. Also, they find that in the US, financially risky firms tend to have added business risk disclosure, refuting a concealing motive observed in other countries. Alternatively, successful companies seem to reveal more of the operational risk disclosures as potentially value-relevant. Both of these findings could have important implications on governmental policy and regulatory endeavours as well as hint at the importance of the asymmetry of information for investors. The paper illustrates the importance of detailed and enforceable policies, disclosure guidelines and judicial systems in creating effective and efficient financial markets.

The fourth paper written by **Neil H. Ritson and Ramzi Addison**, entitled "The Country of Origin Effect Revisited: The Case of American Oil MNCs in the UK" [from New Zealand]; questions the validity of the 'country of origin effect' (COOE) thesis. The thesis suggests that Multi-National Corporations (MNCs), when investing in a foreign country, defuse their home country culture. Specifically, the thesis was developed focusing on American MNCs whereby such corporations diffuse an individualistic ideology by way of distinctive employment practices which are based on the American business system and culture. The authors designed the study to be industry specific to minimize methodological problems of aggregating multiple industry variables and contexts. The study tested the COOE hypothesis using data from all of the plants in the UK downstream oil industry (both American and European owned MNCs) to ascertain if there was such an effect. The authors offer solid evidence to refute a COOE in this context. They demonstrate that adaptation of American MNCs into the UK institutional and cultural context is a more robust stimulus impacting policy than a COOE. Their findings should cast doubt on the accuracy of much of the literature discussing COOE. More importantly, the authors suggest that research should limit generalizations to sector and country specific context, especially in the early stages of theory development. The paper is a major contribution to the literature discussing foreign direct investing and the encompassing cultural complexities.

The fifth paper written by **Brian K. Harte**, entitled "Illegal Corporate behavior: Analyzing the Effectiveness of the 2002 Sarbanes-Oxley Act" [from USA]; examines the effects of organizational environmental factors on firms' illegal corporate behavior, specifically, the influence of the Sarbanes-Oxley Act (SOX) of 2002 to moderate the relationship between prior violations committed and later illegal corporate behavior. The paper also studies Corporate Socially Responsible (CSR) behavior within business organizations to determine its relevance in predicting illegal corporate behavior. The author provided an organizational level, five year pre and post, historical analysis of legal behavior across Fortune 500 firms. The study analyzed the Sarbanes-Oxley Act itself as an event, intending to determine if the act of 2002 can be seen as an effective legislative tool impacting firm behaviors. The study findings suggest that there is an association between a high level of abundant firm resources (munificent environment), and a low likelihood that the firm will engage in illegal corporate behavior. Similarly, if the firm is large in size, it is less likely to engage in illegal corporate behavior. The results support the argument that

SOX mitigated illegal corporate behavior even in an abundant resource environment. Research findings indicated that corporations and their officers face more serious consequences for their actions in the post-SOX era. CSR was found to be negatively correlated with seriousness of crime and SOX. However, CSR is highly and positively associated with environmental munificence. This paper suggests that both legislation and external environment have impact on a corporation's legal and ethical behavior and contributes to the growing body of literature discussing CSR as an important aspect of companies' responsibilities and strategies.

The sixth paper written by **Charles Hampden-Turner and Raymond Ferris Abelin**, entitled "A New Approach to the Study of Cultural Diversity which Transcends Stereotypes" [from UK and USA]; is a feature article discussing the critical importance of cultural context and paradigms. The authors suggest that the way academic researchers are measuring culture in the American social sciences is not "culture free". Specifically, they focus on the practice of dichotomizing polarities, so that study methods are reasoned to operate in an either-or mode. This paradigm seems to be accepted by researchers in other cultures and countries as well. In this paper the authors present an alternative paradigm and a new form of measurement tool that transcends East-West differences. This paper is an important addition to the study of international business as it suggests an alternative measurement paradigm for tool development, one that might be more conducive to a multi-cultural environment using an ethno-relativistic perspective.

The last and seventh paper, written by **Raymond L. Forbes Jr.**, entitled "The Michelangelo Premise: Performance, Potential, and Business Psychology" [from USA]; provides an illustration of how utilizing a historical and cultural metaphor can enhance our study of creativity and leadership. The author relates the wisdom encompassed in a renaissance metaphor with current notions of an individual's potential, performance, and the academic field of Business Psychology. Renaissance genius Michelangelo's mindsets about sculpture are developed as a powerful metaphor for the release of our hidden individual performance potential. The actualization of inherent potential is seen as a creative composition performance that synergizes head, heart, and body. Potential in this context is seen by the author as closely related to the concepts of talents and multiple intelligences. For the individual manager there is the real possibility of enhanced future performance with an associated economic payoff. A review of the current evidence suggests the value of a more optimistic view of the individual latent potential as expressed by Michelangelo's metaphor of the entrapped striking image in the stone. The author closes with the hope that such premise reflects the internalized latent potential for the extraordinary in all of us. The paper is an illustration of how metaphors can be used in managerial studies and how a story from the past can enhance the future.

I hope you will agree that our journal is a valuable academic resource, and you will consider submitting a paper to the journal, reference appropriate papers in your own work, as well as promote it among your colleagues. I am looking forward to an exciting future and I hope to hear from you if you have comments or questions.

Meir Russ

Firm Strategy in a Polarized Latin American Region

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Abstract

The recent financial crisis has exposed an increasingly polarized global economic order: stagnation in advanced developed economies and growth and rising affluence in emerging countries. Global polarization is shaping the regional order, in particular in Latin America. A group of economies, led by Brazil is experiencing sustainable economic growth and strong domestic markets. A second group, led by Mexico, is stagnating economically and facing the challenges of violence and social instability unleashed by criminal organizations. The most remarkable feature of the polarization in Latin America is its rapid development – within the last five to seven years. Polarization creates structural economic and market differences in the two regional hubs. This paper explores the impact of regional polarization on macroeconomic performance, foreign direct investment, and global competitiveness of countries in the two hubs and speculates on how firms' strategies may adjust to these different contexts.

Keywords: Regional Strategy, International Macroeconomic Context, Latin America

Introduction

The new global economic order of stagnation in advanced developed economies and growth and rising affluence in emerging countries is evident in Latin America. One group of economies, led by Brazil, is achieving sustainable economic growth, and strong domestic markets; a second group, led by Mexico, is stagnating economically among conditions of growing insecurity, and immersed in social instability. Robles, Haar and Simon (2002) anticipated such polarization and predicted that Latin American economies would align either with the U.S. or Asian economies in terms of trade and investments, creating structural differences in the region. A recent study by Izquierdo and Talvi (2011) also provides evidence of regional polarization. They identified a group of growing economies experiencing exchange rate appreciation and inflationary pressures, yet thriving in a surge of middle class driven domestic markets. Another group of depressed economies exhibit large fiscal imbalances, loss of competitiveness to Asian more efficient producers, and dollarization. Both groups share a legacy of issues that include poor educational systems, income inequality, poor infrastructures, a large informal sector, corruption, and obsolete legal and regulatory frameworks. Table 1 shows the composition of these two groups.

Table 1: Latin American Economic Clusters

Country	Two clusters + outliers	Two Clusters
Belize	1	1
Guyana	1	1
Costa Rica	1	1
Honduras	1	1
Panama	1	1
Mexico	1	1
Dominican Republic	1	1
Suriname	1	1
Guatemala	1	1
Nicaragua	1	1
Bahamas	1	1
Barbados	1	1
El Salvador	1	1
Jamaica	1	1
Brazil	2	2
Colombia	2	2
Argentina	2	2
Paraguay	2	2
Chile	2	2
Peru	2	2
Uruguay	2	2
Bolivia	2	2
Ecuador	2	2
Venezuela	3	2
Trinidad & Tobago	3	2

Source: Izquierdo & Talvi, *One Region-Two Speeds*, Inter-American Development Bank, March 2011.

In the past, Latin American firms, particularly Argentinean and Brazilian firms, expanded internationally to compensate for stagnant and highly inflationary domestic markets. Their expansion targeted mostly advanced markets (Bonaglia, Goldstein & Mathews, 2007; Boggs, 2001; Da Rocha & Da Silva, 2009; Fleury & Fleury, 2009; Haar & Ortiz-Buonafina, 1995; Ramsey & Almeida, 2009). Under a new global order, Latin American firms from the growing Brazilian hub face a case of wealth of riches: strong domestic as well as export markets, particularly in Asia (Mathews, 2009). On the other hand, Latin American firms in the depressed Mexican-led group, struggle with contracting domestic and export markets. In both cases, Latin American firms are hard pressed in developing effective and efficient strategies to adjust to rapidly shifting environments of either dual growth opportunities or recessions abroad and at home.

The purpose of this article is to provide a better understanding of the extent and scope of regional polarization and its impact on strategic reconfiguration among Latin American firms. Given that polarization is a recent phenomenon, there is a paucity of research on how firms cope with either expansionary or depressed domestic and global market conditions.

The paper is organized in five sections. The first section identifies and describes clusters of polarization in the region. The second section examines the macroeconomic differences

among clusters. The third section discusses Foreign Direct Investment (FDI) flows into the clusters. The fourth section analyzes the competitiveness of countries and firms by cluster. The final section sets the tone for management and strategy implications and proposes an agenda for research on this topic.

The importance of this research lies in the need to determine the strategies and best practices that fit regional polarization. Such knowledge is important to provide guidance to firms contemplating changes in their strategies, and to assist them in establishing informed public policies that sustain successful strategic restructuring. This paper advances a conceptual framework to explore how firms may realign their strategies and competencies for these scenarios. This is an important topic as the successful alignment of firm capabilities is key to sustainable future growth in Latin America.

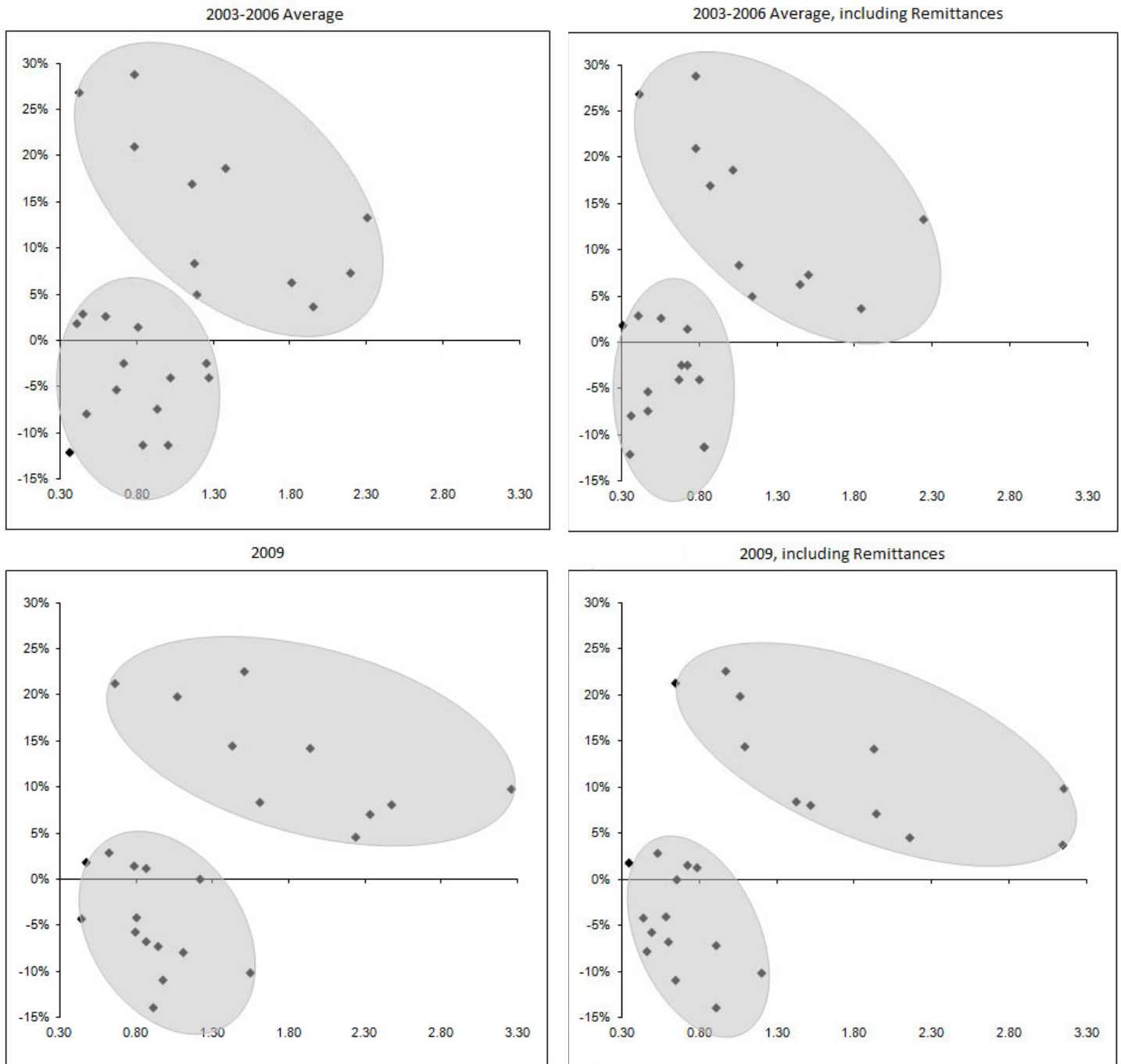
Defining Regional Polarization

The strong rebalancing of the global economy has had differential impacts on Latin America's economies. Strong demand from growing Asian economies has favored Latin American countries which are net exporters of mining and food commodities. On the other hand, countries, which have mostly relied on manufacturing exports and services, find themselves facing stiff Asian competition in global markets. Izquierdo and Talvi (2011) analyzed the structural differences of regional economies as they readjust to the new world economic order. They clustered 26 Latin American and Caribbean countries based on: a) whether the country is a net commodity export balance (importer/exporter); b) their share of exports to industrial countries; and, c) the share of investment in the output of their economies (investment/GDP). The authors found that a two-cluster solution provided a representative and robust solution. Furthermore, they advanced that the clusters discriminate well across macroeconomic indicators of aggregate demand, aggregate supply, fiscal balance, sectorial and external balances and, money demand between clusters. With such differentiation, they concluded that the new global economic order has shaped economic structural differences in the two revealed clusters. Furthermore, they observed that these differences are increasing over time. Their analysis shows that country variance decreases within a cluster and increases between clusters over a ten-year period. They conclude that these two sub-regions seem to be growing apart in many respects with important implications for everyone. Furthermore, Izquierdo and Talvi (2011) note that the Mexican cluster has become more compact over time as evidenced by the reduction of its mean squared error over time- a suggestion that these economies are increasingly becoming isoformic in their structural commonalities.

Izquierdo and Talvi's, (2011) two-clusters shown in the far right column of Table 1, were obtained by calculating the ratio of the investment percent to the exposure to advanced countries. Since the two-variable solution yields the same clustering of countries, they propose to use this more parsimonious representation. The first group, labeled the Mexico-led cluster, includes net commodity importers and countries with a low ratio of investment to exports to industrial countries. This first group populates the lower left corner in Figure 1. The second group, labeled the Brazil-led cluster, is composed of net commodity exporters with higher ratios of investments to exports to industrial countries. This second group occupies the upper quadrant and is spread through the horizontal axis of Figure 1. In their interpretation of the clustering solution, Izquierdo and Talvi (2011) note that Venezuela and Trinidad & Tobago, which are part of the Brazil-led cluster, seem to be outliers, as they do not clearly fit the profiles of either cluster. Venezuela is a net commodity exporter due to its oil exports, but other macroeconomic

indicators do not fit well with the rest of the second cluster. A similar situation describes Trinidad & Tobago. Their analysis shows clearly that these two countries join the larger Brazil-led cluster in the last step of agglomeration. Chile, also an outlier, has a macroeconomic profile that fits more closely with those countries in the second cluster. In this paper, Venezuela and Trinidad & Tobago are excluded from the analysis.

Figure 1



Source: Reproduced from Figure 6 in Izquierdo & Talvi (2011) ; Data sources: DOT, WEO and WITS. Industrial Countries as defined in DOT.

Analysis of Key Differences between Clusters

Macroeconomic Differences

One important aspect of global realignment is differential economic growth between advanced and emerging economies. As posited in the introduction, this differential growth is evident in Latin America. As indicated in Table 2, average economic growth for the Brazil cluster was 7.14% in 2010 whereas the Mexican cluster grew at 3.17 percent. A longer-term analysis shows a more marked difference. The ten-year average for 2001-2010 shows the Brazil-led cluster growing at 5.04 percent and the Mexican-led group at only 2.78 percent. It is clear that the economies in the group led by Brazil have benefited the most from the shift to emerging markets growth in the global economy. These differences are significant.

Table 2: Macro Economic Differences Between Mexico and Brazil Led Clusters

Variable	Mexico –Led Cluster 1		Brazil-Led Cluster 2		All Countries		F (1,22)	P <
	Mean	Sd	Mean	Sd	Mean	Sd		
Growth 2010 **	3.17	2.73	7.14	3.70	4.73	3.64	8.76	0.0075
Ave growth 2001-2010*	2.78	2.42	5.04	1.35	3.66	2.32	6.47	0.0189
Inflation 2007-2010	6.55	3.47	6.14	2.15	6.39	2.97	0.10	0.7504
Inflation 2010	5.65	3.07	5.52	2.85	5.6	2.92	0.10	0.9213
Current Acct Balance 2010**	-6.22	4.66	-0.71	2.95	-4.0	4.85	9.93	0.0048
Public Sector Balance 2010**	-3.80	1.83	-0.81	1.59	-2.63	2.26	16.17	0.0006
Public Sector Debt as % of GDP* 2010	58.1	34.7	34.6	19.2	48.92	31.36	3.41	0.0789

* p< .05 ** p< .01

Source: IMF, Latin American and the Caribbean: Main Fiscal Indicators, 2011; Economic Commission for Latin America (ECLAC) Regional Economic Outlook: Western Hemisphere, 2011; Author analysis.

Inflation in 2010 is similar in both clusters. The similarity of inflation performance in both clusters reflects the region's adoption of inflation-targeting monetary policies and thus, one would expect similar results. Although similar inflation is found in both clusters, the Brazil cluster suffers from higher inflation pressures due to the overheating of these economies and strong capital inflows. On the other hand, in the Mexico-led cluster, prices tend to remain at their current levels despite the measures to reduce inflation by their central banks or other agencies.

The analysis of current account balances show how region have adjusted to global imbalances in recent years. In general, emerging economies driven by their domestic markets are gradually shifting from a position of surplus in the current account to a deficit position as industrialized economies move in the opposite direction. The Mexico-led cluster suffers the largest adjustment with an average 6.22 percent deficit in current accounts, against only 0.71 percent for the Brazil-led cluster.

The fiscal balance differences between the two clusters also show how governments are adjusting to their particular economic conditions. In the Mexico cluster, counter-cyclical

programs to stimulate and compensate for stagnant growth appear more effective. The primary public sector balance deficit is at 3.80 percent and the public sector debt average is a high 58 percent. The differences are clear in the Brazil-led cluster with an average public sector debt of 0.81 percent and an average public sector deficit of 34.6 percent in 2010.

In sum, the analysis shows the differential impact of a new global order on the macroeconomic conditions of the two regional clusters. As Izquierdo and Talvi (2011) comment, these differences suggest that government macroeconomic policies should fit the structural conditions of each cluster. As such, fiscal policies in the Mexico-led cluster compensate for sluggish growth and lower levels of capital inflows whereas prudent counter-cyclical policies for the Brazil-led cluster deal with the inflationary pressures of overheating economies and currency appreciation.

Polarization of FDI flows

One would also expect FDI flows to reflect the shift of investment opportunities in the region. The Mexico-led cluster economies have traditionally attracted investment flows based on their proximity to the U.S. market and low labor costs. These comparative advantages and market access benefits cemented through trade agreements have attracted investors interested in setting up assembly and manufacturing facilities and services that take advantage of tourism and English fluency competencies. These two comparative advantages, however, have been quite vulnerable to the rise of Asian competition. With the slowdown in the U.S. market, these countries have lost their attractiveness to foreign investors. With a recession in the U.S., these countries are further suffering from a slower rate of remittances.

In contrast to the more manufacturing-led strategy in the Mexican-led northern countries, the Brazil-led cluster is capitalizing on abundant natural resources to compete in world markets. These countries tend to export to geographically diversified markets, as transportation costs to many destinations are equally expensive. On the other hand, their distance to world markets is a detriment to tourism flows. A relatively low level of foreign language fluency discourages investments in the service sector.

Table 3 shows FDI flows to the regions by cluster. In 2010, the average FDI flows into the Brazil-led cluster were \$10.3 billion vs. \$2.18 billion in the Mexico cluster. The analysis of FDI flows in the 2001-2010 period shows that investors have shifted interest from Mexico-led to the Brazil-led cluster. In the period of 2001-05, the Mexico cluster exhibits a compound annual growth (CAGR) of FDI flows of 12.49 percent. FDI flows of the Mexico cluster reverse to a negative CAGR of 2.02 percent, an outflow of capital, in the period of 2005-2010. By contrast, the Brazil-led cluster, which attracted FDI at a mere CAGR of 2.27 between 2001-05, grew at the impressive rate of 9.84 percent from 2006-2010. These differences are found to be statistically significant.

Analysis of the sectorial destination of the FDI flows also reveals significant differences between clusters. In the Brazil cluster countries, 40.7 percent of FDI is invested in natural resource extraction activities, whereas only 10.9 percent of such investment is in the same activity in the Mexico cluster. These differences are significant.

As FDI is also driven by the level of business risks, differences in country risk perception should have a differential impact on flows between clusters. Using Transparency International's Corruption Index as a proxy of country risks should reveal differences between clusters (Transparency International, 2010). Table 3 shows the average perception of country risks by cluster. The differences between clusters are not significantly distinct. The perceived levels of corruption seem to permeate all countries in the region leading to the conclusion that the high

levels of corruption are present across clusters. Investors may have a similar perception of risks but they are able to differentiate the opportunities.

In conclusion, FDI flows react to investment opportunities and risks. Foreign capital is flowing into natural resource-based investments geared to exporting commodities to other emerging economies.

Table 3: FDI and Corruption Differences Between Mexican and Brazil Led Clusters

Variable	Mexico-Led Cluster 1		Brazil-Led Cluster 2		All Countries		F (1,22)	P <
	Mean	St.dv	Mean	St.dv	Mean	St.dv		
FDI 2009 in US\$ million*	1740		7188		3879	6352	4.71	0.041
FDI 2010 in US\$ million	2183.85	4943	10315	15010	5668	10980	3.12	0.934
CAGR in FDI 2001-05 (%)	12.49	13.11	2.27	24.19	8.49	18.45	1.74	0.2018
CGAR in FDI 2006-2010 (%) *	-2.02	9.84	9.83	11.41	2.61	11.81	7.02	0.015
% of FDI in Natural Resource Extraction* 2010	10.9	12.84	40.7	23.4	0.25	0.23	11.25	0.004
Transparency International Corruption Index 2011	3.68	1.57	3.91	1.84	3.78	1.65	0.09	0.767

* p< .05

Source: Regional Economic Outlook: Western Hemisphere, 2011. Transparency International (2010). Corruption Perception Index 2010. http://www.transparency.org/policy_research/surveys_indices/cpi/2010. Accessed August 16, 2011. Author analysis.

Global Competitiveness and Polarization

It is well understood that productivity is an important driver of country competitiveness. The productivity of firms is driven by the quality and efficiency of factor inputs. Firms' productivity also depends on the quality of business and institutional environments in which they operate. In this section, the differences in the competitiveness of countries across regional clusters is explored using the WEF's Global Competitiveness Framework (World Economic Forum, 2010).

Table 4 shows the average scores of global competitiveness and the twelve pillars of WEF's global competitiveness indicators by cluster. The analysis reveals that there are no significant differences on the overall competitiveness or on any of the indicators of competitiveness across clusters. I conclude that the region as whole is characterized as very homogeneous with respect to its global competitiveness. With the exception of Chile, which ranks 30 in the world, almost all of the Latin American countries rank in the second tier of competitiveness in the world.

A review of the average scores shows that the Brazil cluster countries showed a higher ranking than the Mexico cluster on macroeconomic management, labor force training, and market size indicators. The Mexico-led cluster is slightly higher on market efficiency and

financial market development indicators. Both clusters are very similar in a number of respects including educational systems, infrastructure development, quality of the labor force, and innovation. It is especially notable to observe the poor innovation scores of the countries in Latin America - a factor that is clearly related to advanced global competitiveness. The lack of R&D investment by firms in Latin America is not a surprise (Rodriguez, 2008).

Table 4: Global Competitiveness Indicators in the Mexico and Brazil-led Clusters

Variable	Mexico- Led Cluster 1		Brazil-Led Cluster 2		All Countries		F (1,17)	P <
	Mean	sd	Mean	sd	Mean	Sd		
Overall Global Competitiveness	3.90	0.36	4.01	0.37	3.95	0.36	0.42	0.524
Institutions	3.5	0.39	3.53	0.80	3.51	0.60	0.01	0.908
Infrastructure	3.56	0.54	3.60	0.67	3.57	0.61	0.02	0.892
Macroeconomic management	4.29	0.72	4.57	0.38	4.42	0.59	1.13	0.320
Health and Education	5.50	0.36	5.55	0.26	5.52	0.31	0.14	0.711
Training Labor Force	3.74	0.39	4.04	0.55	3.88	0.49	1.92	0.183
Goods Markets Efficiency	4.05	0.23	3.83	0.51	3.94	0.38	1.55	0.230
Labor Markets Efficiency	4.05	0.31	3.86	0.56	3.96	0.44	0.79	0.385
Financial Market Development	4.11	0.43	3.94	0.53	4.03	0.47	0.56	0.463
Technology readiness	3.50	0.42	3.46	0.50	3.48	0.44	0.02	0.876
Market Size*	3.30	0.89	4.08	0.86	3.67	0.94	3.79	0.068
Business Sophistication	3.86	0.38	3.76	0.45	3.81	0.40	0.24	0.634
Innovation	2.86	0.32	2.90	0.47	2.87	0.40	0.04	0.837

* p< .05

Source: World Economic Forum (2010) - Global Competitiveness 2010-11

The lack of differences in competitiveness factors across clusters suggests that productivity alone does not explain the differences in economic performance. These differences can be attributed to other factors of which market size and natural resource endowments may play a large role. Another factor is the ability of firms to respond to shifting opportunities. Arbix and Caseiro (2011) argue that the flexibility of Brazilian firms to quickly shift their exports to capitalize on the global demand for commodities from other emerging countries has been a key factor of this country's economic growth. The Mexico led-cluster countries, although also rich in natural resources, may not be endowed in the types of commodities in high demand in other emerging economies- particularly China. Furthermore, their firms have developed competencies more attuned to the demand from industrialized northern markets and less so from emerging economies. This alignment proves to be difficult to reverse to serve the emerging markets of Asia (Castillo, 2006).

Strategy in a Polarized Region

The alignment between firm strategy and environment is a key factor of a firm's success (Bowman & Singh, 1993; Wan, 2005). In a polarized region, alignment with the changing global order is a necessary condition for success. Such an alignment requires a configuration of the firm's strategic resources to respond to opportunities. A configuration strategy has been defined as the action of the firm to acquire and utilize resources that add value and allow the firm to obtain a sustainable competitive position in a given market (Rummelt, Schendel & Teece, 1991). Thus, a reconfiguration strategy is the realignment to address changing market conditions.

Emerging economies have experienced intense processes of economic reforms and transformation in recent years leading to a certain degree of similarity in their economic and business environments (Ahlmstrom & Bruton, 2004; Hoskisson, Eden, Lau & Wright, 2000). Wright, Filatovech, Hoskisson and Peng, (2005) review of the literature on strategy in emerging markets reveals that emerging markets exhibit weak institutional environments, high transaction costs, mass middle class markets, and high levels of government involvement. According to Filovech, Hoskinsson and Peng (2005) firms in emerging markets need to develop strategic flexibility, strong non-market capabilities, and ownership strategies that fit these contextual conditions.

Strategy adjustments of multinationals and local firms in response to economic reforms in Latin America are not new (Connor & Mueller, 1982; Eslava, Hofsetter & Izquierdo, 2010; Filtovech et. al, 2003; Toulan, 2002; White & Linden, 2002). What is new is the rapid pace of polarization of the region and the realignment of the destination of exports. Key aspects of polarization according to Izquierdo & Talvi (2011) are external and internal market conditions and government policies. These two factors differ greatly in the Brazil-led and Mexican-led clusters. This section explores how strategy realignment may fit different conditions across two factors: markets and policies.

Different Market Contexts

The Brazil-led cluster is characterized by economic growth driven by an emerging domestic mass middle class and global demand for commodity exports to emerging markets.

The middle class markets in this group have grown due to a combination of sustainable employment, demographics, life styles and also social programs. In Brazil alone, a middle class market of 100 million people had an infusion of 32 million people in the period of 2005-10. This swelling of the middle class is a result of social programs such as "bolsa familia" – a family subsidy tied to health and educational conditions, and "minha casa"- a housing program introduced in 2002 by the Lula government (Eloy, 2010). Demographics and changing lifestyles have also shaped local demand conditions as families have become smaller and the population ages. These market changes in Brazil have been mirrored or are even more advanced in other economies in this cluster. Chile and Uruguay have already experienced the transformation in progress in Brazil, and Colombia and Peru follow closely behind. As a result, firms are introducing new products and services for this expanding bottom-of-the- pyramid market segment.

External market conditions have been greatly transformed in this cluster. As previously mentioned, exports of natural resource commodities to Asia and other emerging economies have grown rapidly. Chinese foreign direct investment in this cluster has also increased from \$7.3 billion in the period of 1990-2009 to \$15 billion in 2010 with 90 percent of such recent investment in extractive industries (ECLAC, 2011; Banham, 2010; Yunyun, 2010). As a result,

Brazil-led clusters have reoriented their productive structures to meet Asian demand. As part of this realignment, Brazil-led cluster firms have reconfigured their specific assets to make them more effective in these new markets. For instance, logistics and distribution assets that were geared towards the advanced markets of the U.S. and Europe (south-to-north) have been reconfigured or developed for Asian markets (Arbix & Caseiro, 2011).

It is clear that the new domestic and export market requirements for the Brazil-led cluster require a reconfiguration of strategic focus and skills. For the export market, firms invest in upgrading factor quality and productivity. They also invest in control of natural resource expansion where non-market capabilities (government connections and lobbying) are important to secure access and rights to exploit them. Skills and resources for the domestic middle class market require a greater presence in both urban and rural sectors as well as the development of basic products. Both the domestic and external markets requirements put a premium on managerial talent and firms' abilities to recruit human resources.

The inverse of the situation above - stagnation of domestic and export markets-poses a different set of challenges for multinational and local firms operating in the Mexico-led cluster. The strategies for these firms are of survival in depressed domestic markets and the realignment of strategic resources and skills to Asian markets. After a long period of building competencies for the U.S. and European markets, firms in the Mexican cluster must invest in skills needed to compete in Asian markets. A deteriorating security environment with increased violence related to drug trafficking in Central America has dampened foreign direct investment as the security risks and costs have steadily escalated.

Different Policy Contexts

The differential economic performance between clusters can be attributed not only to favorable or unfavorable external conditions but also to public policies that steer different paths of economic and social development. These differences are important components of the business context as economic agents and investors respond to these signals in different ways. In this section, a short summary of these policies that are discussed fully in other sources is provided (Cardenas & Levy-Yeyati, 2011).

In the case of the Brazil cluster, macroeconomic policies have been aimed mostly at maintaining inflation targets within the context of capital market openness, policy autonomy, and floating exchange rates. Inflation targeting monetary policies have used high interest rates to meet inflation targets. Fiscal policy has been characterized as prudent with the goal of yielding primary surpluses at all levels. The outcome of this policy combination has been low inflation with currency appreciation in most of the Brazil- cluster economies. Such strong currency appreciation hurts exports and favors imports with the undesirable outcome of discouraging domestic investment in productive activities. On the other hand, high interest rates and macroeconomic stability attract short-term and foreign direct investments. As mentioned previously, favorable external market conditions and high commodity prices have been attractive enough to incentivize exports of natural resources.

As a result, economies in the Brazil cluster have experienced a sustained period of overvalued currencies, primary fiscal surpluses, and current account surpluses. Such conditions favor sectors associated with the export boom and have attracted foreign investors in the natural resources sector as discussed above. On the other hand, manufacturing activity has stagnated under the pressure of low cost imports, with pressure from local industry to introduce market protection measures and incentives. The "Buy Brazil" legislation is a good example of such a reaction (Latin Trade, 2011). Shrinkage of the industrial base has been compensated by an

increase in the service economy, especially financial services, which are less vulnerable to import competition.

With certain controls on inflation, Brazil-led cluster economies have introduced a number of policies to address social issues and provide incentives to energize their domestic markets. Policies related to the expansion of consumer and housing credit funded by public development banks, increases in the minimum wage, extension of pensions to informal sector workers, and credit to small farmers are examples of such interventions. Further policies have targeted the issues of poverty through income transfer programs linked to health and education.

The outcomes of these economic and social policies have been a reduction of poverty, the creation of a solid middle class market, a buoyant service economy, and a vibrant sector related to natural resource extraction. Expanding domestic markets have further attracted not only resource seeking but also market seeking foreign investment (Yunyun, 2010). As a result, both the domestic and export markets have become engines for further growth. In fact, Izquierdo and Talvi (2011) found that economies in this cluster are characterized by a net commodity export position and relatively high ratios of investment-to-exports.

Despite these successes, the Brazil-led cluster risks the hollowing out of its manufacturing industries and suffers from the so called “middle-income and commodity trap” (Inter-American Dialogue, 2012). Future growth of these economies will depend on the effectiveness of policies aimed at escaping such traps. Some experts argue that these economies should move up the development ladder through investments in innovation related to natural resource extraction or productivity improvements of the service economies. Clearly, the improvement of competitiveness in more mainstream manufacturing may not be enough to compete with the formidable Asian economies (Rodriguez, Dalhman & Salmi, 2008). It is within this context that the Brazilian led-cluster firms must reconfigure their strategy to address opportunities in both domestic and global markets.

The Mexican cluster countries have experienced a long period of slow to negative growth, currency depreciation, reduction in manufacturing activity, sluggish private consumption, and greater dependence on short capital flows to sustain current account deficits. Against this backdrop, the economies in this cluster have managed their markets with a different set of policies summarized in the following paragraphs.

As result of the global recession in 2008-09 and dependence on the U.S. economy, exports fell dramatically. In Mexico alone, the U.S. market represents 80 percent of exports. The specialization of exports in assembly operations also amplifies the impact as these plants quickly adjust output and employment to demand contraction. About 50 percent of Mexican manufacturing is produced in maquiladoras (Schwellnus, 2011).

Similar to the Brazil-cluster economies, most of the Mexican cluster economies have practiced inflation targeting and flexible exchange rates. Despite the intent of monetary policies to reduce inflation, prices have remained stable. To a great extent the stickiness of prices has been due to product and labor market rigidities, high inflation expectations, and in some cases, the dollarization of these economies. Initial devaluation of currencies has also added to inflation pressures, as most of these economies also import.

Counter-cyclical policies have been limited to maintaining a low level of reserves and fiscal rules aimed at balancing fiscal budgets. The low level of reserves does not allow the flexibility to exercise counter-cyclical policies to counteract the contraction in the economy. In the case of Mexico, contraction of the manufacturing sector led to a contraction of the service sector, which is closely linked to transport and wholesale trade activities. In Brazil, the service

sector is more diversified with less dependence on export activities. One indication of the different conditions influencing counter-cyclical policies is the difference in the structural fiscal balances between clusters. The average structural balance is 4 percent in the Brazil cluster and 20 percent in the Mexico cluster (Schwellnus, 2011).

A reduction of economic activity especially in manufacturing lowers foreign direct investment and leaves these economies vulnerable to short term capital flows to sustain current account deficits. This dependence aggravates their recovery given the volatility and greater burden of external financing.

To reactivate economic recovery, the Mexican cluster needs to diversify export markets (Vale Columbia Center, 2011). This diversification can only be attained through productivity improvements and realignment to Asian markets and other emerging economies in sectors where these economies have comparative advantages such as energy, mining, and services. Another opportunity is to reduce the link of the service economy to manufacturing and exports through liberalization, innovation, and incentives to create a more consumer-oriented economy. The effectiveness of further counter-cyclical policies may be achieved through the reduction of labor and product market rigidities. Building of foreign exchange reserves through increased exports will help reduce structural fiscal balance deficits in periods of high commodity prices- oil in the case of the Mexico-led cluster.

Discussion

The purpose of this article was to set the foundation to address the reality of increasing economic polarization in Latin America. This paper provided evidence that this region is polarized in many respects with clearly different performance results. Izquierdo & Talvi's (2011) analysis revealed two clusters of economies that share a number of structural commonalities within and between the two groups: one cluster reaping opportunities in export and domestic markets to yield impressive economic growth, and another suffering from stagnation in both. Despite polarization, Latin American economies share a common historical legacy of issues and challenges. In this section, a contextual contingency framework is advanced that describes the clusters and studies the strategic fit of the firm to regional polarization. The paper ends with suggestions for further research on this topic. As there is an urgent need to develop new theoretical models as to how multinationals address the dynamics of global integration and increasing polarization (Girod & Ranjan, 2010; Goldstein, 2007; Wright, Filatovech, Hoskinsson & Peng, 2005), it is hoped that this article stimulates further research on strategies in polarized regions.

As this polarization will only intensify in the future, we need to understand how differential contextual environments may impact firm strategy. In this paper, market growth and macroeconomic policies are used to characterize context. Based on these contextual variables, the two clusters were placed on a contingency framework that best describes the strategic fit with the regional context – see Table 5.

The majority of the countries in the two clusters proposed by Izquierdo and Talvi (2011) exhibit a combination of either depressed or buoyant domestic and external markets; these are two extremes of a market contingency. A few economies represent a mixed situation of external market and domestic market conditions. For instance, Venezuela (an outlier not included in the final analysis but a good example of this situation), Ecuador, and Bolivia have a favorable external market for commodities, mostly oil and natural gas exports, but have depressed internal

markets. On the other hand, Colombia is a country with vibrant domestic markets and sluggish export markets due to its poor country image.

As Latin American economies gravitate to the extreme conditions represented by the core countries in each cluster, firms must develop strategies that best fit the market contingency. In the Brazil cluster, success may depend on the ability of firms to secure access to natural resources and human resource talent necessary for growth and investment in strategic assets and resources attuned to exploiting opportunities in other emerging markets, particularly in Asia. Many Brazilian firms have already invested in the control of logistic and manufacturing assets in China- some with a great deal of success, others with failure. In the Mexico-led cluster the success of survival strategies is based on the ability of firms to regain competitiveness vis-à-vis Asian competitors in external and domestic markets. Non-market strategies aimed at securing public policies to protect the domestic market only provide a temporary solution. Selective market focus and market specialization may prove more sustainable. A more successful strategy for some firms in this cluster is to focus on an expansion to the more vibrant economies of the Brazil-led cluster. Such a strategy may require the development of firm specific advantages that are more attuned to key markets such as Brazil and Peru.

Table 5: Strategy in Contextual Business Environments of a Polarized Latin America

Macro Economic Policies		
Markets	Turning counter-cyclical fiscal policies to contain inflationary pressures without obstructing recovery or currency appreciation.	Macro Prudent Growth Controlling exchange rate appreciation without obstructing capital inflows.
	Microstructural policies to improve export competitiveness and restore rule of law.	Microstructural policies.
Favorable Export and/or Domestic	Periphery of Brazil cluster. Favorable export markets but stagnant domestic economy. <i>Strategic Focus</i> Manage export market relationships and channels; Efficiency. e.g. Colombia	Brazil cluster core. <i>Strategic Focus</i> Access to natural resources; Alignment with emerging markets; Manage domestic and export market growth.
Stagnant Export and/or Domestic	Mexico cluster core <i>Strategic Focus</i> Lean management; Efficiency and low cost; Realignment to exploit emerging market opportunities.	Periphery of Mexico cluster Strong domestic economy but stagnant export markets. <i>Strategic Focus</i> Alignment with emerging market opportunities. e.g. Panama

Source: Reproduced from Figure 6 in Izquierdo & Talvi (2011)

Future Research Directions

Research on how firms prepare for such realignment is sparse. To remedy this void, a research agenda to address this important topic should include the following:

- **Diversification Strategy.** What are the market diversification strategies of Latin American firms in each cluster since 2005? Has the emphasis been more toward domestic market growth or toward global market growth? If global market, is the firm aiming mostly at emerging markets? (Nachum 2004).
- **Reconfiguration Strategy.** How have Latin American firms reconfigured their competencies, skills, and assets in each cluster since the start of the inflexion period (2005)? Are there strategy differences between exporters and domestic oriented firms?
- **Access to Scarce Resources.** How do Latin American firms resolve access to key resources of managerial talent in each cluster? Is the strategy different for competencies and skills for domestic markets as opposed to export markets?
- **Differences in configuration of competencies and skills.** Are market and non-market competencies and skills of Latin American firms important in sustaining competitiveness in other emerging markets? (Fleury & Fleury, 2010).
- **Performance Differences.** What are the performance implications of reconfiguration strategies of Latin American firms by cluster? Do firms targeting mostly at local markets perform better than those targeting mostly global markets?
- **Transfer and Replication of Competencies and Skills Between Clusters.** Could firms from the Mexico-led cluster easily transfer competencies to Brazil-led cluster markets?

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English Abstract

Firm Strategy in a Polarized Latin American Region

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Abstract

The recent financial crisis has exposed an increasingly polarized global economic order: stagnation in advanced developed economies and growth and rising affluence in emerging countries. Global polarization is shaping the regional order, in particular in Latin America. A group of economies, led by Brazil is experiencing sustainable economic growth and strong domestic markets. A second group, led by Mexico, is stagnating economically and facing the challenges of violence and social instability unleashed by criminal organizations. The most remarkable feature of the polarization in Latin America is its rapid development – within the last five to seven years. Polarization creates structural economic and market differences in the two regional hubs. This paper explores the impact of regional polarization on macroeconomic performance, foreign direct investment, and global competitiveness of countries in the two hubs and speculates on how firms' strategies may adjust to these different contexts.

Keywords: Regional Strategy, International Macroeconomic Context, Latin America

French Abstract*
Firm Strategy in a Polarized Latin American Region

Stratégies des firmes dans une région Latino-Américaine polarisée

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Résumé

La récente crise financière a fait apparaître une polarisation croissante dans l'ordre économique mondial: stagnation économique dans des économies développées et croissance économique et la prospérité croissante dans des pays émergents. La polarisation mondiale contribue à façonner l'ordre régional, en particulier en Amérique Latine. Un groupe de pays, amené par le Brésil, connaît une croissance économique durable et des marchés domestiques vigoureux. Un second groupe, amené par le Mexique, connaît la stagnation économique et doit relever des défis de violence et d'instabilité sociale déclenchée par des organisations criminelles. La caractéristique la plus remarquable de la polarisation en Amérique Latine concerne la rapidité du développement au cours des cinq à sept dernières années. La polarisation a créé des différences structurelles économiques et de marché dans les deux sous-régions. Cet article explore l'impact de la polarisation régionale sur la performance macro-économique, sur les investissements directs étrangers et sur la compétitivité globale des pays dans les deux sous-régions et s'interroge sur la façon dont les stratégies des entreprises peuvent s'adapter à ces différents contextes.

Mots-clés: Stratégies régionales, Contexte macroéconomique internationale, l'Amérique Latine

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German Abstract*
Firm Strategy in a Polarized Latin American Region

Unternehmensstrategie in einer polarisierten Region Lateinamerikas

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Abstract

Die vergangene Finanzkrise hat eine stark polarisierte Weltwirtschaftsordnung dargestellt: Stagnation in weit entwickelten Volkswirtschaften und Wachstum in Schwellenländern. Diese globale Polarisierung schärft auch die regionale Ordnung in Lateinamerika. Eine Gruppe von Volkswirtschaften, angeführt von Brasilien, erfährt nachhaltiges Wirtschaftswachstum und starke Binnenmärkte. Eine zweite Gruppe, angeführt von Mexiko, stagniert wirtschaftlich und sieht sich den Herausforderungen von Kriminalität und politischer Instabilität entgegengesetzt. Die bedeutendste Eigenschaft der Polarisierung in Lateinamerika ist die rapide Entwicklung innerhalb der letzten fünf bis sieben Jahre. Die Polarisierung schafft Unterschiede hinsichtlich der Wirtschaftsstruktur und der Marktstrukturen in beiden Regionen. Dieser Beitrag untersucht den Einfluss der regionalen Polarisierung auf die makroökonomische Performance, ausländische Direktinvestitionen und die weltweite Wettbewerbsfähigkeit der Länder in den jeweiligen Regionen. Zudem werden Anpassungsmöglichkeiten seitens der Unternehmensstrategie diskutiert.

Keywords: Lateinamerika, Regionalstrategie, internationaler makroökonomischer Kontext

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Spanish Abstract*
Firm Strategy in a Polarized Latin American Region

Estrategia Corporativa en una Región de Latinoamérica Polarizada

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Resumen

La reciente crisis financiera ha puesto de manifiesto una creciente polarización en el orden económico global: un estancamiento de las economías avanzadas desarrolladas y un crecimiento de la prosperidad en los países emergentes. La polarización global está creando el orden regional, en particular en América Latina. Un grupo de economías, liderado por Brasil está experimentando un crecimiento económico sostenible y fuertes mercados internos. Un segundo grupo, liderado por México, se ha estancado económicamente y debe de hacer frente a los desafíos de la violencia y la inestabilidad social desatada por las organizaciones criminales. La característica más notable de la polarización en América Latina es su rápido desarrollo - en los últimos cinco a siete años. La polarización crea diferencias estructurales, económicas y de mercado en los dos centros regionales. En este trabajo se analizan los efectos de la polarización regional en el desempeño macroeconómico, la inversión extranjera directa, y la competitividad global de los países de los dos centros y especula sobre cómo las estrategias de las empresas pueden adaptarse a los diferentes contextos.

Palabras Clave: Estrategia Regional, Contexto Macroeconómico Internacional, América Latina

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Arabic abstract*

Firm Strategy in a Polarized Latin American Region

استراتيجية الشركة في منطقة أميركا اللاتينية المتقاطبة

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ملخص

كشفت الأزمة الاقتصادية العالمية الأخيرة عن تزايد الاستقطاب للنظام الاقتصادي العالمي: الركود الاقتصادي في الدول المتقدمة و النمو المتزايد في الدول النامية / الناشئة. يمثل الاستقطاب العالمي الوضع في المنطقة و تحديدا في أميركا اللاتينية. تشهد مجموعات اقتصادية بدأ بالبرازيل, نمو اقتصادي دائم و سوق محلي قوي. تحتل المكسيك المرتبة الثانية, حيث تشهد ركودا اقتصادي و تواجه تحديات العنف و عدم الاستقرار الاجتماعي الناتج عن المناظمت الجنائية. أهم صفة للاستقطاب في أميركا اللاتينية هو التطور السريع – في الخمس الى السبع سنوات الأخيرة. تدرس هذه الدراسة أثر الاستقطاب في المنطقة على أداء الأقتصاد الكلي, الاستثمار الأجنبي المباشر, و التنافسية العالمية للدول في المركزين و دراسة كيفية تكيف استراتيجية الشركة مع الأوضاع المختلفة.

الكلمات الدالة: استراتيجية المنطقة، وضع الأقتصاد الكلي الدولي، أميركا اللاتينية

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Italian Abstract*
Firm Strategy in a Polarized Latin American Region

Strategia aziendale in un'area polarizzata dell'America Latina

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Abstract

La crisi finanziaria recente ha esposto economie sempre più polarizzate a livello globale: stagnazione nelle economie avanzate e sviluppo nelle economie emergenti. La polarizzazione sta dando una nuova forma all'ordine dell'aree regionali in particolar modo in America Latina. Un gruppo di economie, condotti dal Brasile, sta attraversando un periodo di crescita sostenibile e saldi mercati domestici. Un secondo gruppo, condotto dal Messico, sta stagnando economicamente e si sta confrontando con la violenza e l'instabilità sviluppatasi da organizzazioni criminali. La più rilevante caratteristica di questa polarizzazione in America Latina è il suo rapido sviluppo nel corso degli ultimi 5 - 7 anni. La polarizzazione crea differenze strutturali, economiche e di mercato fra i due gruppi. Questo documento esplora l'impatto della polarizzazione sulle prestazioni della microeconomia, degli investimenti diretti stranieri, e sulla competitività globale dei paesi nei due gruppi e propone alcune riflessioni su come le aziende si possano adattare ai contesti diversi.

Keywords: strategia regionale, contesto microeconomico internazionale, America Latina

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Job Design Effects on Novice and Repeat Entrepreneurs' Job Stress

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Abstract

In this study the relationships between four core job characteristics (autonomy, task variety, task identity, and feedback) and job stress are examined for 192 novice and 229 repeat entrepreneurs. Autonomy was a significant factor in both novice and repeat entrepreneurs' job stress; whereas, task variety was a significant factor in job stress for novice entrepreneurs but not for repeat entrepreneurs. The results indicate that the job characteristics approach expands the understanding of entrepreneurs' job stress, and that important similarities and differences exist between novice and repeat entrepreneurs in how job characteristics influence job stress.

Keywords: Person-Environment Fit, Job Characteristics, Job Stress, Novice Entrepreneurs, Repeat Entrepreneurs

Introduction

Stress at work—and the toll it takes on individuals and organizations—has become a major issue among employees in today's work environment and, as a result, has become a popular topic of research in the management literature. Both the causes and effects of stress in the work environment have been closely examined for a range of occupations [1]. In addition, the correlations between specific job characteristics and job stress have been studied for employed individuals [2]. However, the factors influencing entrepreneurs' work-related stress (job stress)—particularly in the context of specific job characteristics—have received little, if any, attention in the literature and is the focus of this study.

Job stress generally can be defined as an aversive or unpleasant emotional and psychological state that stems from adverse job-related experiences, particularly those that involve uncertainty or are outside the individual's control. Specifically, research has shown high job demands in relation to an individual's abilities and resources can lead to the experience of job stress [3].

Previous research has examined job stress primarily from two perspectives: 1) the factors that create job stress (stressors) and 2) how job stress influences individual and organizational outcomes. Scholars have also addressed job stress for multiple occupations. One occupational group that has received limited and only sporadic research attention is entrepreneurs [4, 5]. While all employees experience job stress, entrepreneurs are expected to have particularly stressful jobs due to their long work hours and the demands associated with the creation of a new venture, as well as the responsibility for its executive leadership, employees, survival, and

economic success [6, 7]. These demands and responsibilities may account for why entrepreneurs have been found to experience more job stress than managers in a comparative study [4].

Like most research on entrepreneurs' job stress (see for example, Teoh & Foo [8]), the study by Buttner [4] was based on role theory—specifically the argument that role ambiguity, role overload, and role conflict directly influence job stress for entrepreneurs. Like the findings in the general stress literature, the empirical findings in the role theory-based job stress research addressing entrepreneurs are not consistent. For example, Buttner [4] found entrepreneurs experienced more role ambiguity than managers, while Harris and colleagues [9] found entrepreneurs experienced less role ambiguity than their comparison groups of white collar workers, blue collar workers and professionals.

Of the four job stress models that dominate in the general job stress literature, the job stress model based on role theory is the most prevalent [10]. The role theory-based stress model has both strengths and weaknesses in terms of accounting for job stress, which may explain the inconsistent results when role theory is used to examine job stress. Another model that guides job stress research is the Person-Environment (P-E) fit model. This model has received only limited attention in relation to entrepreneurship. The P-E fit model posits, if a person fits the environment well, the person will experience job satisfaction; whereas, if the person does not fit the environment, the person will experience job stress.

Placing the P-E fit model in the context of recent research and theory developments in the organizational literature provides an alternative to role theory in explaining entrepreneurs' job stress. These recent developments include using job design theory to examine the direct relationships between core job characteristics and job-related outcomes other than job satisfaction, such as job stress, creativity, health, and well-being [11]. In this context, job stress is an outcome of a not-good fit between a person and job characteristics [12]. This means, if the entrepreneur does not fit the characteristics of the entrepreneurial work environment (assessed via core job characteristics inherent in all work), the entrepreneur will experience a greater degree of job stress.

The central argument in job characteristics theory is that job characteristics influence individual-level job-related outcomes, such as job satisfaction and job stress [11]. Extensive research has examined the influence of job characteristics on job satisfaction, while research on the influence of job characteristics on job stress is substantially less. This is despite the assumption noted by Karasek and Theorell that the work environment is an important predictor of job stress [13]. The reason for the limited research in this area may be that job characteristics researchers only recently have begun to examine other outcomes than job satisfaction [11].

Research examining the relationship between job characteristics and job stress may be grouped into two categories: 1) research that assumes the relationships are the same for different occupational types and 2) research that assumes the relationships may vary depending on occupational types. Some scholars are in favor of using occupational-specific models [1]. Consistent with the job characteristics literature, recent research in the area of job stress supports the occupational-specific models [14]. Even though these two research streams are informative, they are largely based on consideration of one or two *a priori* select job characteristics. These research streams are not based on testing the four core job characteristics inherent in all jobs—autonomy, task variety, task identification, and feedback—that have been the basis for most job characteristics research [2, 11, 15, 16]. Furthermore, to date, no study has examined how core job characteristics influence entrepreneurs' job stress. Thus, one purpose of the present study is to examine how the four core job characteristics directly relate to entrepreneurs' job stress.

Although entrepreneurs have received limited attention from scholars in job stress research, no study has examined job stress for different types of entrepreneurs. A growing body of research shows there are important differences between novice entrepreneurs, those who have started just one venture, and repeat entrepreneurs, those who have started more than one new venture. Among the differences identified between novice and repeat entrepreneurs is what each group considers as part of the opportunity recognition process [17], activities carried out during the new venture creation process [18], and strategies pursued [18].

Because these important differences among novice and repeat entrepreneurs have been identified, but not studied in the context of job stress, a second purpose of the present study is to examine how the four core job characteristics of autonomy, task variety, task identification, and feedback relate to job stress for novice and repeat entrepreneurs. In addition, this study will examine whether these four core job characteristics influence job stress for novice and repeat entrepreneurs differently.

Core Job Characteristics in an Entrepreneurial Context

Four core job characteristics inherent in all work have consistently been used in empirical job characteristics studies [2]. These four core job characteristics are autonomy, task variety, task identity, and feedback from the job itself. With the exception of one study only autonomy has been examined in studies relevant to entrepreneurship [19]. These studies were based on *a priori* selection of the job characteristic in examining job satisfaction of the self-employed [20]. The study that did examine all four job characteristics did not examine the relationship between job characteristics and job stress of entrepreneurs [19]. Because in the context of P-E fit a strong P-E fit is associated with job satisfaction and a poor P-E fit is associated with job stress, the results provided in the study of entrepreneurs' job characteristics [19] along with other studies in the general stress literature are instructive.

To illustrate their relevance, each of the four core job characteristics are described and placed in an entrepreneurial context in the following paragraphs. Autonomy is "the degree to which the job provides substantial freedom, independence, and discretion to the individual in scheduling the work and in determining the procedures to be used in carrying it out" [21, p. 258]. Given this definition, it is apparent why scholars focused on autonomy in their research on the self-employed [20]. A high level of autonomy is typically considered one of the key factors influencing the decision to pursue an entrepreneurial career [22]. Also, the risks and uncertainties of an entrepreneurial career may be mitigated by an increased perception of control over situations stemming from an experience of higher levels of autonomy [23].

However, entrepreneurs do not enjoy unlimited autonomy, as their autonomy may be restricted by deadlines, customer requests, meetings, obligations, or business-related travel [23]. Unlike the self-employed with established businesses, many times the entrepreneur needs to build a customer base, placing him or her in a situation that restricts autonomy. Because empirical evidence shows autonomy is a significant factor in accounting for entrepreneurs' high level of job satisfaction [19], it follows autonomy also would be a significant factor in limiting entrepreneurs' job stress. This is supported by recent findings in the general stress literature [14]. Consequently, autonomy is hypothesized to have a significant negative relationship with job stress for entrepreneurs. The literature does not provide any indication whether novice and repeat entrepreneurs experience the same or different levels of autonomy, or whether the relationship between autonomy and job stress differs for novice and repeat entrepreneurs. Thus, no hypothesis is formed regarding differences in autonomy between novice and repeat entrepreneurs.

Task variety is “the degree to which a job requires a variety of different activities in carrying out the work, which involve the use of a number of different skills and talents of the person” [21, p. 257]. Entrepreneurs typically engage in a wide range of activities as they conceptually develop the business venture; carry out their ideas and plans; conduct marketing research and marketing activities; create the organization; build a management team; develop customer relationships; develop products and services; sell the products and services; acquire and manage resources; manage employees; solve problems with products, services, operations, suppliers, customers and employees; conduct the work functions of employees as necessary; and many more activities.

In her seminal work, Penrose [24] points out that, while managers carry out the practical side of entrepreneurship by managing the venture on a daily basis, entrepreneurs have the added responsibility of strategically developing the venture. Thus, in practice, entrepreneurs are both visionaries and managers. Based on these considerations, it appears entrepreneurs engage in a greater variety of activities than do their non-entrepreneurial counterparts. Further, empirical findings show entrepreneurs experience more task variety than managers, and task variety is a significant factor in accounting for entrepreneurs’ job satisfaction [19]. As with autonomy, the general stress literature also provides some support for task variety influencing the level of job stress [14].

Given this research, the literature does not provide any suggestions regarding whether novice and repeat entrepreneurs experience the same or different levels of task variety. However, because novice entrepreneurs are more likely than more experienced repeat entrepreneurs to be faced with unfamiliar situations and tasks that can cause job stress, task variety is hypothesized to be a significant factor in the job stress of novice entrepreneurs, but not that of repeat entrepreneurs [25, 26, 27].

Task identity is “the degree to which the job requires completion of a ‘whole’ and identifiable piece of work; that is, doing a job from beginning to end with a viable outcome” [21, p. 257]. Many conceptual models of the venture creation process show the entrepreneurial process as a sequence of clear and identifiable steps. However, such a clearly defined, step-by-step process is far from reality for most entrepreneurs.

Many case studies show there is no clear beginning or end to the entrepreneurial process or to specific steps of the venture creation process. As a result, entrepreneurial work does not appear to provide a basis for entrepreneurs to experience a high level of task identity. However, the completion of individual, discreet entrepreneurial activities may provide entrepreneurs the experience of task identity. For example, venture start-up activities, including securing funding, hiring employees, making the initial investment of funds, buying equipment, preparing a business plan, and making the first sale [28], may represent individual tasks that allow entrepreneurs to experience task identity. As these two viewpoints show, there are opposing factors inherent in task identity.

While individual entrepreneurial activities may provide an opportunity for entrepreneurs to experience task identity, task identity has not been found to be a significant factor in entrepreneurs’ job satisfaction [19]. Considering this lack of a significant association between task identity and job satisfaction, and the opposing forces inherent in task identity, it is hypothesized that task identity is not a significant factor in job stress for either novice or repeat entrepreneurs.

Feedback is “the degree to which carrying out the work activities required by the job results in the individual obtaining direct and clear information about the effectiveness of his or

her performance” [21, p. 258]. Examples of clear and direct performance feedback for entrepreneurs include start-up indicators, such as sales (especially the first sale), positive cash flow, filing federal tax, and receiving funding, among others [28]. Case studies clearly show entrepreneurs obtain direct and clear feedback from their entrepreneurial activities. This anecdotal information is supported by findings that show feedback is a significant factor in entrepreneurs’ job satisfaction [19]. Placing this in the context of motivational theory such as the two-factor theory [29] where feedback acts as a motivating factor that results in a degree of job satisfaction rather than in job dissatisfaction or job stress, it is hypothesized that feedback is not a significant factor in job stress for either novice or repeat entrepreneurs.

Methodology

The sample used for the present study was drawn from a high technology directory that has previously been found to yield appropriate samples for research on entrepreneurs. This directory is representative of the population of high technology firms [30]; and it contains firms in a wide range of different development stages indicating entrepreneurial activity [31].

The data collection was completed by surveying 2,392 businesses using a four-contact procedure [32]. This four-contact survey administration yielded 572 surveys, a response rate of 25 percent. Using the number of employees and year of venture founding provided by the directory, no significant mean differences were found between the responses from the first and second mailings or between respondents and non-respondents.

Of the 572 responses returned, a number of surveys were eliminated from consideration for the following three reasons: 1) they were incomplete; 2) the survey respondent was considered an outlier because the venture had more than 1,000 employees, or 3) the survey respondent was not an entrepreneur (not a founder of the venture). These eliminations resulted in 421 cases from entrepreneurs. To identify novice and repeat entrepreneurs, the survey included an item asking if the respondent had previously started or founded other business ventures. Based on this survey item, the 421 responding entrepreneurs were grouped into 192 novice entrepreneurs—individuals who had started/founded only the present venture—and 229 repeat entrepreneurs—individuals who previously had started at least one other venture.

Measures

A number of job stress measures have been created. Most job stress measures have disadvantages—including survey length and questions inappropriate for entrepreneurs—preventing their use in the present study. Thus, a 16-item stress measure developed for and used in a study of executives [33] was used in this study. For each of the 16 items, respondents were asked to indicate the level of stress the item produced at work using a five-point scale ranging from 1 (*produces no stress*) to 5 (*produces a great deal of stress*). The 16 items were averaged to obtain a stress score. In an earlier study [33] it was reported that the 16-item stress measure had a coefficient alpha reliability estimate of 0.84; in this study, the alpha was 0.88.

The independent variables—the four core job characteristics (autonomy, task variety, task identity, and feedback)—were assessed by using the Job Characteristics Inventory (JCI) [34]. The JCI includes items pertaining to the four core job characteristics of autonomy (e.g., *to what extent are you to act independently in performing your work function?*), task variety (e.g., *how similar are the tasks you perform in a typical workday?*), task identity (e.g., *how often do you see projects or jobs through to completion?*), and feedback (e.g., *to what extent do you find out how well you are doing as you are working?*). All items were scored on a five-point scale with

response options from 1 (*very little*) to 5 (*very much*). For each of the job characteristics, the items pertaining to it were averaged. The internal reliability estimate for the JCI has been referred to as “*sufficiently high for research purposes*” [35]. In this study, it was 0.76.

As noted earlier, some variables have been shown to moderate the relationship between job characteristics and work-outcome variables, such as job stress. Consequently, the present study included the control variables of age, sex, education, venture size (number of employees), venture performance (sales growth), and venture age to limit the potential for alternative explanations [36].

Data Analysis

Four regression analyses were conducted—two sets of regressions analyses for the novice and for the repeat entrepreneurs. In the first regression analysis in each set only the control variables—age, gender, education, venture size, venture performance, and venture age—were included. In the second regression analysis in each set, the four job characteristics variables—autonomy, feedback, task identity, and task variety—were entered.

Results

Table 1 shows the means, standard deviations, and correlations for the independent, dependent, and control variables. The only significant correlation between job stress and a job characteristic was for autonomy. This correlation was significant for both novice and repeat entrepreneurs. The correlations between job stress and each of the four job characteristics for novice and repeat entrepreneurs were examined for significant differences [37]. There were no significant differences between the job characteristic-job stress correlations for novice and repeat entrepreneurs. Further, results from an ANOVA with the independent and dependent variables, showed no significant mean differences between novice and repeat entrepreneurs for these variables, with the exception of task variety ($F = 4.770, p < .05$).

Table 1: Means, Standard Deviations, and Correlations^{a, b, c}

Variable	Novice Es		Repeat Es		1	2	3	4
	Means	s.d.	Means	s.d.				
1 Job Stress	2.33	0.65	2.39	0.62		-0.25**	0.11	-0.06
2 Age	3.71	1.05	3.95	1.12	-0.25		-0.12	-0.10
3 Gender	1.17	0.38	1.08	0.27	-0.11	0.00		-0.03
4 Education	4.88	1.28	4.85	1.35	0.06	0.06	-0.13	
5 Venture Size	29.94	59.70	27.79	41.60	-0.01	-0.04	0.00	0.09
6 Venture Performance	13.92	62.48	48.20	483.15	-0.04	-0.04	0.00	0.08
7 Venture Age	13.23	9.18	13.56	9.12	-0.16	0.58**	-0.07	0.01
8 Autonomy	4.43	0.56	4.43	0.54	-0.23	0.15*	0.17*	-0.19
9 Feedback	3.17	0.79	3.23	0.80	-0.13	0.14	-0.04	-0.01
10 Task Identity	4.22	0.70	4.09	0.83	-0.14	0.13	0.03	-0.03
11 Task Variety	3.68	0.46	3.78	0.44	0.11	0.00	-0.02	0.02

Table 1: Means, Standard Deviations, and Correlations (continued)^{a, b, c}

Variable	5	6	7	8	9	10	11
1 Job Stress	-0.23	-0.15*	-0.13	-0.21**	-0.09	-0.07	0.01
2 Age	-0.03	-0.11	0.44**	0.08	0.15*	0.05	0.01
3 Gender	-0.09	-0.02	0.03	0.14*	-0.02	0.08	0.10
4 Education	0.09	0.02	-0.19**	-0.01	-0.05	-0.11	-0.08
5 Venture Size		0.44**	0.03	-0.02	-0.02	-0.24**	-0.08
6 Venture Performance	0.18*		-0.04	0.08	0.14*	-0.01	0.01
7 Venture Age	0.04	-0.10		0.06	0.03	0.01	0.12
8 Autonomy	-0.05	0.09	0.10		0.06	0.54	0.29**
9 Feedback	0.00	-0.04	0.06	0.13		0.22**	0.26**
10 Task Identity	-0.05	-0.03	0.06	0.45**	0.18*		0.18**
11 Task Variety	0.11	-0.03	0.08	0.11	0.17*	-0.04	

Note: Correlations for novice entrepreneurs are located below the diagonal and correlations for repeat entrepreneurs are located above the diagonal.

** $p < .01$; * $p < .05$

^a Two-tailed tests; ^b Novice entrepreneurs: $n = 192$; ^c Repeat entrepreneurs: $n = 229$.

Table 2 shows the results from the regression analyses. This table shows that the regression coefficients for task identity ($\beta_{\text{novice}} = .00$; $\beta_{\text{repeat}} = .00$) and feedback ($\beta_{\text{novice}} = -.11$; $\beta_{\text{repeat}} = -.06$) were not significant for either novice or repeat entrepreneurs. The results also show that the regression coefficient for autonomy was negative and significant for both novice and repeat entrepreneurs ($\beta_{\text{novice}} = -.18, p \leq .05$; $\beta_{\text{repeat}} = -.21, p \leq .01$). The results also show that the regression coefficient for task variety was significant for the novice entrepreneurs ($\beta_{\text{novice}} = .15, p \leq .05$), but not for the repeat entrepreneurs ($\beta_{\text{repeat}} = .06$). The results for the novice entrepreneurs show that the four core job characteristics accounted for 5.7 percent of variance in job stress ($\Delta R^2 = .057, F = 2.950, p \leq .01$); and for the repeat entrepreneurs, the results show that the four core job characteristics accounted for 4.2 percent of job stress variance ($\Delta R^2 = .042, F = 4.591, p \leq .0001$).

The results from a Chow test [38] show that the regression lines with all four job characteristics as independent variables for the novice and repeat entrepreneurs are not significantly different ($.95F_{11,399} = .988$). This finding was furthered by results from the regression analyses with only one job characteristic as the independent variable and controlling for the other job characteristic variables. Comparing these regression lines using the Chow test showed no significant differences between novice and repeat entrepreneurs for any of the four job characteristics: autonomy ($.95F_{8,405} = 1.367$), task variety ($.95F_{8,405} = 1.581$), task identity ($.95F_{8,405} = 1.715$), and feedback ($.95F_{8,405} = 1.653$).

Discussion

The primary purpose of this study was to advance the job stress literature in general and the literature on entrepreneurship in particular by considering a job stress model not based on role theory. Specifically, it was to explain entrepreneurs' job stress using job characteristics theory [2, 11, 12, 21], which posits that four core job characteristics inherent in all work (autonomy, task variety, task identification, and feedback) account for individual level outcomes.

Table 2: Regression Results

	Novice Entrepreneurs		Repeat Entrepreneurs	
	(n= 192)		(n = 229)	
Age	-0.24*	-0.19*	-0.25***	-0.21**
Gender	-0.10	-0.08	0.06	0.09
Education	0.06	0.02	-0.07	-0.07
Venture Size	-0.02	-0.04	-0.18	-0.19**
Venture Performance	-0.06	-0.04	-0.10	-0.06
Venture Age	-0.04	-0.05	-0.03	-0.04
Job Stress				
Autonomy		-0.18*		-0.21**
Feedback		-0.11		-0.06
Task Identity		0.00		0.00
Task Variety		0.15*		0.06
R²	0.084	0.140	0.131	0.174
Δ R²		0.057*		0.042
Adjusted R²	0.054	0.093	0.108	0.136
Adjusted Δ R²		0.039		0.028
F	2.812*	2.950**	5.601****	4.591****

Note: Standardized regression (Beta) coefficients are shown in the table.

****p < .0001; *** p < .001; ** p < .01; * p < .05

Based on the existing literature, autonomy was hypothesized to act as a significant factor in limiting both novice and repeat entrepreneurs' job stress. Because novice entrepreneurs are undertaking venture-creation for the first time and therefore would be likely to experience uncertainty, task variety was hypothesized to be a significant factor in accounting for novice entrepreneurs' job stress; however, because repeat entrepreneurs have experience in creating new ventures, task variety was not hypothesized to be a significant factor in accounting for repeat entrepreneurs' job stress. Due to opposing factors inherent in task identity, task identity was not hypothesized to be a significant factor in either novice or repeat entrepreneurs' job stress. Likewise, based on considerations of motivation theory, specifically the two-factor theory [29], feedback was hypothesized not to be a significant factor in either novice or repeat entrepreneurs' job stress.

The results from the present study show autonomy had a significant negative relationship with both novice and repeat entrepreneurs' job stress as hypothesized. This finding is consistent with previous findings from the stress literature [39]. The results also showed that task variety was a significant positive factor in novice entrepreneurs' job stress, but not for repeat entrepreneurs as hypothesized. The results showed that neither task identity nor feedback were significant factors in either novice or repeat entrepreneurs' job stress. These findings are in line with the present study's hypotheses based on both empirical and conceptual job stress literature. Consequently, contributions of the present study include that the job stress literature, in particular pertaining to job characteristics, may be used to explain entrepreneurs' job stress, even when there are differences among entrepreneurs.

The findings of the present study are encouraging as they are important steps in advancing the entrepreneurship literature by means of showing that job design theory explain entrepreneurs' job stress. The findings also illustrate that there are important differences among novice and repeat entrepreneurs. Less encouraging are the small amounts of variance in the novice and repeat entrepreneurs' job stress explained by the four core job characteristics. The literature may provide explanations for the small amounts of variance found in the present study.

Entrepreneurs' work is demanding, but entrepreneurs also have substantial latitude in making decisions—similar to that of top executives [6]. It has been suggested that demanding jobs with high decision latitude are inherently motivating which results in higher levels of job satisfaction and lower levels of job stress ('the buffer hypothesis') [40]. Thus, entrepreneurs are expected to experience a limited amount of job stress. This is supported by empirical findings [14, 41, 42]. Further, when the oft-cited reason individuals become entrepreneurs—the expectation of a high level of autonomy [22]—is placed in the context of the "buffer hypothesis" [34, 40], it follows that when entrepreneurs experience demands perceived as too high or decision latitude perceived as too limited, they experience job stress. Too-high demands (the perception of role overload) has been found to be a factor in entrepreneurs' proclivity for withdrawing from the venture [5]. Thus, if entrepreneurs stay with the venture, it may be due to perceiving the demands of the entrepreneurial work as acceptable, which is consistent with recent findings [41]. In light of this, it is possible that individuals who experience substantial job stress may have opted to exit the venture, indicating there may be a self-selection bias influencing the amount of job stress accounted for by the job characteristics in the present study.

The findings that entrepreneurs experience less job stress than other occupational groups, such as non-founding top executives [41], are also evident internationally. For example, a study of self-employed and salaried employees from Canada and the United States showed that the self-employed experienced significantly less job stress [42]. Even though findings based on international and U.S. samples show that entrepreneurs experience less job stress, an issue that remains is whether theories other than role theory, such as the buffer hypothesis [40], attraction-selection-attrition theory [43], person-environment fit theory [12], job design theory [11], or job characteristics theory [12], can explain the lower levels of job stress using international samples of entrepreneurs. This is especially an issue as research on entrepreneurs' stress has complemented research findings based on U.S. samples. For example, the findings of a study of small business owners in Nigeria were consistent with the stress factors observed by Boyd and Gumpert (i.e., loneliness) [26, 44]; and a study of 50 entrepreneurs in India showed that stress factors related to role theory were factors associated with the entrepreneurs' stress [45]. These considerations show research findings regarding entrepreneurs' stress are consistent across samples from the U.S. and other countries. This may, in part, be due to the use of role theory as a theoretical framework in these studies. Thus, there are many potentially fruitful avenues for future research to enhance our collective understanding of entrepreneurs' stress and its consequences if scholars move beyond role theory as was the case in the present study.

In conclusion, the present study showed that autonomy was a significant factor in both novice and repeat entrepreneurs' job stress, and task variety was a significant factor in job stress of novice entrepreneurs, but not of repeat entrepreneurs. Task identity and feedback were not found to be significant factors in either novice or repeat entrepreneurs' job stress.

This study advances the entrepreneurship literature 1) by examining entrepreneurs' job stress using job characteristics theory rather than role theory, and 2) by examining and finding important differences in the relationships between core job characteristics and job stress among

novice and repeat entrepreneurs; specifically finding that job stress of novice entrepreneurs is influenced by autonomy and task variety, while only autonomy is a significant factor in explaining repeat entrepreneurs' job stress.

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English Abstract

Job Design Effects on Novice and Repeat Entrepreneurs' Job Stress

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Abstract

In this study the relationships between four core job characteristics (autonomy, task variety, task identity, and feedback) and job stress are examined for 192 novice and 229 repeat entrepreneurs. Autonomy was a significant factor in both novice and repeat entrepreneurs' job stress; whereas, task variety was a significant factor in job stress for novice entrepreneurs but not for repeat entrepreneurs. The results indicate that the job characteristics approach expands the understanding of entrepreneurs' job stress, and that important similarities and differences exist between novice and repeat entrepreneurs in how job characteristics influence job stress.

Keywords: Person-Environment Fit, Job Characteristics, Job Stress, Novice Entrepreneurs, Repeat Entrepreneurs

French Abstract*

Job Design Effects on Novice and Repeat Entrepreneurs' Job Stress

Effets de la conception des tâches sur le stress au travail pour des les entrepreneurs débutants et récidivistes

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Résumé

Dans cette étude, les relations entre quatre caractéristiques fondamentales d'un emploi (autonomie, la diversité des tâches, l'identification des tâches et la rétroaction) et le stress au travail sont examinées pour 192 entrepreneurs débutants et 229 entrepreneurs récidivistes. L'autonomie s'avère être un facteur important dans le stress au travail, à la fois pour les entrepreneurs débutants et pour les entrepreneurs récidivistes alors que la diversité des tâches est un facteur important dans le stress au travail seulement pour les entrepreneurs débutants, mais pas pour les entrepreneurs récidivistes. Les résultats indiquent que l'approche par les caractéristiques fondamentales de l'emploi améliore la compréhension du stress au travail dans le cas des entrepreneurs, et que des similitudes et différences importantes existent dans la façon dont les caractéristiques de l'emploi influent sur le stress au travail entre les entrepreneurs débutants et entrepreneurs récidivistes.

Mots-clés: L'environnement de Person, les caractéristiques de l'emploi, stress au travail, entrepreneurs débutants, entrepreneurs récidivistes

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German Abstract*

Job Design Effects on Novice and Repeat Entrepreneurs' Job Stress

Auswirkungen des Jobdesigns auf den Stress von neuen und erfahrenen Unternehmern

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Abstract

In diesem Beitrag wird die Beziehung von vier Kerncharakteristika der Arbeit (Autonomie, Abwechslung, Ganzheitlichkeit der Aufgabe und Feedback) und dem Arbeitsstress anhand von 192 Neuunternehmern und 229 erfahrenen Unternehmern untersucht. Die Autonomie war für beide Gruppen dabei ein signifikanter Faktor auf den Arbeitsstress; die Ganzheitlichkeit der Aufgabe war für die Neuunternehmer ein solcher Faktor, allerdings nicht für die Personen, die bereits zum wiederholten Male als Unternehmer arbeiteten. Die Ergebnisse deuten darauf hin, dass der Ansatz der Arbeitscharakteristika das Verständnis des Arbeitsstress von Unternehmern erweitert und das zentrale Gemeinsamkeiten und Unterschiede zwischen unerfahrenen bzw. neuen Unternehmern und erfahrenen Unternehmern existieren.

Keywords: Arbeitsstress, Jobcharakteristika, Jungunternehmer, Altunternehmer, Person-Environment-Fit

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Spanish Abstract*

Job Design Effects on Novice and Repeat Entrepreneurs' Job Stress

Efectos del Diseño del Trabajo en el Estrés de los Emprendedores Noveles y Consolidados

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Resumen

En este estudio se examinan las relaciones entre las cuatro características fundamentales del puesto de trabajo (autonomía, variedad de tareas, identidad con la tarea y retroalimentación) y el estrés laboral de 192 emprendedores noveles y 229 emprendedores consolidados. La autonomía resultó ser un factor significativo del estrés en el trabajo tanto para los emprendedores noveles como para los consolidados; mientras que la variedad de tareas fue un factor importante en el estrés del trabajo para los emprendedores noveles, pero no para los emprendedores consolidados. Los resultados indican que el enfoque de las características del trabajo expande la comprensión del estrés en el trabajo de los emprendedores, y que existen importantes similitudes y diferencias entre los emprendedores noveles y los consolidados en la forma en que las características del trabajo influyen en el estrés laboral.

Palabras clave: Persona-adaptación al entorno, características del empleo, estrés laboral, emprendedores noveles, emprendedores consolidados

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Arabic abstract*

Job Design Effects on Novice and Repeat Entrepreneurs' Job Stress

آثار التصميم الوظيفي على الضغط الوظيفي للرياديين المبتدئين و غير المبتدئين

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ملخص

بحثت هذه الدراسة العلاقة بين أهم أربع صفات للوظيفة (الاستقلالية, تنوع المهام, هوية المهمة (شمولية المهمة), التغذية الراجعة) و الضغط (التوتر) الوظيفي لدى (192) ريادي مبتدئ و (229) ريادي غير مبتدئ. أظهرت الدراسة أن الاستقلالية الوظيفية عامل مهم و أساسي للرياديين المبتدئين و غير المبتدئين, أما بالنسبة لعامل التنوع الوظيفي فيعد عامل مهم للرياديين المبتدئين دون الغير مبتدئين. تشير نتائج الدراسة الى أن طريقة الصفات الوظيفية توضح مفهوم التوتر الوظيفي بشكل أكبر, و تبين التشابهات و الفروقات المهمة بين الرياديين المبتدئين و غير المبتدئين من حيث تأثير الصفات الوظيفية على الضغط (التوتر) الوظيفي.

الكلمات الدالة: مناسبة الشخص للبيئة، الصفات الوظيفية، الضغط / التوتر الوظيفي، الرياديين المبتدئين، الرياديين الغير مبتدئين

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Italian Abstract*

Job Design Effects on Novice and Repeat Entrepreneurs' Job Stress

Gli effetti del modo di organizzare il lavoro sullo stress lavorativo di imprenditori novizi e imprenditori protagonisti di vari progetti imprenditoriali

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Abstract

In questo studio viene esaminata la relazione fra quattro caratteristiche chiave dell'organizzazione del lavoro (autonomia, varietà di compiti, identità di compiti, feedback) rispetto allo stress lavorativo con riferimento a 192 imprenditori novizi e 229 imprenditori protagonisti di vari progetti imprenditoriali. L'autonomia era un fattore significativo sia per il lavoro sia di imprenditori novizi che di imprenditori ma non per quelli protagonisti di vari progetti imprenditoriali. I risultati indicano che l'approccio alle caratteristiche lavorative espande la comprensione da parte degli imprenditori delle caratteristiche dello stress da lavoro, e che esistono differenze importanti similarità fra imprenditori novizi e imprenditori protagonisti di vari progetti imprenditoriali sul come le caratteristiche del lavoro influenzino lo stress percepito.

Keywords: inserimento della persona all'interno dell'ambiente, caratteristiche del lavoro, stress da lavoro, imprenditori novizi, imprenditori protagonisti di vari progetti imprenditoriali

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An Empirical Investigation of Business and Operational Risk Disclosures

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Abstract

This paper examines attributes of non-financial risk disclosures by US manufacturing companies during the financial crises. We focus on business and operational risk disclosures to distinguish between risks generally outside and within the firms' internal control. Main findings show that in terms of disclosure, volume business risk disclosures far outweigh operational risk disclosures for each year. Risk disclosures on risk factors, on negative news, in qualitative and in forward-looking terms are most prevalent. We find an almost stable pattern of non-financial risk disclosures during the financial crisis, and that both types of non-financial disclosure are not entirely driven by the same factors. Our findings suggest that non-financial risk disclosures and particularly operational risk disclosures may not entirely meet the users' expectations. Results have implications for regulation and future research.

Keywords: accounting regulations, business risk, content analysis, operational risk, risk disclosure

Introduction

Recently and following the first turbulent years of the 21st century culminating in the worst financial crisis since the great depression, risk management and risk disclosure by business companies in all sectors of the economy have gained growing interest in regulation and practice, internationally (Dobler, Lajili, & Zéghal, 2011; Elzahar & Hussainey, 2012). While a considerable body of literature reflects detailed academic work on risk management particularly in the financial sector, there is still little research on corporate risk disclosure and management in companies in the non-financial sector. Relevant and reliable risk disclosures are expected to lower the information asymmetry between managers and outsiders by providing users of financial statements with information on the risks a company faces and on how these risks are managed (Jorgensen & Kirschenheiter, 2003; Dobler, 2008). Thus, risk information disclosed covers a broad set of disclosures on risk factors and means of risk management varying in scope, location, nature, type, and time frame (Lajili & Zéghal, 2005a; Linsley & Shrivess, 2006).

In this paper, we focus on operational and business risks as disclosed by listed manufacturing companies in the United States (US) and cover a four-year period from 2006 to 2009. The objectives of this paper are threefold:

- (1) Examine how US firms report on non-financial risk categories and capture any differences between the volume and nature of business and operational risk disclosure.
- (2) Document any changes in the volume and nature of disclosures of business and operational risks before and after the last financial crisis.
- (3) Assess the nature of the association between the volume of operational and business risk disclosures with firm size, firm risk, performance and corporate governance variables.

The paper proceeds as follows: First, we briefly review the risk disclosure regulations in the US and the emerging risk disclosure and management literature in the accounting field. Second, we formulate our research hypotheses and present our research methodology. We report the research results and discuss our findings in a subsequent section and conclude the paper with a summary, limitations, implications and suggestions for future research.

Regulatory Framework and Prior Studies

Risk Disclosure Regulations in the US

The US has an extensive and quite detailed risk disclosure regulation particularly with regards to financial risks and market risks in general. There are two main regulatory bodies that oversee risk disclosure in the US. These are the Financial Accounting Standards Board (FASB) and the exchange listing regulator, i.e., the Securities and Exchange Commission (SEC). Listed companies have to provide risk disclosure in several sections of their annual 10-K filings to the SEC. Table 1 summarizes the major risk disclosures required by US Generally Accepted Accounting Principles (US GAAP) and SEC regulations.

Table 1: Major risk disclosure requirements in Form 10-K

<i>Item 1A</i>	<p>Risk Factors discussion of most significant risk factors (Item 503(c) of Regulation S-K)</p> <hr/> <p>Management's Discussion and Analysis</p> <ul style="list-style-type: none"> ▪ description of trends or uncertainties likely to affect liquidity and the entity's approach to them (Item 303(a)(1), FRR 36); of trends affecting capital resources (Item 303(a)(2)(ii)); of credit, liquidity and market risk related to off-balance sheet arrangements (Item 303(a)(4)(i)(B))
<i>Item 7</i>	<ul style="list-style-type: none"> ▪ description of trends or uncertainties with potentially material impact on sales, revenue, or income (Item 303(a)(3)(ii), FRR 36) ▪ discussion of off-balance sheet arrangements with potentially material impact on the entity and related trends or uncertainties (Item 303(a)(4)(i), FRR 36)
<i>Item 7A</i>	<p>Quantitative and Qualitative Disclosures About Market Risk</p> <ul style="list-style-type: none"> ▪ qualitative description of primary market risk exposures, its management and changes therein ▪ quantitative tabular, sensitivity analysis or VaR disclosures, including methods used, their limitations and summarized data (Item 305, FRR 48)
<i>Item 8</i>	<p>Financial Statements note disclosures under US GAAP, particularly on</p> <ul style="list-style-type: none"> ▪ loss and gain contingencies (SFAS 5) ▪ estimation uncertainties (SFAS 5, SOP 94-6) ▪ risk concentrations apart from financial instruments (SFAS 131, SOP 94-6) ▪ risk and risk management in the context of financial instruments (SFAS 105, 114, 118, 119, 130 133, 150)

We note a focus on market and financial risks and on the use of financial instruments in the US GAAP. Business or operational risks are particularly covered by mandatory disclosures on contingencies, concentrations, and dependency on major customers (SFAS 5, SOP 94, and SFAS 131). US GAAP are quite specific and detailed. They provide guidance on how to report on the market risks a company is facing while attempting to give an overview of the company's risk profile. Market and financial risk disclosures usually appear as notes to the financial statements. Further discussion is located in other sections of 10-K filings.

The SEC regulations frame the risk disclosure requirements with the aim to protect investors and financial information outside users. In that sense, they focus on material changes and impact disclosure and mandate the description of trends or uncertainties likely to affect liquidity and a company's approach to them (Item 303), i.e. how a company is managing these risks and uncertainties (Dobler, 2005).

More recently, SEC regulations included forward-looking risk information with options on how to report on market risk disclosures (FRR 48) and a discussion and assessment of the effectiveness of internal control over financial reporting (Item 308) following the Sarbanes-Oxley Act (SOX) related governance regulations (SOX, 2002).

In summary, risk disclosure regulations in the US offer a suitable and comprehensive framework for companies to disclose their most important risks. US listed companies can disclose information about their risk profile in a broad sense both quantitatively and qualitatively in the notes to the financial statements and/or in other sections of their 10-K filings.

Prior risk disclosure research

In the last few years, risk management and risk disclosure studies have gained increasing global interest (Beasley & Salterio, 2001; Linsmeier et al., 2002; Thornton & Welker, 2004; Lajili & Zéghal, 2005a, 2005b; Linsley & Shrivess, 2006; Woods, Kajüter, & Linsley, 2007; Dobler, 2008; Amran, Bin, & Hassan, 2009; Dobler, Lajili, & Zéghal, 2011; Elzahar & Hussainey, 2012; Greco, 2012).

Risk disclosure is an emerging research field that draws from finance, accounting, information economics and other related fields. There are various enterprise risk management frameworks, e.g. provided by the Committee of Sponsoring organizations of the Tradeway Commission, the SOX (2002) and Basel Accords. These frameworks, their amendments and ongoing work have largely contributed to the emergence of more risk information in listed firms' annual reports (Woods, Kajüter, & Linsley, 2007). Moreover, accounting and financial scandals certainly impose a sense of urgency and a need to regulate and further improve the transparency with regards to corporate risk management and related governance issues.

Briefly, most risk disclosure studies document large variations in both mandatory and voluntary risk disclosures. They document a focus on financial risks and find only little quantitative and forward-looking information disclosed. Sometimes disclosures seem to be vague or are even "boiler-plate" type disclosures (Lajili & Zéghal, 2005a; Linsley & Shrivess, 2006). Furthermore, there seem to be no universal agreement among the scholars, regulators and corporate managers as to the appropriate definitions and categorizations of risks. The variety of risk categories and definitions may be caused by the different risk disclosure frameworks available as well as the regulatory structure as discussed above.

To contribute to existing evidence, we refer to the US setting where risk disclosure studies have been rare to date. Within this setting, we focus on two types of risks: business and operational risks. Notably, there is a research gap in operational risk disclosure in non-financial firms. Yet, this category proved particularly critical in the financial crisis of 2008. It is, thus,

worth conducting research in non-financial risk disclosure by US companies during that interesting period. We attempt to contribute to the literature by conducting a fine-grained content and a regression analysis of business and operational risk disclosures by listed manufacturing firms in the US.

Research Hypotheses and Methodology

Hypotheses

In pursuing our research objectives mentioned above, we first develop our hypotheses and differentiate between business risk and operational risk following prior risk disclosure research (Lajili & Zéghal, 2005a, 2005b; Linsley & Shrides, 2006) and regulatory definitions of operational risk.

In general, operational risk refers to potential losses caused by internal firm-specific factors and assets such as information systems, processes, personnel and other related resources (Lopez, 2002). Technical failures and the loss of key employees are examples of operational risks (Lajili & Zéghal, 2005a). In contrast, business risks are defined as potential losses from external industry-wide and economy-wide factors (usually outside the control of the firm). Examples of business risks include the market and competitive structure underlying the firm's business, government regulations, economy-wide and firm-specific financial risks, and political or geo-political developments (Damodaran, 2008; Cabedo & Tirado, 2004). By including other-than operational risk factors in our definition of business risks, we ensure that only firm-specific asset-related operational risk is captured in our disclosure indicators.

Our research hypotheses are as follows:

- H1.** The volume, location, nature, type and time frame of business and operational risk disclosures do not differ.
- H2.** The intensity and nature of business and operational risk disclosures increased during and immediately after the financial crisis of 2008.
- H3.** Total business and operational risk disclosures are positively related to firm size, firm risk, profitability and corporate governance indicators.

Hypothesis (H1) is based on the premise that firms are equally exposed to both firm and asset-specific (i.e., operational) and industry or economy-wide (i.e., business) risks. Therefore disclosures associated with these risks should not differ, at least conceptually, in terms of volume, location, type and time frame (Lajili & Zéghal, 2005a, Dobler, Lajili & Zéghal, 2011). Furthermore, accounting and exchange regulations as presented in the previous section do not mandate specific rules on how to report on these two types of risks offering more discretion to firms on what, where and how such disclosures are presented.

Hypothesis (H2) follows from the expectation that during and immediately following the financial crisis of 2008, firm exposure to both operational and business risks increased significantly and consequently, we would expect more information in terms of intensity and content to be disclosed during that time period. The market turbulence in both product and capital markets during that time period put further pressure on companies to cope and manage more efficiently their business and operational risks and tested their resilience. Also, public scrutiny and shareholder activism demanding more transparency in firm communication with outside users are expected to lead to better and more relevant disclosure during the time period surrounding the financial crisis.

Finally, hypothesis (H3) extends prior risk disclosure studies and extant disclosure theory literature (for example, Dobler, 2008; Dobler, Lajili, & Zéghal, 2011) and implies that all

independent variables are positively associated with risk disclosure volume. It further validates the value-relevance and consistency between firm risk disclosures and the risk proxies publicly available in capital markets (e.g., systematic risk and financial leverage among others). Prior risk disclosure also documents a positive and significant relationship between firm size and effective corporate governance indicators such as board structure (for example Lajili & Zéghal, 2005b).

Methodology

The research methodology employed in this paper includes both content and regression analyses. Following prior risk disclosure research, we use content analysis to code the information disclosed (i.e., risk sentences) by US companies in their 10-K filings (Milne & Adler, 1999; Lajili & Zéghal, 2005a, 2005b; Linsley & Shrivess, 2006; Dobler, Lajili, & Zéghal, 2011). We then use regression analysis to examine various associations between the volume of risk disclosures and the firms' publicly available attributes, i.e. firm size, risk, performance and board-related governance attributes.

Our coding instrument is based on recent regulation, prior empirical evidence and a pretest of five sample reports. As presented in Table 2, risk information disclosed is coded along six dimensions referring to category, location, nature of reference, quantification, impact and time frame.

Table 2: Coding instrument

Coding dimension	Coding categories
Risk category	<ul style="list-style-type: none"> ▪ Business risk ▪ Operational risk
Location of risk disclosures	<ul style="list-style-type: none"> ▪ Risk factors (<i>Item 1A</i>) ▪ Management's discussion and analysis (<i>Item 7</i>) ▪ Market risk disclosures (<i>Item 7A</i>) ▪ Notes to financial statements (<i>NFS</i>)
Nature of reference to risk	<ul style="list-style-type: none"> ▪ Risk source (<i>RS</i>) ▪ Risk consequence (<i>RC</i>) ▪ Risk management (<i>RM</i>)
Type of information – Quantification	<ul style="list-style-type: none"> ▪ Qualitative information (<i>QL</i>) ▪ Quantitative information (<i>QT</i>)
Type of information – Impact	<ul style="list-style-type: none"> ▪ Favorable information (<i>F</i>) ▪ Unfavorable information (<i>U</i>) ▪ Neutral information (<i>N</i>)
Time frame	<ul style="list-style-type: none"> ▪ Past (<i>P</i>) ▪ Present or non time-specific (<i>PNTS</i>) ▪ Forward-looking (<i>FW</i>)

The unit of analysis is “sentences”. The instrument, thus, captures the quantity or volume but not necessarily the quality of business and operational risk disclosures. Table 3 shows the variety of risk sources coded in the respective risk categories. The examples indicate that non-financial risk disclosures cover a large set of sources even within one industry.

Table 3: Exemplary sources of operational and business risk

Business risk	Operational risk
<ul style="list-style-type: none"> ▪ Business strategy and innovation ▪ Commodity prices ▪ Competitiveness, loss of market share ▪ Concentrations ▪ Credit failure ▪ Currency ▪ Equity ▪ Economic conditions ▪ Interest rate ▪ International operations ▪ Liquidity ▪ Location (including political risk) ▪ Mergers and acquisitions ▪ Product mix ▪ Protection of trademarks/intellectual property ▪ Regulations ▪ Reputation 	<ul style="list-style-type: none"> ▪ Accidents and natural disasters ▪ Business interruption ▪ Distribution ▪ Fraud and Error ▪ Inaccurate reporting ▪ Inefficient operations ▪ Logistics (insufficient resources) ▪ Personnel (human error, labor disputes, loss of/recruiting key employees) ▪ Production, and production technology (technical failure, apart from environmental incidents) ▪ Supply chain

To investigate the determinants of business and operational risk disclosure volume, we run a set of multiple regressions. We employ the following independent variables:

- *SIZE*: firm size as measured by the logarithm of total assets;
- *BETA*: beta factor as a proxy of systematic risk;
- *LEVERAGE*: leverage as measured by the ratio of total debt to total assets as a proxy for financial risk;
- *M/B-RATIO*: market-to-book ratio of equity as a further proxy of firm risk;
- *GP-MARGIN*: gross profit margin as a proxy for firm profitability;
- *ROA* or *ROE*: return on assets or return on equity, respectively, as further proxies for financial performance;
- *BOARD_SIZE* or *BOARD_INDEP*: number of directors in the board or number of independent directors in the board, respectively, as corporate governance variables.

We choose to investigate the US manufacturing sector (2-digit SIC codes 31 to 33) of the S&P 500 for our study and investigate the 10-K filings between 2006 and 2009. Single-sector studies are common and even warranted in our context (Tufano, 1996). This focus will allow us to compare among relatively homogeneous firms and will help us focus more on the differences in firm-specific factors which are fundamentally related to operational risks. The US manufacturing sector offers an interesting case. This is particularly true during the time period of our study in which significant changes shook firms in this sector and exposed them to more business pressures and challenges, domestically and internationally.

Our final research sample covers 30 listed firms for which 10-K filings are available for 2006 to 2009. This results in 120 observations. As shown in Table 4, sample firms show a large variability in terms of size, risk, performance and corporate governance attributes.

Table 4: Sample characteristics

	Mean	St. dev.	Minimum	Maximum
Total assets [US\$ 1,000]	46,409.14	151,708.7	100	795,337
BETA	1.31	1.55	-1.41	6.05
LEVERAGE	0.615	0.433	0.036	4.166
M/B-RATIO [%]	3.907	11.987	-18.95	89.98
GP-MARGIN [%]	35.017	13.876	3.41	66.65
ROA [%]	0.078	24.849	-18.96	27.27
ROE [%]	7.251	66.324	-356.42	349.13
BOARD_SIZE	9.28	2.708	5.00	16.00
BOARD_INDEP	7.433	2.911	1.00	14.00

Research results

Characteristics and development of operational and business risk disclosures

Addressing our hypotheses H1 and H2, Table 5 shows statistics on business and operational risk disclosures of our sample firms between 2006 and 2009.

Across the board, t-tests indicate that business risk disclosures far outweigh operational risk disclosures in terms of disclosure volume. As a notable exception, operational risk disclosures dominate in the notes to financial statements (as opposed to other sections of 10-K filings). Results hold true for each sample year. They contradict hypothesis H1 and largely indicate a focus on business risk disclosures. The fact that business risks dominate in terms of disclosure volume could be explained by the fact that accounting regulations currently put more emphasis on financial and market-based risks and far less on operational and thus firm-specific risks. This is in line with finance theory and the traditional risk-return framework that only market or systematic risks matter in a diversified portfolio (e.g., Damodaran, 2008).

Table 5: Content analysis results and comparative statistics

	Business risk disclosures (Z statistic) ^a	Operational risk disclosures (Z statistic) ^a	Mean difference significance test ^b
Total risk disclosures			
Total – Mean	114.59 (-1.028)	27.09 (-0.907)	16.73***
St. dev.	66.39	22.41	
Location of risk disclosure			
Item 1A – Mean	98.19 (-1.173)	26.63 (-0.877)	15.12***
St. dev.	61.34	22.32	
Item 7 – Mean	1.97 (-1.550)	0.01 (-0.820)	3.51***
St. dev.	6.08	0.12	
Item 7A – Mean	14.40 (-0.077)	0.11 (-0.263)	10.89***
St. dev.	14.36	0.59	
NFS – Mean	0.03 (-1.732)*	0.35 (-1.682)*	-2.25**
St. dev.	0.36	1.48	

Table 5: Content analysis results and comparative statistics (continued)

	Business risk disclosures (Z statistic) ^a	Operational risk disclosures (Z statistic) ^a	Mean difference significance test^b
Nature of reference to risk			
<i>RS</i> – Mean	77.15 (–1.076)	18.65 (–0.920)	15.28***
St. dev.	48.14	77.15	
Nature of reference to risk			
<i>RS</i> – Mean	77.15 (–1.076)	18.65 (–0.920)	15.28***
St. dev.	48.14	77.15	
Nature of reference to risk			
<i>RC</i> – Mean	23.7 (–1.234)	6.96 (–0.596)	12.64***
St. dev.	16.81	6.03	
<i>RM</i> – Mean	13.74 (–0.853)	1.48 (–0.653)	13.28***
St. dev.	10.28	2.03	
Type of information – Quantification			
<i>QL</i> – Mean	104.10 (–1.015)	26.04 (–0.953)	16.34***
St. dev.	61.12	21.32	
<i>QT</i> – Mean	10.50 (–0.525)	1.05 (–0.787)	10.71***
St. dev.	9.59	2.02	
Type of information – Impact			
<i>F</i> – Mean	12.95 (–2.398)**	1.51 (–0.404)	12.57***
St. dev.	10.11	1.93	
<i>U</i> – Mean	100.85 (–1.425)	25.54 (–0.874)	14.99***
St. dev.	63.65	21.21	
<i>N</i> – Mean	0.80 (–1.338)	0.04 (–1.313)	5.55***
St. dev.	1.48	0.20	
Time frame			
<i>P</i> – Mean	8.35 (–0.623)	1.71 (–1.063)	7.22***
St. dev.	9.35	5.8	
<i>PNTS</i> – Mean	2.44 (–3.258)***	0.89 (–1.557)	5.12***
St. dev.	3.43	1.98	
<i>FW</i> – Mean	103.8 (–1.173)	24.49 (–0.653)	15.98***
St. dev.	62.24	20.09	

Notes: ***, **, * Indicate significance at the 1%, 5%, and 10% level, respectively; ^a Non-parametric signed rank tests for changes in disclosure variables, specifically between 2009 (post financial crisis year) and previous years in the study (2006, 2007, and 2008); ^b T-test significance test for the mean differences. Variables are defined in Table 2.

Going into more detail, we find a consistent pattern across the other coding dimensions. As shown in Table 5, both operational and business risk disclosures are most prevalent:

- in Section 1A on Risk Factors (as compared to other Sections) of 10-K filings required by the SEC)
- on risk sources (as compared to their potential impact upon the firm and the firm’s response by means of risk management)
- in qualitative terms (as compared to quantitative risk disclosures)

- on potential unfavourable impacts upon firms (as compared to favourable ones)
- on forward-looking issues (as compared to backward-looking ones).

Overall, firms seem to disclose very little about how they manage business and operational risks. Apart from disclosure regulation, this could be due to either difficulties encountered in identifying, assessing, controlling and monitoring these types of risk, or simply due to the fact that most of this information is discretionary, proprietary and, thus, voluntary to a large extent. The prevalence of unfavorable risk disclosure can be related to disclosure regulation and the economic environment. Data availability and disclosure incentives can also explain why firms are largely reluctant to disclose more quantitative and risk management information throughout the time span examined (Dobler, 2008). In sum, our results are inconsistent with hypothesis H1.

With regards to research hypothesis H2, Table 5 indicates only few changes in the average risk disclosure volume from 2006 to 2008, compared to 2009. This seems to indicate a rather consistent risk disclosure behavior of sample firms even throughout the financial crises. Yet, the volume of both operational and business risk disclosures in the notes to financial statements decreases significantly.

Results indicate that the decrease in business risk disclosures particularly depends on decreasing volume of favourable and non time specific risk disclosures. This could be related to managerial fears of being scrutinized by law, shareholders or further stakeholders. However, the major finding indicates that firms somehow chose to stick to the “status-quo”. This leads us to conclude that hypothesis H2 should be rejected.

Determinants of operational and business risk disclosures

In order to investigate hypothesis H3, we regress operational risk and business risk disclosure volume (separately and jointly) on proxies for firm size, risk, performance, and board structure. Regressions are first run for both types of risk disclosures separately. Operational risk disclosure volume is expected to be linked to performance as measured by the return on assets (*ROA*). Business risk disclosure volume is expected to be rather associated with return on equity (*ROE*) as a broader proxy for firm performance. In an additional regression model, we aggregate operational and business risk disclosures.

Given that some of the independent variables are correlated with one another, we run different panel data regression models. Missing values for some independent variables reduce the number of observations valid for our regression analysis. Table 6 presents the results of a set of two regressions for each dependent variable.

Results show that explanatory variables for business and operational variables differ in significance and even in sign. Interestingly, firm size (*SIZE*) as measured by the logarithm of total assets is not positively associated with the volume of business risk disclosure. This is partly inconsistent with the “size-effect” usually observed in disclosure studies. While a possible explanation could relate to limited variation of the proxy, the result holds true when using the logarithm of market capitalization or the logarithm of revenues.

Concerning our risk proxies, coefficients on *BETA* and market-to-book ratio (*M/B-RATIO*) differ in sign and significance between the types of risk disclosure considered. While positive across the board as expected, the coefficients on *LEVERAGE* are only significant for business risk and total risk disclosures. This is largely consistent with Dobler, Lajili, & Zéghal (2011) who argue that risky firms tend to have more risk disclosure in the US setting thereby contradicting a concealing motive observed in other countries.

Table 6: Regression results

	Business disclosures		Operational disclosures		Total business & operational disclosures	
	Coefficient (t-statistic)		Coefficient (t-statistic)		Coefficient (t-statistic)	
Intercept	113.57 (3.58)***	94.25 (2.79)**	64.83 (6.45)***	55.31 (5.55)***	226.05 (7.38)***	176.06 (5.19)***
SIZE	-0.27 (-0.06)	-6.31 (-1.31)	1.16 (0.85)	2.90 (2.44)**	14.68 (2.93)**	-1.47 (-0.29)
BETA	3.72 (0.68)	3.95 (0.84)	-1.76 (-2.07)**	-1.13 (-1.19)	-3.77 (-0.79)	-0.66 (-0.16)
LEVERAGE	151.97 (3.47)***	150.99 (3.88)***	3.84 (1.08)	14.36 (1.40)	26.06 (2.30)**	86.07 (2.61)**
M/B-RATIO	-0.91 (-2.52)**	-1.003 (-2.83)**	0.17 (1.24)	0.15 (1.20)	-0.03 (-0.09)	-0.21 (-0.60)
GP_MARGIN	0.76 (1.12)	0.84 (1.15)	-0.11 (-0.73)	-0.15 (-0.92)	0.04 (0.08)	0.02 (0.04)
ROA			0.16 (2.28)**	0.19 (3.00)**	0.45 (2.03)**	0.55 (2.61)**
ROE	-0.08 (-0.72)	-0.05 (-0.44)				
BOARDS_SIZE	-12.40 (-2.89)**		-4.69 (-3.06)**		-22.66 (-4.45)***	
BOARD_INDEP		-7.21 (-1.70)*		-1.16 (-1.16)		-10.44 (-2.21)**
N	60	60	66	65	66	65
R²	0.30	0.29	0.33	0.28	0.28	0.27
F-statistic	5.25***	5.22***	5.72***	5.17***	7.09***	5.03***

Notes: ***, **, * Indicate significance at the 1%, 5%, and 10% level, respectively. Independent variables are defined in the section "Methodology".

Performance seems to be rather positively related to risk disclosure volume. Particularly, *ROA* is significantly and positively related to the volume of operational and total risk disclosures. This result is particularly interesting in the sense that it could imply that operational risk disclosures, despite their scarcity relative to business risk disclosures, are potentially value-relevant and, thus, helpful to users of financial reports. This could ultimately have important implications on policy and regulatory efforts in the future.

Corporate governance variables largely follow a consistent pattern. We find that board size (*BOARD_SIZE*) and to a lesser extent board independence (*BOARD_INDEP*) seem to be negatively related to disclosure volume on both types of risk. Most particularly, the result on board independence is surprising. Less independent boards usually are expected to work closely with their capital and product suppliers (e.g., major shareholders, creditors, suppliers) and, thus, may need less disclosure of risk information to outside users. This result could be related to the fact that some companies in our sample were already in a critical business and financial situation (e.g., in the automotive sector) and, thus, several board members on these companies were not "really" independent. Overall, our findings suggest that corporate governance influences business and operational risk disclosure and should be considered in future risk disclosure studies.

In sum, our regression results only partly support hypothesis H3. Particularly, they suggest that the volume of business and operational risk disclosures, respectively, is not entirely driven by the same factors.

Conclusions

This study sheds some light on how US manufacturing firms dealt with risks in the period leading up to the worst financial crisis since the depression of the 1920s. It reveals a general willingness to provide relevant firm-specific risk information to outside users. In turn, it indicates that non-financial risk disclosures provided in 10-K filings of US manufacturing companies may fall short on the users' expectations. Our main findings could be summarized as follows:

- (1) In terms of volume, business risk disclosures far outweigh operational risk disclosure in almost all categories considered. This implies a dominance of risks largely beyond the firm's control and some reluctance to inform about certain risks most specific to a particular firm's operations. Consistently, risk disclosures outside the financial statements, on risk sources, on unfavourable impacts, in qualitative and in forward-looking terms are most prevalent.
- (2) The financial crisis only partly affects the volume of business and operational risk disclosure. This suggests that firms somehow stick to their risk disclosure "status quo" and are not able or not willing to enhance non-financial risk disclosure volume in economically difficult settings. Consistent with disclosure theory, this implies not to overestimate the use of risk disclosures.
- (3) Business and operational risk disclosures seem to be driven by partly different factors. We find differences in concerning firm size and firm risk. Both types of risk seem to be associated with profitability and corporate governance. This particularly indicates that the "size effect" could be less prevalent than expected while issues of corporate governance deserve particular attention in analyzing risk disclosure.

Limitations to the current study include the use of volume of disclosure to capture risk reporting which is just a first necessary step to assess disclosure behavior. It usually fails to assess the quality of such disclosure. Further, our research sample is limited to one sector and one country. Particularly, cross-country investigations like Dobler, Lajili, & Zéghal (2011) could help to assess how firms respond to financial crises in terms of risk disclosure in different regulatory settings. Also, future prescriptive research could examine in more depth how companies should report operational risks to help national and international regulators offer more guidance in reporting these important risks and how firms are coping with them. Given the complexity of the risks companies are increasingly facing, an integrated and more systematic approach to overall risk information disclosure including a comprehensive and more operational definition of all possible risk categories, may be warranted in the future. This could offer more transparency and minimize ambiguity on how managers are dealing with these emerging risks and potentially lower agency costs and information asymmetries between management, shareholders and other stakeholders, thus helping to improve business decision making, internationally

International business implications of the current study include the role of risk information disclosure in guiding investment decisions by global investors. For example, if operational risk disclosures prove to be value-relevant and thus useful for allocating capital

resources around the world, we would expect companies that outperform their global counterparts in terms of operational risk disclosure and management to command higher equity values and easier access to capital markets (i.e., lower overall cost of capital). Future accounting standards and exchange regulators could encourage more transparency and provide further guidance in terms of how to disclose business risks and operational risks for both financial and non-financial public companies (International Accounting Standards Boards, 2010). Finally, the role of corporate boards and their impact on how much and how risk information is communicated to the firms' stakeholders is worthy of future research attention. In this context, international comparisons and insights are likely to be warranted in the course of international accounting harmonization.

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English Abstract

An Empirical Investigation of Business and Operational Risk Disclosures

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Abstract

This paper examines attributes of non-financial risk disclosures by US manufacturing companies during the financial crises. We focus on business and operational risk disclosures to distinguish between risks generally outside and within the firms' internal control. Main findings show that in terms of disclosure, volume business risk disclosures far outweigh operational risk disclosures for each year. Risk disclosures on risk factors, on negative news, in qualitative and in forward-looking terms are most prevalent. We find an almost stable pattern of non-financial risk disclosures during the financial crisis, and that both types of non-financial disclosure are not entirely driven by the same factors. Our findings suggest that non-financial risk disclosures and particularly operational risk disclosures may not entirely meet the users' expectations. Results have implications for regulation and future research.

Keywords: accounting regulations, business risk, content analysis, operational risk, risk disclosure

French Abstract*

An Empirical Investigation of Business and Operational Risk Disclosures

Etude empirique sur la divulgation des risques d'affaires et opérationnels

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Résumé

Le présent document examine les caractéristiques de la divulgation des risques non-financiers par les sociétés manufacturières américaines pendant les crises financières. Nous nous concentrons sur la divulgation des risques d'affaires et des risques opérationnels, tout en distinguant entre les risques extérieurs et internes à l'entreprise. Les principaux résultats montrent qu'en matière de divulgation, les informations sur les risques des volumes d'affaires dépassent de loin les informations sur les risques opérationnels. Les informations sur des facteurs de risque, des nouvelles négatives, en termes qualitatifs et en termes prospectifs sont les plus répandues. Nous trouvons un schéma presque stable de divulgation des risques non-financiers durant des crises financières, et que les deux types d'informations non-financières ne sont pas entièrement guidés par les mêmes facteurs. Nos résultats suggèrent que la divulgation des risques non-financiers, dont les risques opérationnels, pourrait ne pas entièrement satisfaire les attentes des utilisateurs. Nos résultats ont des implications pour la réglementation et la recherche à venir.

Mots-clés: règles comptables, risques de l'entreprise, analyse de contenu, risque opérationnel, divulgation des risques

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German Abstract*

An Empirical Investigation of Business and Operational Risk Disclosures

Eine empirische Untersuchung der Risikoberichterstattung für operationelle Risiken und Geschäftsrisiken

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Abstract

Diese Untersuchung analysiert die Attribute der nicht-finanziellen Risikoberichterstattung von US-Industrieunternehmen während der Finanzkrise. Der Fokus liegt dabei auf den Geschäftsrisiken und den operationellen Risiken, um zwischen allgemeinen externen Risiken und Risiken innerhalb des Internen Kontrollsystems zu unterscheiden. Die zentralen Ergebnisse zeigen, dass hinsichtlich der Berichterstattung der Umfang zur Berichterstattung über Geschäftsrisiken den Umfang der veröffentlichten operationellen Risiken bei weitem übersteigt. Die Risikoberichterstattung zu Risikofaktoren und zu negativen Nachrichten ist sowohl in qualitativer Form als auch in der zukunftsorientierten Darstellung weit verbreitet. Wir haben ein annähernd eindeutiges Muster der nicht-finanziellen Risikoberichterstattung innerhalb der Finanzkrise gefunden, wobei beide Typen der Berichterstattung nicht vollumfänglich durch die gleichen Einflussfaktoren getrieben werden. Unsere Ergebnisse suggerieren, dass die nicht-finanzielle Risikoberichterstattung und teilweise die operationelle Risikoberichterstattung nicht vollständig die Erwartungen der Adressaten erfüllen. Die Ergebnisse haben Einfluss auf die Regulierung und die zukünftige Forschung.

Keywords: Bilanzierungsvorschriften, Geschäftsrisiko, Inhaltsanalyse, Operationelles Risiko, Risikoberichterstattung

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Spanish Abstract*

An Empirical Investigation of Business and Operational Risk Disclosures

Una investigación Empírica sobre la Divulgación del Riesgo Comercial y Operacional

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Resumen

Este artículo examina los atributos de la divulgación de riesgos no financieros por parte de las empresas manufactureras de Estados Unidos durante las crisis financieras. Nos centramos en la divulgación del riesgo comercial y operacional para distinguir los riesgos externos, que se encuentran fuera del control de la compañía, de los riesgos internos, que sí se encuentran bajo su control. Los principales resultados muestran que, en términos de divulgación, en las empresas grandes, el riesgo comercial supera con creces el riesgo operativo para cada año. La divulgación del riesgo sobre factores de riesgo y sobre noticias negativas en términos cualitativos y con visión de futuro son más prevalentes. Encontramos un patrón casi constante de divulgación del riesgo no financiero durante la crisis financiera. También que ambos tipos de divulgación no financiera no son impulsados enteramente por los mismos factores. Nuestros resultados sugieren que la divulgación de los riesgos no financieros y, particularmente, la divulgación del riesgo operacional puede no satisfacer enteramente las expectativas de los usuarios. Los resultados tienen implicaciones para la regulación y la investigación futura.

Palabras clave: normativa contable, riesgo comercial, análisis de contenido, riesgo operacional, divulgación del riesgo

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Arabic Abstract*

An Empirical Investigation of Business and Operational Risk Disclosures

دراسة ميدانية عن الإفصاح للمخاطر التشغيلية و مخاطر الأعمال

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ملخص

هذه الورقة تبحث صفات الإفصاح عن المخاطر الغير مالية من قبل الشركات الصناعية في الولايات المتحدة الأمريكية خلال الأزمات العالمية. تركز هذه الدراسة على الإفصاح عن المخاطر التشغيلية و مخاطر الأعمال, لتمكن من التمييز بين المخاطر العامة خارج الشركة و المخاطر الداخلية التي تكون تحت سيطرة الشركة. اظهرت أبرز نتائج هذه الدراسة أنه بالنسبة لعملية الإفصاح فان الكشف عن حجم مخاطر الاعمال تفوق بكثير الكشف عن المخاطر التشغيلية سنويا. الإفصاحات عن المخاطر تكون عن عوامل الخطر, الاخبار السلبية, و الامور النوعية و المستقبلية تعد الأكثر انتشارا. لقد وجدنا نمطا ثابتا لعملية الكشف عن المخاطر الغير مالية خلال الأزمة الاقتصادية, بالإضافة الى أن كلا النوعين (من الإفصاح الغير مالي) لا تتم بسبب العامل نفسه. اظهرت هذه الدراسة أن الإفصاحات عن المخاطر الغير مالية و تحديدا المخاطر التشغيلية قد لا تتوافق مع توقعات العملاء. تحتوي النتائج على تطبيقات للابحاث القانونية و المستقبلية.

الكلمات الدالة: القوانين المحاسبية، مخاطر الاعمال، تحليل المحتوى، المخاطر التشغيلية، الإفصاح / كشف المخاطر

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Italian versio*

Un'investigazione empirica sulla comunicazione di rischi operativi e di gestione

Un'investigazione empirica sulla comunicazione di rischi operativi e di gestione

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Abstract

Questo documento esamina gli le dinamiche della comunicazione di richi non finanziari riguardanti produttori degli Stati Uniti durante crisi finanziarie. Ci concentriamo sulla comunicazione di rischi operativi e di gestione per distinguere fra rischi che sono esterni o interni rispetto alle capacità di controllo interno da parte aziendale. I risultati principali mostrano che per quanto riguarda la comunicazione, la comunicazione di rischi di gestione e di gran lunga quella riguardante gli aspetti operativi di ogni anno. La comunicazione di fattori di rischio, o notizie negative riguardo ad impatti sfavorevoli , su aspetti qualitativi e proiettati avanti nel tempo, sono quelli più prevalenti. Troviamo quasi uno schema stabile riguardante gli aspetti di comunicazione dei rischi non finanziari durante una crisi finanziaria, e che entrambe le tipologie di comunicazione su rischi finanziari e non finanziari non sono interamente guidati dagli stessi fattori. Le nostre ricerche suggeriscono che la comunicazione di rischi non finanziari e in particolare rischi operativi non deve incontrare completamente le aspettative dell'utente. I risultati hanno implicazioni per regole e ricerca futura.

Keywords: regole della ragioneria, rischi gestionali, analisi dei contenuti, rischi operativi, comunicazione dei rischi

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The Country of Origin Effect Revisited

The Case of American Oil MNCs in the UK

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Abstract

American Multi-National Corporations (MNCs) have often been examined in significant literature which purports to support the thesis of a “country of origin effect” (COOE) whereby such corporations diffuse an individualistic ideology by way of distinctive employment practises which are based on the American business system and its culture. Our study was designed to obviate the methodological problems inherent in the literature, in particular, the aggregating and conflation of industry-specific variables. We tested the COOE hypothesis using data from all of the plants in the UK downstream oil industry (both American and European owned MNCs) to ascertain if there was such an effect. We offer strong evidence to refute a COOE in this industry in the UK context. We show that adaptation of American MNCs into the UK institutional and cultural context is a far stronger force to influence policy than a COOE. This is an important finding as it casts doubt on the accuracy of much of the literature, and on a broader canvas it suggests that research should limit generalizations to sector and country specific areas, rather than creating grand theory at too early a stage.

Keywords: Americanization; Country of Origin Effect (COOE); oil industry; multi-national corporations; United Kingdom.

Introduction

There is a widespread school of thought that holds that when an MNC moves to establish operations in a foreign country, its domestic policies will be diffused into the local environment via their in-company processes. This is the “country of origin effect” (COOE). Some of this literature refers to production and marketing policies and is often correctly identified as being particularly pertinent in emerging economies. However, another strand of the literature derives from research examining American MNCs operating in the UK and Europe. In this context the COOE thesis suggests that such companies implement unitarist, anti-union regimes in their employment policies, driven by their home country ideology. These studies however normally collect survey evidence and case studies from a wide variety of unrelated industrial sectors, and examine a wide variety of employment and structural issues. However, when we look closely at the research published in the literature, the samples are so varied and the proxy measures so wide that Harzing and Sorge (2003, p.208) concluded “we extend a strong plea for more empirical research into the country of origin effect for multinationals in general and previously neglected multinationals in particular”. Ghoshal and Westney (2005) also proposed more “fine-grained” research into the MNC.

We sought to develop these themes in particular by setting up a limited, in-depth study to test the COOE hypothesis by using a single but very important measure – trade union recognition - and we set this within the practises of the powerful, large, US oil multinationals in the UK context. Our research tests the COOE proposition by a quasi-experimental design, interviewing key respondents in all the oil refining companies in the UK and examining their employment agreements. We therefore compare the US firms' trade union recognition policies against those of the European and UK owned enterprises. Thus we posit a quasi-experimental approach by using the evidence of the host country firms' practises as a comparison for setting the practises of the American firms. The COOE thesis suggests the employment policies of American firms will be different from those indigenous firms who are embedded in local UK and European culture.

This paper is split into five sections. First, we outline the arguments for a COOE based on the American National Business System (NBS) we look in detail at studies identifying COOE and discuss its limitations. Second, we introduce our definitive sectoral focus, the oil industry and its UK context. Third, we outline the empirical study research design. Fourth, we detail and discuss our findings. In the last section we conclude the study outlining its contribution to theory and practitioners, its limitations, and possible future research directions.

1. The Country of Origin Effect

The basis of widespread interest in this area is the success of US firms in Europe and elsewhere. This was termed "Americanization" by Aronovici (1919) and this theme was followed by "Le defi Americain" - the alleged "American challenge" by Servan-Schreiber (1967). Taking up and extending the issue, Vernon (1970) asserted that this challenge affects and limits the sovereignty of the host countries. His widely-read book "Sovereignty at Bay" was subtitled "The multinational spread of US firms" and suggested a powerful and negative influence on local and nation business practises. Indeed, in a Royal Institute of International Affairs report, the tension between global companies and public policy was demonised: "American investment in Europe was so large that it aroused widespread fear and resentment" (Julius, 1990, p. xi). DeAnne Julius was a key political figure in the UK. As a founding member of the government's Monetary Policy Committee of the Bank of England and one-time chief economist at British Airways and Royal Dutch Shell, Julius' comments were not only pertinent but also highly visible (Ashworth, 2004). This kind of high-level comment threatened the success of, and limited the reach of, inward investment of American firms. Humes (1993) went so far as to describe the process as one of "cultural colonialism". Recently, others have asserted that while a type of COOE or "Americanization" exists in Europe they have questioned whether this is an ideologically driven diffusion of culture or a more prosaic adoption of more efficient methods of production (Djelic, 1998; Djelic & Amdam, 2007; Knox & McKinlay, 1999, 2010). These two strands are often conflated in the literature.

The question of specific COOEs with American MNCs was arguably first raised in relation to the "coercive comparisons" between affiliates (Ferner & Edwards, 1995) which later Ferner (1997) progressed, concentrating on Human Resource Management issues. With an alleged "renewed American challenge" (Edwards & Ferner, 2002) the search for "Americanness" (Colling & Clark, 2002) continued. This was suggested because it was asserted that, unlike MNCs from other countries, "US MNCs are likely to transfer aspects of Americanness" (Muller-Camen et al., 2004, pp. 6, 35). Further studies continued to propose the same thesis: for example the alleged Americanization of the British Business System (Clark & Almond, 2004) and the European Business System (Clark, Almond, Gunnigle, & Wächter, 2005). These researchers specifically examine the role of American multinationals in Europe (Almond & Ferner, 2006) to

again raise the threat and challenge of US inward investment by asking “what happened when the Americans took over Britain’s electricity industry?” which was the provocative title of the study by Colling and Clark (2006).

This literature borders on the political, as it suggests that American unitary, individualistic employment values and practises, via its MNCs, have actually taken root in the UK and Europe and that this has threatened indigenous firms and business systems. This is because, it is alleged, the American NBS embraces different beliefs and values (ideologies) from that of the European and UK Business Systems which are more pluralist in outlook. The COOE thesis suggests that this ideology then, via the MNCs, comes to dominate the Local Business System (LBS) in the host country (Almond, Edwards, & Clark, 2003) which challenges the more pluralistic employment policies in Europe and indeed in the UK. There is some support for these assertions: Kochan, Katz, and McKersie (1986) state that in the USA, unionisation is seen as unnatural, illegitimate and un-American, and Jacoby (1991, 1997, 2005) presents the argument that these ideologies prompt union-busting and vehement hostility toward unions. From the home country NBS, the thesis leads researchers to the subsequent claim that there is “an intensity of employer opposition to unions found in America [that] is unparalleled anywhere in the industrial world” and that the American MNC provides “an individualistic ideology and a strong anti-state and anti-union stance” (Muller-Carmen et al., 2004, pp.6, 35).

More recent research has again focussed on concerns over US firms’ hegemony and has then framed the economic reality of successful management into a more emotive political and “narrative” enquiry (see Tayeb, 2007 for a discussion). This grand theory sees all American MNCs in a holistic conception, deriving homogeneity presumably (and so not empirically) from their US basis. The idealised MNC then must be presumed to possess equally idealised and consistently “American” employment policies - particularly an anti-union bias. One of the latest conclusions from this series of studies is that “Overall, MNCs are a crucial agent in the transformation of national industrial relations” (Marginson & Meardi, 2010, p.207). This again sees the MNC as a single conceptual entity. We regard this as simply continuing the existing narrative strand and it prompts a need for further empirical study.

We consider this is necessary because these disparate linkages are highly questionable in a causal or explanatory sense. They emanate from the idea of a single coherent American National Business System, where the underlying American ideology and individualistic “market approach” is embedded in US domestic firms (Whitley, 1992). This, it is presumed, affects all firms equally, and the MNCs act as diffusers of that ideology abroad- as “US firms stand out for the low discretion that they grant to subsidiaries and their disinclination to recognise trade unions” (Edwards & Ferner, 2007, p. xi). Furthermore, the studies cited above have problematic methodologies. As well as tautology, such as searching for Americanness, they are generally heterogeneous and in the UK context, even very large funded studies, such as that of Edwards and Ferner (2007), cannot determine the exact nature of a COOE. The authors concluded: “despite a large number of studies, there is no overall, authoritative picture of the ways in which MNCs in Britain manage their employees” (Edwards & Ferner, 2007, p. 1). This is unsurprising as the set of MNCs is so heterogeneous: they state that their final sample “is a heterogeneous group. ...spread across manufacturing and services” (Edwards & Ferner, 2007, p. 16).

We aim to address that kind of deficiency by concentrating on one industry - the oil industry - and the particular role in the UK of the many American MNCs within this sector. Thus we have as our test case the most powerful US firms who assert strategies over affiliates

operating in the context of a sophisticated modern “open economy” in the UK. What are the chances of a COOE thesis being confirmed?

2. The oil industry

The focus of this research is the downstream or manufacturing sector of the oil industry, whose MNCs have not so far been studied empirically in regard to the COOE thesis. However, we can use the linkages described earlier to construct a working hypothesis. Penrose alleged that “international firms, *including the oil companies*, [had] not found a way of operating in the modern world which would make them generally acceptable as truly international institutions” (Penrose, 1969, cited in Hazlewood, 1969, p. 388, emphasis added). By this she implies a hegemony - a powerful presence which intimidates suppliers and customers and ensures the highest level of profits. Subsequently it has been alleged that in the oil industry “American cultural values have profoundly affected Exxon and Mobil” (Humes, 1993, p.111). Furthermore, major oil companies’ headquarters assert their global strategies over subsequent lower level activities and profit centres (Grant, 2003), implying an American COOE would be easily transferred overseas in this industry. Indeed it has been suggested the oil MNCs – mostly American – were so powerful they had created their own world. Sampson’s (1975) book, “The Seven Sisters” was subtitled “The great oil companies and the world they made”. Surely, if the COOE thesis is correct, they would dominate a host country with an open economy.

We base the study on such an open economy - that of the UK, where US oil companies established oil refineries and associated petrochemical plants on the estuaries of main rivers. The various companies are listed in Table 1. This process began in earnest in the late 1940s and continued in phases until the 1990s. The UK government encouraged such inward investment due to capacity limits in the indigenous refining network. Each refinery employs approximately 1,000 people, split between process operators, maintenance workers, and administrative and managerial staff. Additional staff from contractors and truck and railway delivery operations were ancillary and not directly employed. Crude oil was delivered by large tankers and, subsequently, products were offloaded by truck, rail, and ship. The refineries had a large crude processing capacity of several hundred thousand barrels of crude per day, and operated on a 24 hour basis, 365 days a year. This means that production losses were permanent, and employee productivity was crucial to operating profitability, particularly in maintenance operations, where “shutdowns” of the plant were necessary. Each plant represented enormous amounts of capital expenditure, where merely one process unit might cost upwards of \$100 million (Grant, 2003).

3. The empirical study

From the literature we chose one main variable that had dominated much of the debate on ideological transfer, that is, employment policies. These have been seen to be important aspects of the COOE thesis given the American individualistic ideology. To test the literature’s assertions on anti-union policies, we concentrated on the issue of trade union recognition. We designed the study to use a specific, measurable dependent variable: we sought to compare the US firms’ trade union policies against those of the indigenous UK and European owned enterprises. Thus we use a quasi-experimental approach by amassing the evidence of the host country firms’ practises as a base comparator then we set the practises of the foreign (US) firms against these.

Our criticism of previous studies required that we use a different methodology as we wanted to answer the sensitive question of whether there had been an American ideological transfer to the UK, and this was quite unsuited to the postal questionnaire method. To avoid the

problems of earlier studies, we used a direct interview method. We began by conducting a pilot study. We first obtained access to the Mobil Coryton Refinery. Access was negotiated based on previous research and consultancy activities by the authors within Mobil. The key Mobil respondents were chosen partly by the authors but also by suggestions from the Coryton Refinery staff. These were: the former Employee Relations (ER) Adviser, the ER Manager, the Senior ER Adviser, the Production Manager, the Technical Manager, the PR Adviser, the former Refinery Transport and General Workers Union Chairman, and the Solomon's Survey Co-ordinator. In London, we interviewed the former Refinery ER Manager and the former Refinery ER Superintendent, who had both transferred to Mobil Europe, Ltd. In all, ten managers were interviewed and documents concerning employment contracts (i.e. trade union agreements) were studied. This process was to determine the extent of trade union recognition, if any, amongst different groups of employees and to also discover any American ideological attitudes amongst managers. These interviews led us to amass a wide variety of information about the strategies of the company, and later in our analysis, to consider the craft trades as the key sample. Subsequently, the key dependent variable was considered to be simply their official recognition by the company as authentic representatives of craft employees.

The fieldwork was developed over a year and a half, with frequent visits to the refinery and to offices in London. The subsequent main study sample frame also developed naturally over this period. As such, this was a wide-ranging qualitative study and we were not concerned with attempting to develop a statistical analysis. Due to the credibility established in the pilot stage, we were able to generate a wider selection of sites to visit which represented a census of the industry in the UK setting. As with Mobil, key respondents were defined as those managers with direct knowledge of craft work, but we extended the sample to include trade union officers as a way of triangulating any managerial biases. We finally had a balanced sample of US and European-owned enterprises. The company respondents are shown in Table 1.

Social desirability may have induced the managers to assert they had given union recognition whereas our trade union officers might not have concurred with this, or argued about the range of issues covered. We therefore approached the relevant trade unions and were successful in triangulating the MNC managers' interviews by interviewing nine trade union respondents. These consisted of the National Officers of two major unions – Manufacturing, Science and Finance Union (MSF), and the Amalgamated Electrical and Engineering Union (AEEU). In addition officers of the AEEU's specific sections such as Construction, and the newly attached Electrical, Electronic Telecommunications and Plumbing Union (EETPU) were interviewed. We also interviewed the Local Full Time Officers of the MSF, AEEU (EETPU), and the AEEU Construction Section, and extended this level to include the Transport and General Workers' Union, and the General Municipal and Boilermakers' union (GMB), both of which had members in various plants.

Thus we can directly compare the specific employment practises of the US plants against those plants of non-US origin. This gave us, in effect, an experimental and control group design. Our object here is to test whether there is any discernible difference between the European-owned and the American-owned MNCs and we do this by taking the primary testable hypothesis from the literature.

H_0 : There is no significant difference between the employment practises of American MNCs operating in the UK and MNCs operated by non-American MNCs in terms of the recognition of trade unions in their refineries and associated chemical plants.

H₁: American MNCs will adopt a less inclusive policy towards trade unions, such as by a lack of recognition or, if recognised, limitations will be imposed on the extent of procedural issues such as staff covered and/or substantive elements such as rewards.

Table 1: The Sample

Respondent Plant	Respondents
*Amoco Refinery (Bought by Murco)	Trade Union Officer
BP Chemicals Baglan Bay	Engineering Manager
BP Chemicals Hull	Maintenance Manager
BP Chemicals Grangemouth	Maintenance Manager
BP Oil Grangemouth Refinery	Maintenance Manager
BP Oil Llandarcy Refinery	Maintenance Manager
*Conoco Humber Refinery	H R Manager
*Esso Petroleum Ltd. Fawley Refinery	E R Manager
*Esso Petroleum Ltd Milford Haven Refinery	Trade Union Officer
*Exxon Chemicals Ltd. Fawley	H R Manager
*Exxon Chemicals Ltd Fife	Maintenance Manager, H R Manager
*Gulf Oil GB Refinery	Maintenance Manager
ICI Wilton, ICI Runcom	Engineering Managers
Total/Fina Lindsey Oil Refinery	Maintenance Manager
*Mobil Coryton Refinery	Various
*Phillips North Tees Refinery	Engineering Manager
Shell Expro Fife	Maintenance Manager
Shell Chemicals, Carrington	Maintenance Manager
Shell UK Shell Haven Refinery	Maintenance Manager
Shell UK Stanlow Refinery	Maintenance Supervisor, ER Adviser
*Texaco Pembroke Refinery	Maintenance Manager

*=US owned

Our sample of N=22 (see Table 1) comprised a census of the industry. A comprehensive comparison of practises was thus made, and as ten plants were US-owned and twelve were European-owned, the outcome was effectively a balanced design. The US-owned enterprises were: Amoco, replaced by Murco, Conoco, Esso/Exxon (four plants), Gulf, Mobil, Phillips, and Texaco. The twelve European-owned enterprises were: BP (five plants), ICI (two plants), Lindsey (owned by Total and Fina) and Shell (four plants).

Interviews were semi-structured lasting about an hour on average. Contemporaneous notes were taken, written up and returned to each respondent for verification. Any changes suggested were incorporated and a final document returned for the record.

4. Findings and Discussion

We gathered data over three years but as much of this represented additional earlier documentary evidence. The effective period covered was from 1991 to 1997. We were thus able to observe two distinctly different phases of employment relations regimes being implemented in the UK. Prior to 1991, it is clear that the expected difference in trade union recognition between the American and non-American MNCs was absent – and quite unequivocally. All but one of the MNCs recognised trade unions: Gulf was the sole exception in having a union-free site, although its maintenance contractors may have recognised trade unions, this was not known by our respondents at the refinery. Curiously the refineries of the US firm Conoco and the adjacent French/Belgian joint venture at Lindsey, operated by Total/Fina, had no internal craft workforce and depended on local contractors for maintenance. Thus it is difficult to determine whether Conoco was anti-union or just attempting flexible efficiency. Our respondent at Conoco said they had wanted to avoid demarcations between trades, which could be considered an efficiency measure. Certainly their contractors, and those of Lindsey, had recognised trade unions so neither site was union-free.

Our interviews attempted to elucidate why the MNCs had chosen to recognise unions and it was evident that there were various reasons contributing severally and additively to this strategy. The most cited reason was that trade union recognition was the norm in the UK and this was what everyone expected, particularly the local craft tradesmen. The skilled labour market was tight and tradesmen were in a strong bargaining position. Secondly, the tight labour market ensured that labour rates outside the union were no cheaper. When the MNCs set up their facilities, they usually consulted local trade union officers as to rates and working customs. In return for this the trade union officers often assisted the companies to locate and recruit their workforces and ensured that operations were able to proceed smoothly (see Table 2).

After circa 1991 however, there was a reversal of union recognition. Overall, twelve firms in our study changed policy and de-recognised their trade unions: six US-owned firms in nine locations, and six European/UK owned firms in eleven locations de-recognised their trade unions. There were no changes made by US-owned Conoco or Phillips, nor by the European-owned Total/Fina, discussed previously, nor ICI plants on the Tees, and Mersey. Thus there was no significant difference between the two groups, confirming again the null hypothesis. The waves of trade union de-recognition that occurred in the UK were part of a large, well-documented swing against collective bargaining by employers across all industries (Waddington & Whiston, 1994; Beaumont & Harris, 1995). That it was not simply driven by COOE is indicated by the fact that all the MNCs de-recognised unions more or less at the same time, whatever their national pedigree. In the interviews, the key players indicated that the MNC's de-recognition of the unions was driven by the desire to improve efficiency and flexibility of operations. This was done by removing the issue of union coverage and so returning power to management to implement changes and to remove artificial trade demarcation lines. These actions speeded up maintenance work and avoided expensive losses of production (see Table 2). As mentioned earlier, in the oil industry, automated processes are continually run at capacity and so downtime losses are permanent as they cannot be made up by overtime, which can be used in mass production plants such as in engineering. This makes efficiency of maintenance, when downtime is required, a key strategic goal.

Table 2: Comparison of reasons for or against trade union recognition pre and post 1991.

Recognition Pre 1991	De-recognition Post 1991-1997
Trade union recognition was the norm – what was expected .	Large swing against collective bargaining by employers across industries – the new norm.
Trade unions helped establishing companies recruit and retain skilled workers and maintain smooth operations.	Desire to remove trade union demarcations in the name of efficiency/flexibility of operation.
Skilled labour markets were tight so trade unions had enhanced bargaining power and the rates for non-union labour were the same.	

Was this change in strategy ideologically-driven? We saw no evidence for that part of the hypothesis. For instance, Mobil managers attempted to re-negotiate their trade union agreements before final de-recognition. Similarly, the US firm, Phillips, did not de-recognise. Of course, de-recognition was in line with the rest of UK industry, and any attempt to “look for Americanness” would result in an indefensible bias: de-recognition by American firms cannot be seen in isolation from the behaviour of other MNCs.

The most convincing explanation for initial recognition and eventual de-recognition is the adaptation of our US sample to the UK situation, as our interviewees explained. Amoco’s Rogerston refinery in Milford Haven sought labour in a difficult market and offered terms and conditions commensurate with its competitors for that labour and these included recognising the relevant trade unions, and by this route, their rates of pay, etc. Conoco commissioned its Humber refinery in 1969, an adjacent facility to the joint venture between Total and Fina to build the Lindsey refinery. These two refineries were built in tandem and shared services such as jetties, moorings and pipe work. The local labour market would have been difficult to enter given the number of heavy industries along both sides of the Humber River, but the Hull Graving Dock company closed its dry dock at the time the plants were built and so the skilled tradesmen transferred to contracting for refinery work. This, as stated earlier, was specifically to avoid the problems of demarcation with craft trade unions, but Conoco was not isolated as an American anti-union organization - the Lindsey refinery had the same policy and both refineries allowed contractors’ trade unions to operate freely.

Flanders’ (1964) case study of Esso’s Fawley refinery on Southampton Water described the influence of its American parent in comparing labour costs and overtime to pressure Fawley to improve labour efficiency, which predates the Edwards and Ferner (1995) study on coercive comparisons, but which is simply internal benchmarking. Ahlstrand (1990) described the further attempts at Fawley to move maintenance employees onto staff terms and conditions so as to remove the trade-based demarcations. Our interviewees stated that this occurred because each trade had to wait for the other to arrive and finish before beginning its phase of work. Team-working in inter-trade groups was not possible. Thus, demarcations held up important maintenance projects and resulted in costly “down-time”. However this is not unequivocal evidence that there was an ideological anti-union stance; the basis, as stated by our respondents, was one of economics. Indeed, Fawley still has an official national level agreement which recognises contractors’ trade unions. Esso’s Herbrandston Refinery in Milford Haven was commissioned in 1960 and was closed in the 1980s, but we were informed by local trade union

officials that its policy had been to recognise trade unions. Exxon Chemicals has two sites (Fawley and Fife), both of which recognised trade unions and then de-recognised them. Both still recognise contractors' trade unions. Texaco's Pembroke plant was built on the further side of the Milford Haven estuary which meant that its search for skilled labour competed with the government-run Pembroke Dock, which was strongly unionised. Texaco had no alternative but to offer the same terms and conditions as the local environment especially given its relative isolation.

Gulf's Waterston refinery was the only one in the large Milford Haven estuary not to recognise trade unions. This came about because the workforce of the original contractor, who built the refinery, was taken on *en masse* after the plant was commissioned. This meant that Gulf did not have to look elsewhere in the labour market and offered the itinerant contractor's employees the chance to work for high wages in a stable environment. The trade-off was that they would be on staff terms and conditions, hardly an imposition and not necessarily a negative outcome, though paid overtime was not in place. However the clear evidence is that there *was* an anti-union stance taken from an American firm. But this is the only clear case out of the nine plants in the UK, so, according to our H1 it is not *significantly* different.

Mobil's Coryton refinery again recruited labour from what was a post-war tight national labour market and used the trade unions' contacts as an aid to such recruitment. This was necessary as the location meant Mobil competed for labour on the same terms as Ford at Dagenham, the docks at Tilbury and Grays, and the London area generally. Pressures for efficiency savings were constant and Mobil negotiated the idea of "fully-flexible craftsmen" in 1984 with its craft trade unions meaning there would be no artificial trade demarcations. Thus, even with trade union recognition, labour efficiency was still at the forefront of Mobil's refinery efficiency issues.

Phillips' joint venture with ICI kept the same employees as had existed under ICI's previous sole ownership and so it is unsurprising that Phillips simply adopted the same trade union recognition policy. In any case it competed for skilled labour with all of the other firms in an intense area of similar chemical process works on the industrialized Tees Riverside.

We have shown that, in this sector, the MNCs show no evidence of any country of origin effect in terms of the cultural transfer of an ideology of individualisation or that the firms are "violently anti-union". Rather than diffusion we have seen adaptation; the American affiliates recognised and de-recognised their unions in concert with the wider UK manufacturing industry, which in turn was based on a legitimacy harboured by the times and conditions under which their investment was implemented in the UK. This mainly appertains to legislation, regulations and local planning processes. At the same time, the labor market post war was tight and very locally-specific. The term "balkanized" was used by (Kerr, 1954) and this "balkanization" added to the efficacy of trade union recognition. Thus we have localization and adaptation independent of the origin of ownership, and we confirm local adaptation.

The evidence here indicates that country of origin effects are not inevitable and that the feared Americanisation of employment practises and management policies in the UK host country is certainly not an automatic outcome of the inward movement of American owned MNCs. This is despite the large numbers of American firms and the powerful sway of these in the industry – American oil multinationals are amongst the world's biggest and most profitable companies (Fortune, 2009). Intervening variables such as the strength of the labour market and industry custom and practise appear to have a moderating effect.

5. Conclusion

We follow the advice of Whetten (1989) in making a theoretical contribution. There are serious deficiencies in the conceptualisation of the country of origin effect, at least in the case of Americanization of employment practise in the UK. We have shown that the theory's linkages are tenuous; indeed the initial conception of the American NBS is faulty as there is no single US model of business organisation and market structure that could be said to represent the dominant features of the US market economy in all major industries (Whitley, 2009). Further, to demonstrate COOE, relevant employment practises must be defined and measured, and the mechanisms for diffusion from one country to another by the MNCs need to be shown to be different from ordinary practise within the general population of organizations. *Noorderhaven* and *Harzing* (2003) for instance, suggest, but do not provide evidence for, the influence of transferred expatriate staff. We found only a very few instances of American managers' presence in our MNC sample, and no evidence of a profound influence. We suggest that none of these problems have been addressed, let alone solved. The employment issues have been poorly defined as "American", the research samples have been unusually diverse. Most of the studies cited are either survey-based (with their own serious limitations) or use very small samples because of the difficulty of negotiating access – a problem we avoided. Most importantly they are, without exception, heterogeneous with regard to industry and so make an unverifiable assumption that all of the MNCs studied are similar to the point where any differences are irrelevant (Dorrenbacher, 2002). Furthermore, this country of origin effect literature is self-generating and tautological in that wider issues are not countenanced - nor do the studies usually begin with theoretical propositions to test; instead studies use the same subset of authors' works. This leads to inadequate rigour and a lack of theory development.

Our census of the UK oil industry makes no attempt to over-generalise, though we do provide direct and compelling evidence, unlike other studies, that the American MNCs do not import an anti-union ideology, but adapt to the host setting. This empirical study avoids such "narrative" failures (as described by Tayeb, 2007) and has important implications for theoretical development in this area, as requested by Harzing and Sorge (2003) and by Ghoshal and Westney (2005).

We can of course accept some self-criticism regarding its limitations. Indeed to some extent our proxy measure of trade union recognition is a single dimension. We had no access to internal HRM practises or production processes or to cultural practises, which may indeed show an American-origin bias. We did notice in our site visits, the predilection of the refinery planners to copy New York in naming all North-South routes as Avenues and the opposing grid lines as Streets. Further work can be carried out on these other dimensions, but we do not hesitate to emphasise that these are trivial as compared with the representational rights of employees, which were imputed by earlier studies to be under threat in an American ideological setting. We refute this wholeheartedly.

We now consider some wider implications for practitioners. This paper casts doubt on the validity of restrictions which may be imposed on foreign firms' inward investment. Such a scenario has developed recently for example in New Zealand, where Chinese and Arabic interests have been seen bidding for prime land and dairy business. The concern is not only the expropriation of profits but the suspicion – generally held even by academics as demonstrated in our paper – that foreign business methods may be of questionable ethical status, combined with divergent cultural and religious practises that may be brought into the country. These are seen to assist in the undermining of the host country's norms and values. We again cast severe doubts on

this line of argument and its consequent over-generalization of the narrative of an American challenge. Are the mainly UK-based academics who postulate the COOE thesis themselves subject to cultural attachments which obfuscate the empirical reality?

Following this study, we have attempted to conduct further research on how far MNCs adapted to the culture of each of the host nations. This kind of in-depth research requires the participation of the MNC managers so that policies can be compared across the national boundaries - this has not so far been forthcoming. We approached ExxonMobil, which operates in every European country, and were unable to persuade managers to allow us access. As such, there is a significant limitation on acquiring data to test a COOE hypothesis further. Our present study relied upon the previous connections of the primary researcher in the UK downstream oil industry and, when this methodology is transferred to a European regional basis, those connections are weak to say the least, and access has not been successfully negotiated.

It would be interesting to replicate the study comparing corporations belonging to more diverse cultural environments than just those of UK origin. In this we would need to again avoid heterogeneous sampling with respect to industry and the problem here is the small number of cases which could be represented. Japanese auto manufacturers in the UK in terms of volume and market share are predominant, but there are only three factories in the UK: Honda in Swindon, Nissan in Sunderland, and Toyota in Burnaston.

We accord with the views of Marschan-Piekkari, Welch, Penttinen, and Tavanainen (2004) that unfortunately, this area has a methodological problem of access to data, which limits the extent to which a deductive methodology can be applied.

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English Abstract

The Country of Origin Effect Revisited: The Case of American Oil MNCs in the UK

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Abstract

American Multi-National Corporations (MNCs) have often been examined in significant literature which purports to support the thesis of a 'country of origin effect' (COOE) whereby such corporations diffuse an individualistic ideology by way of distinctive employment practices which are based on the American business system and its culture. Our study was designed to obviate the methodological problems inherent in the literature, in particular, the aggregating and conflation of industry-specific variables. We tested the COOE hypothesis using data from all of the plants in the UK downstream oil industry (both American and European owned MNCs) to ascertain if there was such an effect. We offer strong evidence to refute a COOE in this industry in the UK context. We show that adaptation of American MNCs into the UK institutional and cultural context is a far stronger force to influence policy than a COOE. This is an important finding as it casts doubt on the accuracy of much of the literature, and on a broader canvas it suggests that research should limit generalizations to sector and country specific areas, rather than creating grand theory at too early a stage.

Keywords: Americanization; Country of Origin Effect (COOE); oil industry; multi-national corporations; United Kingdom.

French Abstract*

The Country of Origin Effect Revisited:
The Case of American Oil MNCs in the UK

L'effet du pays d'origine revisité

Le cas de multinationales américaines du secteur pétrolier au Royaume-
Uni

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Résumé

Les entreprises multinationales américaines ont souvent été examinées dans la littérature, ce qui peut soutenir la thèse d'un « effet de pays d'origine », selon lequel ces sociétés américaines diffusent une idéologie individualiste et des pratiques d'emploi basées sur le système d'entreprise et la culture américains. Notre étude a été conçue pour éviter ce genre de problèmes méthodologiques, inhérentes à la littérature, en particulier concernant l'agrégation des variables d'industrie spécifiques. Nous avons testé l'hypothèse d'un effet de pays d'origine en utilisant les données de toutes les usines de l'industrie britannique de pétrole en aval (à la fois américains et européens appartenant à des multinationales) afin de déterminer s'il y avait un tel effet. Nous donnons des preuves solides pour réfuter l'existence d'un effet de pays d'origine dans cette industrie, dans le contexte britannique. Nous montrons que l'adaptation des multinationales américaines au contexte institutionnel et culturel du Royaume-Uni est une force beaucoup plus forte qui influence leur politique qu'un effet de pays d'origine. Ce constat est important, car il jette un doute sur l'exactitude d'une grande partie de la littérature, et plus largement il suggère que la recherche devrait limiter les généralisations à des secteurs et zones spécifiques, plutôt que de créer une grande théorie à un stade trop précoce.

Mots-clés: américanisation; L'effet du pays d'origine; Industrie pétrolière, Firmes multinationales; Royaume-Uni.

* Translated by: Johannes Schaaper, Senior professor in International Management, BEM Bordeaux Management School

German Abstract*

The Country of Origin Effect Revisited:
The Case of American Oil MNCs in the UK

Der “Country of Origin-Effect” neu bewertet

Der Fall amerikanischer Ölkonzerne im Vereinigten Königreich

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Abstract

Amerikanische multinationale Unternehmen (MNC) waren bereits häufig Gegenstand von Untersuchungen, die den „Country of Origin Effect (COOE) thematisieren. Dieser Unternehmenstypus zeichnet sich durch eine individuelle Ideologie und Mitarbeiterpraktiken aus, die vornehmlich auf dem amerikanischen Geschäftsmodell und der entsprechenden Kultur beruhen. Die Studie war so ausgerichtet, dass mögliche methodologische Probleme in der Literatur, insbesondere die Aggregation von industriespezifischen Variablen berücksichtigt werden konnte. Wir haben die COOE-Hypothese mithilfe von Daten aus allen Industrieanlagen der britischen „Downstream“-Ölindustrie getestet (für amerikanische und europäische MNCs) um festzustellen, ob der Effekt vorliegt. Die Ergebnisse belegen, dass die Adaption amerikanischer MNCs in den institutionellen und kulturellen Rahmen Großbritanniens eine deutliche stärkere Wirkung besitzt als COOE. Dies ist eine zentrale Erkenntnis im Vergleich zur bestehenden Literatur und aus abstrahierte Sichtweise erlaubt es den Rückschluss, dass die Forschung die Generalisierung auf sektor- und länderspezifische Bereiche limitieren sollte und keine übergeordnete Theorie in einer zu frühen Phase aufstellen.

Keywords: Amerikanisierung, Country of Origin Effect (COOE), Ölindustrie, Multinationales Unternehmen, Großbritannien]

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Spanish Abstract*

The Country of Origin Effect Revisited:
The Case of American Oil MNCs in the UK

Retomando el efecto país de origen: El caso de las compañías americanas petrolíferas (CMNs) en Reino Unido

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Resumen

Las corporaciones multinacionales americanas (CMNs) a menudo han sido estudiadas en la literatura pretendiendo apoyar el "efecto país de origen" (COOE) por el cual estas corporaciones difunden una ideología individualista por medio de prácticas de empleo distintivos que se basan en el sistema empresarial estadounidense y su cultura. Nuestro estudio fue diseñado para evitar los problemas metodológicos inherentes a la literatura, en particular, la agregación y fusión de las variables específicas de la industria. Pusimos a prueba la hipótesis COOE con datos de todas las plantas de la industria petrolera del Reino Unido aguas abajo (tanto plantas americanas como europeas propiedad de CMNs) para determinar si existía tal efecto. Ofrecemos una fuerte evidencia para refutar la hipótesis COOE en esta industria en el contexto del Reino Unido. Mostramos que la adaptación de las CMNs estadounidenses en el contexto institucional y cultural del Reino Unido es una fuerza mucho más fuerte de influencia en la política que la hipótesis COOE. Este es un hallazgo importante ya que pone en duda la veracidad de gran parte de la literatura, y en un contexto más amplio sugerimos que la investigación debe limitarse a generalizaciones del sector y de zonas específicas del país, en lugar de intentar crear una gran teoría en una fase demasiado temprana.

Palabras clave: Americanización; efecto país de origen (COOE); industria del petróleo; corporaciones multinacionales; Reino Unido.

*. Translated by: Francis Blasco. Universidad Complutense de Madrid. fblasco@emp.ucm.es

Arabic Abstract*

The Country of Origin Effect Revisited:
The Case of American Oil MNCs in the UK

إعادة النظر في تأثير بلد المنشأ:
دراسة حالة شركات النفط المتعددة الجنسيات الأمريكية في المملكة المتحدة

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ملخص

تمت دراسة الشركات النفط متعددة الجنسيات الأميركية بشكل كبير في الدراسات السابقة التي تدعم مبدأ "تأثير بلد المنشأ", حيث تنشر هذه الشركات الأيديولوجية الفردية من خلال ممارسات التوظيف التي تعتمد على نظام العمل و الثقافة الأميركية. صممت هذه الدراسة لتوضيح المشاكل المنهجية المتأصلة/الموجودة في الأدب تحديداً, جمع المتغيرات الخاصة في القطاع. تم اختبار فرضية تأثير بلد المنشأ عن طريق استعمال بيانات من كافة مصانع النفط في الاقليم الجنوبي من المملكة المتحدة (شركات متعددة الجنسيات من أصل أميركي و أوروبي). تم طرح أدلة قوية لرفض فرضية تأثير بلد المنشأ في هذا القطاع ضمن المملكة المتحدة. أظهرت الدراسة أن أثر تكيف شركات متعددة الجنسيات مع المؤسسية و الثقافة في المملكة المتحدة على السياسات اقوى من تأثير بلد المنشأ. تعد هذه النتيجة مهمة حيث تشكل في دقة الكثير من الأدبيات السابقة, و تقترح حصر التعميم على قطاع محدد في منطقة محددة بدلا من بناء نظرية كبيرة شاملة في مرحلة متقدمة.

الكلمات الدالة: الأميركية، تأثير بلد المنشأ، قطاع النفط، الشركات المتعددة الجنسيات، المملكة المتحدة

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Italian Abstract*

L'Effetto Paese d'Origine Rivisto:

Il Caso delle Aziende Multinazionali Americane MNCs nel settore petrolifero nel Regno Unito

L'Effetto Paese d'Origine Rivisto:

Il Caso delle Aziende Multinazionali Americane MNCs nel settore petrolifero nel Regno Unito

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Abstract

Aziende Americane Multinazionali (MNCs) sono state spesso esaminate in modo significativo nella letteratura manageriale con lo scopo supportare il concetto del 'effetto paese d'origine' (COOE) in cui le aziende diffondono un'ideologia individualistica mostrando pratiche distinte di assunzione basate nel contesto strutturale e culturale americano. Il nostro studio era strutturato per andare oltre gli ovvi problemi metodologici di quella letteratura, in particolare l'aggregazione e il confluire di variabili legate a specifiche industrie. Abbiamo messo alla prova l'ipotesi COOE utilizzando dati da tutti gli stabilimenti nel Regno Unito, tutta la filiera (riguardante sia MNCs di proprietà americana o europea) allo scopo di identificare la presenza di tale effetto. Presentiamo prove sostanziali che rifiutano la presenza del COOE nel contesto delle industrie nel Regno Unito. Mostriamo che l'adattare delle MNCs americane nel contesto istituzionale e culturale del Regno Unito é una forza che influenza in modo molto più marcato tale da rifiutare la presenza del COOE. Questa importante identificazione ha posto dubbi sull'accuratezza di gran parte della letteratura, e da una prospettiva più ampia suggerisce che generalizzazioni dovrebbero essere specifiche per tipologie di industria e aree geografiche, piuttosto che creare teorie di più ampio raggio in una fase troppo iniziale della ricerca.

Keywords: americanizzazione, Effetto del Paese di Origine (COOE), industria petrolifera, aziende multinazionali, Regno Unito

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Illegal Corporate Behavior

Analyzing the Effectiveness of the 2002 Sarbanes-Oxley Act

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Abstract

This research examined the effects of organizational environmental factors on firms' illegal corporate behavior, and also the ability of the Sarbanes-Oxley Act of 2002 to moderate the relationship between prior violations committed and future illegal corporate behavior. Corporate Socially Responsible (CSR) behavior within business organizations was also examined to determine its relevance in predicting illegal corporate behavior. Moreover, this research provided an organizational level, five year pre and post, historical analysis of legal behavior across *Fortune 500* firms. Finally, this research aimed to determine if antecedents to illegal corporate behavior can be identified and if the Sarbanes-Oxley Act of 2002 can be an effective legislative tool impacting firm behaviors. The Sarbanes-Oxley Act itself was analyzed as an event. This research examined Baucus and Near's (1991) model of the illegal and corporate behavior process to test its ability to predict illegal behavior within historically corrupt industries. Moreover, CSR as an embedded theme within specific firms, and its implications toward both ethical and legal firm practices, was examined.

Key words: corporate social responsibility, internal controls, Sarbanes-Oxley Act, illegal corporate behavior, corporate corruption

Introduction

The lack of strong corporate ethics and fiscally responsible behaviors within corporations over the last decade created the need for the enactment of more external corporate controls, including enforcement of regulations to monitor and control private industry financial practices. This need for greater corporate accountability is being addressed by recent acts of U.S. corporate corruption. Additionally, this need is further evidenced by the fact that U.S. corporate corruption has become rampant and efforts to attain great wealth have led to unethical business practices. Furthermore, the focus on the attainment of wealth has led some firms to engage in both irresponsible and/or illegal firm behaviors to achieve their ultimate goals, thus, indicating a need for greater corporate accountability. Several studies have identified illegal corporate behavior as an important issue impacting corporate compliance (i.e., Baucus & Near, 1991; Alexander & Cohen, 1996; Eigen, 2002; Doh, Rodriguez, Uhlenbruck, Collins, & Eden, 2003; Kuncoro, 2006).

Recent Acts of U.S. Corruption and Corporate Crime

Several U.S. companies, including Adelphia, Healthsouth, McKeesson, Tyco, Refco, and Quest, were investigated for fraudulent activities” (Brickley, 2003). These investigations have led to criminal charges against over ninety corporate owners, executives and employees, and the investigations are still ongoing (Brickley, 2003, p. 358)”. In addition to these examples, by August 2003, eighteen Enron executives had been indicted for acts of corporate fraud. It should be noted, however, that the pragmatic implications of the relationship between firm size and an organization’s likeliness to engage in illegal corporate acts within respective industries have not been clearly identified. In response to unethical corporate practices of several American Chief Executive Officers (CEOs) and Chief Financial Officers (CFOs), the U.S. government developed legislation to strictly govern corporate fiscal behaviors. This action was a strategic governmental response based on the recognized need for a higher degree of compliance to both ethical and legal corporate standards. Moreover, this was a reaction based on the need to implement a strategic governmental initiative to address inadequate processes of measurement and control due to weaknesses in laws, regulations and pronouncements in external control measures (Heier, Dugan, & Sayers, 2005). Likewise, the need for further legislation is reflective of a lack of public trust in corporate executive officers to govern their corporations not only ethically, but also legally and responsibly. Likewise, it also indicates a lack of trust in corporate governance boards to appropriately oversee firm activities.

The Sarbanes-Oxley (SOX) Act may prove to be a significant piece of legislation moderating corporate ethics. However, little research has been conducted to determine the ability of SOX to moderate the ethical corporate behaviors of firm’s within historically corrupt industries (Palazzo, 2007). Likewise, whether or not the SOX Act moderates socially responsible business practices and ethical and legal firm behaviors has yet to be determined. Additionally, the influence of SOX as an effective mechanism of internal control on firms within historically corrupt *Fortune 500* firms has yet to be examined.

The theoretical background for this research is derived from antecedent conditions to illegal behavior as described by Aldrich (1979) and Baucus and Near’s (1991) model of predicting corporate illegal behaviors and the illegal corporate behavior process. Aldrich (1979) identified three key environmental dimensions representing firm characteristics independent of leader personality variables. These variables are described as scarcity, dynamism, and heterogeneity (Aldrich, 1979). Furthermore, Baucus and Near (1991) introduced situational variables that are directly related to instances of firm illegality.

Environmental Antecedents

Aldrich’s (1979) formulation has shown to be important in understanding the role the environment plays on adaptive organizational behavior. Baucus and Near’s (1991) research examined Aldrich’s (1979) assertions by studying the illegal acts committed by all *Fortune 500* companies between the periods of 1974-1983. Baucus and Near (1991) compared this sample with 104 randomly selected non-convicted firms to compare firm similarities and differences by industry. This study revealed five key findings: 1) illegal activities occur under uncertain conditions, 2) large firms are more likely to commit illegal acts than small firms (although probability increases when resources become scarce), 3) illegal behavior is prevalent in fairly stable environments, but is more probable in dynamic environments, 4) membership in industries with a repeated history of wrongdoing is associated with illegal acts, and 5) the type of illegal

activity may be dictated by the environmental and internal conditions under which the firm operates (Baucus & Near, 1991). Additionally, Baucus (1994) postulated that corporate corruption thrived in complex, uncertain, dynamic, and munificent environments. Baucus and Near (1991) concluded that environmental munificence, environmental dynamism, firm size, industry, three or more prior violations, and type of violations could be used to predict illegal corporate behavior. A significant relationship has been found between these organizational environmental factors and the performance, structure, and strategy of organizations (e.g., Keats & Hitt, 1988; Davis, n.d.). Two main environmental variables were examined within this research: munificence and dynamism. Control variables for this study included firm size, industry membership and prior violation committed.

Munificence

Castrogiovanni (1991) defined environmental munificence as the scarcity or abundance of resources available in an environment and demanded by one or more firms (Davis, n.d.).

Dynamism

The construct of dynamism is comprised of numerous variables including: 1) speed in which the environment is changing (stability-instability), 2) turnover rates, and 3) predictability and unpredictability contributing to uncertainty (Davis, n.d.). Organizations competing in environments characterized by high levels of dynamism must have greater flexibility to adapt to a changing environment (Mascarenhas, 1986). Organizations competing in environments characterized by high levels of dynamism may need to show more flexibility to adapt to the changing environment and to assist in ensuring the organization's survival (Mascarenhas, 1986). Moreover, Mascarenhas (1986) posits that dynamism is an important factor that assists in ensuring an organization's survival.

Study Purpose

The purpose of this study is two-fold, first, to explore the SOX act's ability to function as an internal control mechanism to moderate the relationship between seriousness of violation committed and illegal corporate behavior. Its second intent is to examine whether illegal corporate acts (leading to corporate corruption) can be predicted. Historical data of illegal criminal corporate behavior will also be gathered to test the antecedents of Baucus and Near's (1991) model of predicting corporate illegal behaviors. Moreover, this research will provide a historical analysis of firms criminally prosecuted five years prior to, and five years after SOX implementation. This historical analysis of SOX corporate activities will be employed to determine the overall influences of SOX and its ability to influence the relationship between corporate social responsibility and other behaviors specific to firms.

Research Objective

Through this study, this researcher will attempt to answer the following research question: How are antecedents to illegal firm activities, specifically, environmental munificence and environmental dynamism, impacted by corporate internal controls (i.e. SOX) and corporate socially responsible behavior?

Significance of Study

This study contributes to the advancement of the corporate reform literature by providing an analysis of the composition and characteristics of historically corrupt industries. Moreover, it examines the fundamental composition of U.S. firms to study antecedents of corporate corruption. Additionally, this study will serve as a five year pre and post event analysis of the effectiveness of the SOX Act to perform as an effective internal control mechanism.

This study is important because it may assist corporate boards and government legislators to understand factors influencing illegal corporate behavior. Additionally, this study intends to examine the impacts of corporate reform efforts on specific firm behaviors. Moreover, the SOX Act criminal punishment provisions will be examined to determine their impact on firm adherence to external and internal ethical and legal provisions. The impacts and consequences for failure to meet expected government standards of compliance under SOX will also be examined. This research contributes to the corporate illegal behavior literature stream by identifying antecedents to illegal corporate behavior.

Relevant Studies in Corporate Corruption

Kuncoro (2006) provides a quantitative analysis of corruption in the uncertain business environment of Indonesia. Kuncoro (2006) examined secondary data of two firm-level surveys provided by the Institute of Economic and Social Research, University of Indonesia (LPEM-FEUI) from 2001 and 2003 CODB (Cost of Doing Business) surveys. This research examined the decentralized effects of corruption and bribery on the economy of Indonesia (Kuncoro, 2006). The strategy utilized for collecting individual participant information on bribe payments was in-depth interviews of 1,333 respondents. Results indicated that a negative relationship exists between firm uncertainty and bribe activity (Kuncoro, 2006).

Eigen (2002) provides a quantitative secondary data analysis of 2002 surveys completed by business persons and analysts (N = 776) of one-hundred and two countries rating them from 10 (highly clean – few instances of corruption) to 0 (highly corrupt). He found that corruption thrives within an international economy based on misinformation and a climate of mistrust. Furthermore, results indicated that the countries of Bangladesh, Nigeria, Paraguay, Madagascar, and Angola were ranked as the top five countries with the most corrupt business practices (Eigen, 2002). Conversely, the countries of Finland, Denmark, New Zealand, Iceland, and Singapore, were recognized as the five least corrupt countries (Eigen, 2002).

A summary analysis of the above recent empirical studies regarding corruption among various countries reveals that international corruption involves political, social, economic and organizational environment considerations. Perhaps foremost, that corruption thrives within an environment of mistrust and misinformation within organizations (Eigen, 2002). Secondly, that strategies used to reduce corruption must involve both government intervention and the legislation of legal activities (Doh, Rodriguez, Uhlenbruck, Collins, & Eden, 2003). Therefore, understanding how business practices are impacted by multi-dimensional factors is an important consideration when determining appropriate strategies for legislating corporate behaviors. Although corporate corruption is largely considered to be an international business problem, very little research has been conducted to determine how oversight mechanisms of corporate internal controls and a firm's adherence to socially responsible behaviors directly impact firm CSR activities (Campbell, 2007). This research examines CSR activities of *Fortune 500* firms.

Baucus and Near's (1991) research examined antecedents of illegal firm behavior by studying types of criminal acts committed by 88 convicted *Fortune 500* firms from 1974 to 1983. Baucus and Near (1991) used a comparison group sample of 104 non-convicted *Fortune 500* companies. Alexander and Cohen (1996) expanded the literature on corporate illegal behavior through their examination of the criminal acts of 77 public manufacturing corporations between 1972 and 1994. They used a variety of archival data to provide an exhaustive review of the legal literature including the following sources: Wall Street Journal Index, Corporate Crime Reporter, keyword searches on Lexis-Nexus legal database, Anti-trust Trade and Regulation Reporter, and a periodical report by the U.S. Environmental Protection Agency. Alexander and Cohen's (1996) research suggests that larger corporations with larger sales transactions and higher numbers of employees typically have more opportunities to engage in criminal acts. Their research revealed a total of 120 convictions of 101 U.S. public corporations convicted during the time period 1975-1992, including 55 fraud conviction cases. They discovered two significant findings as follows: 1) larger firms are more likely to engage in crime than smaller firms, and 2) low rate of sales and employment (or employment growth) by a firm is a good predictor of environmental crime. Providing enhancements to Baucus and Near's (1991) model of the illegal corporate behavior process, this researcher explored additional antecedents to illegal corporate behavior specific to *Fortune 500* convicted and non-convicted firms.

Five research hypotheses of this research study are as follows:

H1: Firms having a high degree of environmental munificence (abundant resources) will have lower levels of illegal corporate behavior.

The relationship between munificence and corporate illegal activity has been identified throughout the illegal corporate behavior literature. Staw and Swarjkowski (1975) examined the relationship between scarcity-munificence within organizational environments and the occurrence of illegal corporate acts. They found support for the proposition that environmental scarcity leads to trade violations including: price fixing, reciprocity, mergers, and acquisitions (Staw & Swarjkowski, 1975). Moreover, Staw and Swarjkowski (1975) found that firms in hostile or non-munificent environments were more likely to commit illegal corporate acts. They concluded that in non-munificent environments, scarcity of resources causes firms to focus on the conservation of resources. Conversely, Simpson's (1986) study of antitrust crime reveals further insights into the relationship between environmental munificence and corporate crime. She found that, although there is a negative correlation between criminality and profitability, serious antitrust violations appear more likely in situations when industry profitability is declining. Additionally, Baucus and Near (1991) examined antecedents to corporate illegal behavior (including munificence) and found that firm illegal activity was more likely when resources were scarce.

Koberg (1987) argues that the greater the environmental scarcity, the more likely changes in administrative, personnel, and strategic changes will occur, thereby, requiring organizational structural changes. Therefore, firm's with an abundance of resources may prove to be less involved in illegal corporate behavior.

H2: Firms having high levels of environmental dynamism will have a high degree of illegal corporate behavior.

The conceptual link between corporate illegal behavior and dynamism has been established through corporate behavior literature streams. Baucus and Near's (1991) research

examined dynamism in relation to illegal corporate behavior. They denoted a curvilinear relationship between environmental dynamism and organizational criminality. They found that illegal acts were present in situations where resources were both scarce and also overly abundant. Moreover, Goll and Rasheed's (1990) study examined the moderating role of environmental munificence within 64 manufacturing firms. They concluded that both environmental munificence moderated the relationship between firm rationality and performance. Firm rationality for decision making and overall performance outcomes obtained from decision making may prove important factors in understanding how dynamism impacts the organizational environment. Firm's exhibiting high levels of dynamism may also prove to be more prone to commit illegal corporate acts.

Anand and Ward (2004) posit that today's competitive and rapidly changing business environment requires firms' to become flexible to ensure their success. These ever-changing environmental conditions may create volatile and unpredictable environments requiring firm strategies that promote both environmental fit and overall flexibility (Anand & Ward, 2004). Anand and Ward (2004) conducted an empirical analysis of 101 manufacturing firms to explore organizational impacts of environmental dynamism. This research argued that environmental fit is an important variable explaining business benefits achieved from any approach to flexibility.

H3: There will be a negative association between seriousness of violation committed and illegal corporate behavior.

The relationship between the seriousness of prior violation committed and subsequent criminal acts has been examined throughout the literature (Baucus & Baucus, 1990; Baucus, 1994; Baucus & Near, 1991; Finney & Lesieur, 1982). Finney and Lesieur (1982) propose through their contingency theory of organizational crime, that events leading to the criminal offense and the enactment of consequences for crimes committed are important considerations in determining a firm's decision to commit criminal acts. Additionally, Baucus (1994) purports that firms that show sufficient gains in performance after unethical activities may also be more prone to re-engage in criminal activities. Baucus (1994) also posits that firms experiencing few negative consequences for unethical actions, coupled with increased financial performance, may also be encouraged to commit subsequent criminal acts. Baucus and Baucus's (1990) study examined the financial consequences of convicted firms. They examined whether criminal consequences significantly impacted long-term firm performance. Baucus and Baucus (1990) studied the number of additional convictions firms received within one to five years after their initial conviction. The data set consisted of 47 firms with one conviction, 19 firms with one two convictions, and 2 firms with three or more convictions. Baucus and Baucus (1990) concluded that there was a negative relationship between firms with multiple convictions (within a five year period) and overall firm performance. The functionality of crime as a means of achieving organizational success may prove a highly significant concept in understanding why some firms commit subsequent criminal acts. Vaughan (1985) posits that "successful achievement of organizational goals through unlawful conduct tends to reinforce the occurrence of this behavior" (p. 61). Additionally, Baysinger (1991) postulates that "when rational individuals compare the cost of government imposed economic-sanctions for failing to meet performance objectives, they may conclude that violation of the law is the more desirable alternative" (p. 355).

H4: There will be a negative correlation between a strong emphasis on corporate socially responsible activities and illegal corporate behavior.

Firm obligations go far beyond legal requirements and corporate duties to shareholders. Moreover, “fulfillment of corporate obligations requires firms to strive to both minimize harm and maximize the long-run beneficial impacts of the firm on society” (Bloom & Gundlach, 2001, p. 142). Additionally, firms are directly responsible to a wide variety of community stakeholders including: people, groups, organizations, institutions and societies, and even the environment (Wood, 1991). Therefore, a firm’s commitment to morally legitimate behavior may involve a wide variety of considerations including social and normative judgments and values, promulgated by institutional sources and their industries (Scott, 1995).

An empirical survey of Carroll’s (1991) CSR Pyramid utilizing a sample of 503 large African American businesses in the U.S found that within the businesses surveyed, the economic considerations ranked as most important, ethical responsibilities were prioritized above legal responsibilities, and there was differential between philanthropic and legal responsibilities (although this finding was relatively small) (Edmondson & Carroll, 1999). Ibrahim, Howard and Angelidis (2003) found that 307 board members (198 outside and 109 inside directors) indicated that outside directors exhibit greater concern about the discretionary component of corporate responsibility and a weaker orientation toward economic performance. Similarly, Aupperle, Hatfield & Carroll (1985) surveyed 241 *Forbes 500* listed CEOs utilizing 171 statements pertaining to CSR. Their statistical analysis supported their model: 1) by confirming that there are four empirically interrelated, but conceptually independent components of CSR; and 2) by giving tentative support to the relative weightings assigned to each of the four components.

H5: The Sarbanes-Oxley Act will positively moderate the relationship between seriousness of violation committed and illegal corporate behavior.

Deterrence theory provides the framework to describe why some individuals are deterred from the commission of criminal acts. One basic tenant of deterrence is that individuals that receive swift, severe and certain punishments will likely be deterred from committing future criminal activity. Moreover, deterrence theorists posit that general deterrence of crime can only occur when punishments are not overly harsh, but that the ‘punishment fits the crime’. This research attempts to examine whether the 2002 SOX act deters firm illegal corporate behavior.

The linkage between criminal behavior and crime has been clearly established, however, few studies have examined this linkage in respect to deterrence of firm criminality (Simpson, 1986). The concept of deterrence is theoretically rooted in the premise that all individuals know the difference between ‘right and wrong’ and are aware of the consequences of their actions (Schallmeger, 2002). This concept is fundamentally important in our understanding of why some individuals/firms are deterred by the consequences of crime, while others remain non-deterred. Conversely, firms that are not punished harshly enough for their crimes may choose to engage in future criminal acts.

Enhancements are proposed to Baucus and Near’s (1991) model of Illegal Corporate Behavior as indicated in Figure 1.

Figure 1: Factors Leading to Illegal Corporate Behavior: Proposed Enhancements to Baucus and Near's (1991) Model

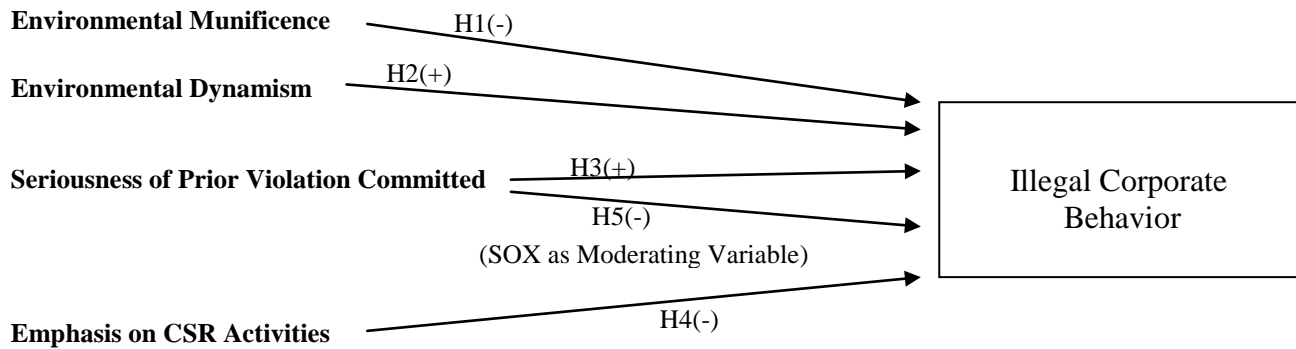


Table 1: Key Study variables - Operational Definitions

Study Variables	Operationalized as:
Environmental Munificence	The scarcity or abundance of resources available in an environment and demanded by one or more firms.
Environmental Dynamism	Speed in which the organizational environment is changing from stability-instability and the predictability and unpredictability of this change contributing to uncertainty
Prior Violation	The level of offense classification of firm violation resulting in criminal prosecution and conviction.
Emphasis on CSR Activities	A firm's commitment to embrace behaviors that promote corporate social responsibility.
Illegal Corporate Behavior	Corporate behaviors resulting in illegal acts committed by firms leading to criminal conviction for violations of legal compliance standards.
Sarbanes-Oxley Act of 2002	Federal legislation developed as a mechanism for corporate governance regulation/standards compliance.

Control variables = firm size; industry membership; prior violations

Table 1 and Figure 1 outline this study's independent variables, dependent variable, and the direction of the proposed relationships.

Sample Selection

A search of prosecution and conviction data of *Fortune 500* firms convicted of 'white collar' crimes for the years spanning 1990-2007 resulted in the identification of 50 convicted firms and a total of 126 convictions.. Each instance of corporate corruption was treated as a separate observation. Moreover, multiple data sources were utilized to triangulate data source findings and identify all incidences of firm convictions. Additionally, a list of comparable non-convicted *Fortune 500* firms (matched based on industry type and firm size) was generated to create a matched pair dataset of both convicted and non-convicted firms. The sample of 50 non-convicted *Fortune 500* firms was randomly selected (based on firm size and respective industry type) for the time period 1990-2007. This time period provided a total of 1,800 firm years' worth of financial data. The four-digit SIC industry code was used to indicate the number of both

convicted and non-convicted firms identified by major industry type. The industry code was selected to describe the industry sectors within which individual firms operate.

Matched pair design was utilized within this study to create pairs of firms that are similar in both industry type and sales (firm size). Matched firm pairs were constructed by pairing each of the identified convicted firms (n=50) with a comparable non-convicted firm match (n=50), (total sample size - N=100) based on the following characteristics: firm size (dummy code: 1 = small, 2 = medium, 3 = large), industry type (designated by use of the four digit SIC code), and firm sales (per million). Additionally, firm matches were created at the same point in time. For example, a firm with a conviction in the year 1990 was matched with a non-convicted firm at the same point in time based on the above aforementioned characteristics. Each of the qualifying non-convicted firms eligible for consideration was assigned an identifying number. A random number generating calculator was then used to select each individual non-convicted firm to create matched firm pairs.

Data Collection and Procedures

In summation, data collection for this research included the collection of archival/historical conviction data from relevant reputable sources documenting corporate criminal acts. These secondary data sources include: 1) Lexis-Nexus, 2) 2002 Corporate Fraud Task Force, and 3) Corporate Crime Reporter. Corporate financial reports were acquired from Standard and Poor's COMPUSTAT and the U.S. Statistical Abstract. Additionally, data collected to examine the independent variable, industry reputation for CSR behavior, was derived from content analysis of corporate website reports of CSR related activities.

A search of *Fortune 500* firms convicted by the courts during of the period 1990-2007 was conducted to determine the quantity and type of criminal violations committed by corporate firms. The four-digit SIC code representing each industry was utilized to indicate the illegal acts committed by each firm within its respective industry. The SIC code was also utilized to categorize each industry and delineate each firm's membership within its respective industry. The 10 major categories of industrial classification are as follows:

Division A—*Agriculture, Forestry, and Fishing* (SIC 0109)

Division B—*Mining* (SIC 1014)

Division C—*Construction* (SIC 1517)

Division D—*Manufacturing* (SIC 2039)

Division E—*Transportation, Communications, and Public Utilities* (SIC 4049)

Division F—*Wholesale Trade* (SIC 5051)

Division G—*Retail Trade* (SIC 5259)

Division H—*Finance, Insurance, and Real Estate* (SIC 6067)

Division I—*Services* (SIC 7089)

Division J—*Public Administration* (SIC 9197)

*Source: U.S. Census Bureau, 2008, <http://www.census.gov/epcd/www/sic.html>

The SIC code was utilized throughout this research to delineate the assigned membership of corporate firms as well as to analyze patterns and emerging trends within industries. The sample of convicted firms was matched with comparable firms within their respective industries. Divisions A-J (as indicated above) were recorded as 1-10, respectively, to serve as a control for industry type during the matching process. Specifically, SIC code divisions were recoded as

follows: 1 = 0109, 2 = 1014, 3 = 1517, 4 = 2039, 5 = 4049, 6 = 5051, 7 = 5259, 8 = 6067, 9 = 7089, and 10 = 9197.

A convenience sample of available conviction data of 50 convicted *Fortune 500* firms was selected and compared with 50 non-convicted *Fortune 500* firms (N=100). Logistical (logit) regression analysis techniques were utilized to determine the maximum likelihood of predicting illegal corporate behavior utilizing two main explanatory variables – environmental munificence and environmental dynamism. Moreover, Ordinary Least Squares (OLS) regression was also utilized to model the data through two separate time periods to determine the impact of the SOX Act of 2002 on illegal corporate behavior.

Data Analysis

Data analysis was performed using a variety of techniques including logistical regression, Chi-square, OLS regressions, and t-tests. The formula employed to investigate the proposed empirical relationships within this research is represented in the following expression:

$$\text{Pr}(\text{convicted}_{it} = 0; 1) = \exp(x_{it}) / (1 + \exp(x_{it}))$$

where

$\text{convicted}_{it} = i$ indicates criminal conduct in the year t ; 0 = no firm conviction; 1 = firm conviction; and

$$x_{it} = \beta_0 + \beta_1 J_{1it} + \beta_2 J_{2it} + \epsilon_{it} \dots (t_1, t_2)$$

whereby, i and t denote firm and year, and J denotes control variables: J_1 (firm size), J_2 (industry type), and ϵ_{it} estimates chance of error.

The results of both convicted and non-convicted firms within the pre- and post- SOX eras are presented in Tables 2-4. Table 2 below shows the overall logistical regression results of all firms during the pre- and post SOX eras.

Hypotheses 1 and 2 were tested utilizing logistical regression analysis. Model 1 above shows that environmental munificence (-0.645), firm size (-0.442), and SOX (-0.271) are negatively and significantly related to illegal corporate behavior. This suggests that there is an association between a high level of abundant firm resources (munificent environment), and a low likelihood that the firm will engage in illegal corporate behavior. Similarly, if the firm is large in size, it is less likely to engage in illegal corporate behavior in the post-SOX era. It is expected that SOX will mitigate illegal corporate behavior even in an abundant resource environment. This is confirmed by the higher odds ratio result for SOX (0.763). The results support the argument that SOX will moderate illegal corporate behavior.

Model 2 presents the results for environmental dynamism. Though environmental dynamism does not show a significant relationship with the independent variables, firm size (-0.445) and SOX (-0.260) have a negative and significant relationship with illegal corporate behavior. The results lend support to the argument that SOX influences actions of firms convicted of illegal corporate behavior in both munificent and dynamic environments. However, the impact is more profound in environmental munificence. This is evidenced in model 3 within Table 2. The results of the interaction term – environmental munificence and SOX indicate a relationship between environmental munificence and SOX with illegal corporate behavior. The negative relationship suggests that in the post-SOX era, environmental munificent firms suffer more in cases of illegal corporate behavior.

Table 2: Logistic Regression Results of Sample Firms during Pre- and Post- SOX Era

MODEL #:	<i>ILLCORP as Dependent Variable</i>				
	(1)	(2)	(3)	(4)	(5)
<i>ENVIRMU</i>	-0.645 (2.9102)				-0.666 (3.0461)
<i>ENVIRDYN</i>		0.105 (0.0767)			0.174 (0.2100)
<i>FRMSZ</i>	-0.442 (5.1956)	-0.445 (5.2474)	-0.412 (4.5014)	-0.424 (4.7684)	
<i>SICOD</i>	0.072 (3.7450)	0.070 (3.5792)	0.061 (2.7540)	0.061 (2.7165)	0.074 (3.9127)
<i>SOX</i>	-0.271 (5.0871)	-0.260 (4.7099)			
<i>ENVIRMU*SOX</i>			-0.4657 (3.3042)		
<i>ENVIRDYN*SOX</i>				0.064 (0.0695)	
<i>FRMSZ*SOX</i>					-0.103 (6.8387)
Constant	1.380 (5.0492)	1.324 (4.6524)	0.950 (2.6159)	0.9319 (2.5253)	0.122 (0.3456)
Odds Ratio for <i>ENVIRMU</i>	0.522				0.514
Odds Ratio for <i>ENVIRDYN</i>		1.111			1.190
Odds Ratio for <i>FRMSZ</i>	0.643	0.641	0.662	0.655	
Odds Ratio for <i>SICOD</i>	1.075	1.073	1.063	1.062	1.076
Odds Ratio for <i>SOX</i>	0.763	0.771			
Log Likelihood Ratio	15.402	12.552	11.044	7.775	12.540
Number of Observations	1193	1193	1193	1193	1193

N = 1193

Wald statistics are given in parentheses

0 = No Illegal Corporate Behavior (Non-Convicted Firm)

1 = Illegal Corporate Behavior (Convicted Firm)

Models 4 and 5 indicate that environmental munificence and firm size have a negative impact on illegal corporate behavior. The interaction term for environmental dynamism with SOX does not show a significant relationship with illegal corporate behavior, but for firm size, it is negatively significant.

Table 3 below presents the chi-square results utilizing a binary logistic model analysis of both pre-SOX and post-SOX firms testing model goodness-of-fit:

Table 3 presents the results of an analysis of convicted and non-convicted firms using a Chi-square test. This analysis revealed the statistical findings within both pre-SOX and post-SOX eras. Chi-square test results suggest that the logistic model works better in the pre-SOX era than in the post-SOX era. However, the logistic model works well with the entire sample data as reported in Table 3.

Table 3: Analysis of Chi-Square Testing Pre-SOX and Post-SOX Firms

Variables	Binary Response Variable: Non-convicted and Convicted Firms	
	Pre-SOX	Post-SOX
<i>ENVIRMU</i>	-0.811 (2.6453)	-0.633 (1.0500)
<i>ENVIRDYN</i>	0.285 (0.2921)	0.048 (0.0074)
<i>FRMSZ</i>	-0.769 (5.9206)	-0.216 (0.7314)
<i>SICOD</i>	0.091 (3.0885)	0.0533 (0.9673)
Constant	2.022 (4.4944)	0.250 (0.1082)
Likelihood Ratio	11.2617	3.1923
Number of Observations	708	485

N = 1193

Wald Chi-Square given in parentheses.

The firms are assigned a value of 0 (no conviction) and 1 (conviction).

Hypotheses 3 and 5 were tested utilizing a seriousness of crime index to determine the seriousness of corporate crime(s). Both quantitative and qualitative results of expert panel member findings indicated that seriousness of crime, defined here as the harm done to society, was lower in the pre-SOX period than in the post-SOX period. Thus, indicating that corporations and their officers face more serious consequences for their actions in the post-SOX era. Table 4 below shows the regression results of the seriousness of crime committed during both pre- and post-SOX periods.

Table 4: Regression Results for seriousness of crime committed and illegal corporate behavior during pre and post-SOX periods

Variables	Seriousness Index as Dependent Variable	
	Pre-SOX Period	Post-SOX Period
<i>ENVIRMU</i>	-3.847 (-2.80)	10.987 (-1.64)
<i>ENVIRDYN</i>	-0.706 (-0.31)	-1.054 (-0.77)
<i>CRIME INDEX</i>	0.001 (0.01)	-0.006 (-0.01)
<i>FRMSZ</i>	-1.652 (-2.07)	-0.166 (-0.22)
<i>SICOD</i>	0.011 (0.12)	0.328 (1.49)
Constant	6.707 (2.89)	1.064 (0.33)
Adjusted R-Square	0.12	0.13
Number of Observations	80	28

N=108

T-value given in parentheses

p<5%

Pre-SOX period results indicate that the conviction of a firm has a negative association with environmental munificence (-3.847). Thus, indicating that firm conviction results in a reduction in firm resources. Further, results show that the larger the firm the more negative the impact. The coefficient for environmental dynamism (-0.706) is negative, though insignificant.

When the regression results are analyzed during the post-SOX period, it indicates that, although environmental munificence and dynamism both have a negative coefficient, they are not statistically significant. Further, the coefficient of firm size is negative, even though it is not statistically significant. This result suggests that the SOX Act provides a moderating effect on illegal corporate behavior. This may in turn be a result of increased punishments and harsher penalties under the SOX act. Thus, the above findings support hypothesis 5 regarding the SOX Act having a moderating effect on illegal corporate behavior.

Table 5 below provides an analysis of the means of CSR related terms frequently used within firms that espouse a strong commitment to corporate socially responsible behavior.

Hypothesis 4 was examined utilizing t-tests. The data compiled in Table 5 were used for this analysis. T-test results indicated that the mean of CSR indicators differ in four industry segments. Statistically significant differences were found in the following segments: 2800-2865 (p=0.01), 2911 (p=0.02), 3318-3534 (p=< .0001), and 4813-4953 (p=0.02).

CSR was found to be negatively correlated with seriousness of crime and SOX, at a low correlation level (-0.19 and -0.28). However, CSR is highly and positively correlated with environmental munificence (0.54). This suggests that in an abundant resources environment, firms act more socially responsible. As expected, CSR is not significantly related to other predictor variables.

Table 5: Descriptive Statistics of CSR Variables

Variables	N	Mean	Med	St.Dev	Min	Max
Panel A: Non-convicted Firms						
Corporate Social Responsibility	50	1.22	0	2.59	0	12.00
CSR	50	1.80	0	4.50	0	24.00
Social Responsibility	50	2.58	0	5.72	0	34.00
Socially Responsible	50	0.18	0	0.60	0	3.00
Corporate Sustainability	50	0.40	0	1.59	0	10.00
Corporate Citizenship	50	3.16	0	8.84	0	60.00
Panel B: Convicted Firms						
Corporate Social Responsibility	50	1.26	0	3.77	0	22.00
CSR	50	0.70	0	2.87	0	18.00
Social Responsibility	50	1.20	0	2.07	0	9.00
Socially Responsible	50	0.34	0	2.00	0	14.00
Corporate Sustainability	50	0.20	0	0.81	0	4.00
Corporate Citizenship	50	2.32	0	5.83	0	29.00

N=100; Med=Median; St.Dev=Standard Deviation; Min=Minimum; Max=maximum

Conclusion

In conclusion, the lack of strong corporate ethics and fiscally responsible behaviors within corporations over the last decade has created the need for more external corporate controls, to include enforcement of regulations to monitor and control private industry financial practices.

In this research, environmental munificence (-0.645), firm size (-0.442), and SOX (-0.271) were negatively and significantly related to illegal corporate behavior. However, results differed in both the pre- and post-SOX eras. Larger firms in the pre-SOX era were found to be more likely to engage in illegal corporate behavior. However, in the post-SOX era, the results indicate no statistically significant relationship with firm size and environmental munificence. Thus, no support was found for hypothesis 1. It should be noted that smaller munificent firms were found to be more likely to be convicted of illegal corporate behavior more frequently than larger munificent firms. One possible explanation for this occurrence is the fact that larger firms have more resources, and thus, have the ability to avoid detection of illegal acts more readily than smaller, more transparent firms.

In testing hypothesis 2, it was found that during the pre-SOX era, larger firms are more likely to engage in illegal corporate behavior. This is implied by the firm size coefficient (-0.730) which is statistically significant. The insignificant coefficient for environmental dynamism for both convicted and non-convicted firms during pre and post-SOX eras, however, suggests that environmental dynamism does not appear to be a significant factor in predicting illegal corporate behavior.

Hypothesis 3 was tested utilizing a seriousness of crime index to determine the seriousness of corporate crime(s). Both quantitative and qualitative results of expert panel member findings indicated that seriousness of crime was lower in the pre-SOX period than in the post-SOX period, thus indicating that corporations and their officers face more serious consequences for their actions in the post-SOX era. Seriousness of crime was found to be associated with the munificence of a firm's environment and punishment was found to vary by firm size. Thus, a negative relationship was found to exist between seriousness of violation committed and illegal corporate behavior.

Hypothesis 4 was successful in providing support for the premise that CSR is an important variable impacting corporate illegal behavior. Through means analysis of CSR related terms and their frequency of occurrence within both convicted and non-convicted firms, it was determined that non-convicted firms were less likely to be convicted of illegal corporate behavior than non-convicted firms. Thus, this finding supports the appropriateness of CSRs use in an enhanced model of illegal corporate behavior. Future research should specifically focus on CSR's predictive ability in identifying firms that may have a propensity to engage in illegal corporate behavior.

In hypothesis 5, regression analysis results indicated that firm convictions have a negative association with environmental munificence (-3.847) in the pre-SOX era. However, no such effect was found in the post-SOX era. Thus, the negative coefficient of both environmental munificence and dynamism lends support to the moderating impact of SOX.

The overall results of this research suggest that the SOX Act provides a moderating effect on prior violation committed and illegal corporate behavior. This may in turn be a result of increased punishments and harsher penalties under the SOX act. Therefore, more research is needed to examine the impact of SOX, as well other legislative efforts, to determine their overall effectiveness in deterring illegal corporate behavior.

Implications for International Business

The Sarbanes-Oxley Act is touted as a significant piece of legislation aimed to rid American of corporate corruption by providing an enhanced mechanism of internal control. It has been a decade since the enactment of this act. However, the overall impact of SOX as an

effective internal control mechanism is still evolving. Despite legislative efforts to manage corporate behavior, corporate corruption continues. Further empirical research is needed to examine antecedents to illegal corporate behavior and their implications for predicting and detecting future corporate illegal activity and corporate socially responsible behaviors utilizing a cross-cultural/international perspective. Directions for future research should be internationally focused on cultural norms and institutionalized regulatory practices. Moreover, more industry level studies are needed to determine the impacts of CSR on curbing illegal corporate behavior among firms within and among various nations.

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English Abstract

Illegal Corporate Behavior

Analyzing the Effectiveness of the 2002 Sarbanes-Oxley Act

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Abstract

This research examined the effects of organizational environmental factors on firms' illegal corporate behavior, and also the ability of the Sarbanes-Oxley Act of 2002 to moderate the relationship between prior violations committed and future illegal corporate behavior. Corporate Socially Responsible (CSR) behavior within business organizations was also examined to determine its relevance in predicting illegal corporate behavior. Moreover, this research provided an organizational level, five year pre and post, historical analysis of legal behavior across *Fortune 500* firms. Finally, this research aimed to determine if antecedents to illegal corporate behavior can be identified and if the Sarbanes-Oxley Act of 2002 can be an effective legislative tool impacting firm behaviors. The Sarbanes-Oxley Act itself was analyzed as an event. This research examined Baucus and Near's (1991) model of the illegal and corporate behavior process to test its ability to predict illegal behavior within historically corrupt industries. Moreover, CSR as an embedded theme within specific firms, and its implications toward both ethical and legal firm practices, was examined.

Keywords: Corporate social responsibility, internal controls, Sarbanes-Oxley Act, illegal corporate behavior, corporate corruption

French Abstract*
Illegal Corporate Behavior
Analyzing the Effectiveness of the 2002 Sarbanes-Oxley Act

Comportement illégal des entreprises

Analyse de l'efficacité de la loi Sarbanes-Oxley de 2002

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Résumé

Cette recherche examine les effets des facteurs environnementaux sur le comportement organisationnel illégal des entreprises ainsi que la capacité de la loi Sarbanes-Oxley de 2002 à modérer la relation entre des violations antérieures commises et un comportement illégal futur de l'entreprise. Les entreprises affichant un comportement socialement responsable (RSE) sont également examinées afin de déterminer la pertinence de concept RSE pour prédire un comportement illégal des entreprises. De plus, cette recherche fournit un niveau organisationnel et une analyse historique, cinq ans avant et après, des comportements juridiques dans l'ensemble des entreprises du Fortune 500. Enfin, cette recherche vise à déterminer si des antécédents d'un comportement illégal des entreprises peuvent être identifiés et si la loi Sarbanes-Oxley de 2002 peut être un outil législatif efficace pour influencer sur les comportements des entreprises. La loi Sarbanes-Oxley elle-même a été analysée comme un événement. Cette recherche examine modèle de Baucus et Proche (1991), sur les processus de comportement illégal des entreprises, afin de tester sa capacité à prédire des comportements illégaux au sein d'industries historiquement corrompues. En outre, la RSE comme un thème intégré au sein des entreprises spécifiques ainsi que ses implications pratiques, éthiques et juridiques sont examinées.

Mots-clés : Responsabilité sociale des entreprises, contrôle interne, la loi Sarbanes-Oxley, comportement illégal des entreprises, corruption des entreprises]

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German Abstract*
Illegal Corporate Behavior
Analyzing the Effectiveness of the 2002 Sarbanes-Oxley Act

Illegales Verhalten im Unternehmen

Eine Analyse der Effektivität des Sarbanes-Oxley-Acts aus dem Jahr 2002

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Abstract

Diese Untersuchung betrachtet die Effekte der organisationalen Umwelt auf illegales Verhalten im Unternehmen und zudem die Fähigkeit des Sarbanes-Oxley-Act (SOX) aus dem Jahr 2002 die Ergebnisse früheren und zukünftigen illegalen Verhaltens zu beeinflussen. Corporate Social Responsibility (CSR) konformes Verhalten innerhalb der Unternehmen wurde zudem analysiert, um die Relevanz zur Vermeidung von illegalem Verhalten zu belegen. Vielmehr bietet die Untersuchung eine Betrachtung von legalen und illegalen Aktivitäten fünf Jahre vor und fünf Jahre nach dem Sarbanes-Oxley-Act für die Fortune 500-Firmen. Abschließend zielt die Untersuchung darauf ab, Einflussfaktoren auf illegales Verhalten abzubilden und die Wirksamkeit des SOX zu überprüfen. Der SOX selber wird hierzu als Event gesehen. Die Untersuchung nutzt Baucus und Near's (1991) Ansatz, um illegalen Verhaltens in Unternehmen vorherzusagen. Zudem wurde die CSR-Komponente für entsprechende Unternehmen eingebunden und die Auswirkungen auf ethische und gesetzliche Unternehmenspraktiken untersucht.

Keywords: Corporate Social Responsibility, Internes Kontrollsystem, Sarbanes-Oxley-Act, illegals Verhalten, Korruption]

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Spanish Abstract*
Illegal Corporate Behavior
Analyzing the Effectiveness of the 2002 Sarbanes-Oxley Act

Acciones Ilegales en las Empresas

Análisis de la Eficacia de la Ley Sarbanes-Oxley (2002)

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Abstract

Esta investigación examinó los efectos de los factores organizacionales ambientales en la conducta corporativa ilegal de las empresas, y también la capacidad de la Ley Sarbanes-Oxley de 2002 para moderar la relación entre las violaciones de la ley cometidas previamente y la futura conducta corporativa ilegal. También se examinó el comportamiento respecto a la Responsabilidad Social Corporativa (RSC) dentro de las organizaciones empresariales de cara a determinar su relevancia en la predicción del comportamiento de las empresas ilegales. Por otra parte, esta investigación proporciona un nivel de organización de análisis histórico (cinco años antes y después) del comportamiento legal a través de la lista de empresas *Fortune 500*. Por último, esta investigación tuvo como objetivo identificar antecedentes en el comportamiento corporativo ilegal y si la Ley Sarbanes-Oxley de 2002 puede ser un instrumento legislativo eficaz que impacte en el comportamiento de las empresas. Se analizó el hecho de la puesta en marcha de La Ley Sarbanes-Oxley en sí misma. Esta investigación examinó el modelo Baucus y Near (1991) sobre el proceso de la conducta corporativa ilegal para poner a prueba su capacidad de predicción sobre el comportamiento ilegal dentro de las industrias históricamente corruptas. Por otra parte, se examinó la RSC como un tema integrado en empresas concretas, y sus implicaciones, tanto éticas como legales, hacia las prácticas de las empresas.

Keywords: responsabilidad social de las empresas, controles internos, ley Sarbanes-Oxley Act, comportamiento empresarial ilegal, corrupción empresarial.

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Arabic Abstract*
Illegal Corporate Behavior
Analyzing the Effectiveness of the 2002 Sarbanes-Oxley Act

السلوك غير القانوني للشركات
تحليل فعالية قانون ساربينز أوكسلي 2002

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ملخص

درس هذا البحث آثار العوامل البيئية التنظيمية على السلوك غير القانوني للشركات، وأيضا قدرة قانون ساربينز أوكسلي لعام 2002 على تعديل العلاقة بين انتهاكات ارتكبت في السابق و سلوك الشركات غير القانوني في المستقبل. وقد قامت الدراسة بالتطرق إلى موضوع المسؤولية الاجتماعية للشركات (CSR) لتحديد أهميتها في توقع سلوك الشركات غير القانوني. وعلاوة على ذلك، قدم هذا البحث تحليلاً تاريخياً و على المستوى التنظيمي، لمدة خمس سنوات قبل وبعد، لسلوك الشركات عبر القانوني في لائحة فورتشن 500. وأخيراً، هدف هذا البحث إلى تحديد ما إذا كان يمكن تحديد السوابق لسلوك الشركات غير القانوني وإذا كان قانون ساربينز أوكسلي لعام 2002 يمكن أن يكون أداة تشريعية تؤثر في سلوكيات الشركة. وتم تحليل قانون ساربينز أوكسلي نفسه كحدث. وتم فحص نموذج (Baucus and Near's, 1991) لدراسة السلوك والممارسات الغير قانونية للشركات لاختبار قدرته على التنبؤ بالسلوك غير القانوني داخل الصناعات الفاسدة تاريخياً. وعلاوة على ذلك، تم فحص CSR باعتباره جزءاً لا يتجزأ من من العديد من الشركات الخاصة، والآثار المترتبة عليه تجاه الممارسات شركة الأخلاقية والقانونية على حد سواء.

الكلمات الدالة: المسؤولية الاجتماعية للشركات، الرقابة الداخلية، قانون ساربينز أوكسلي، السلوك الغير قانوني للشركات، فساد الشركات

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Italian Abstract*

Comportamento Aziendale Illegale
Analisi dell'efficacia della legge Sarbanes-Oxley del 2002

Comportamento Aziendale Illegale

Analisi dell'efficacia della legge Sarbanes-Oxley del 2002

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Abstract

Questa ricerca ha esaminato gli effetti sui fattori organizzativi di aziende protagoniste di comportamenti illegali, e anche l'efficacia della legge Sarbanes-Oxley del 2002 di moderare la relazione fra comportamenti illegali già compiuti e comportamenti illegali futuri. Il comportamento aziendale rispettoso della società (CSR) è stato anche esaminato per determinare la sua efficacia nel predire comportamenti aziendali illegali. Inoltre questa ricerca ha fornito, 5 anni prima dell'evento e 5 anni dopo l'evento, un'analisi storica di comportamenti legali di aziende che fanno parte del gruppo Fortune 500. Infine questa ricerca ha mirato a discernere se aneddoti riguardanti comportamenti illegali aziendali possano essere identificati e se la Sarbanes-Oxley del 2002 può essere uno strumento legislativo efficace. La Sarbanes-Oxley stessa era analizzata nei suoi sviluppi. Questa ricerca ha esaminato il modello Bocus Near (1991) riguardante i processi di comportamenti illegali aziendali per mettere alla prova l'abilità di predire comportamento illegale fra aziende il cui comportamento è stato storicamente illegale. Inoltre sono state analizzate le implicazioni della CSR, come tema integrante di aziende specifiche, e le sue implicazioni riguardo a pratiche sia etiche che illegali.

Keywords: responsabilità sociale aziendale, controlli interni, legge Sarbanes-Oxley, comportamento aziendale illegale, corruzione aziendale

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A New Approach to the Study of Cultural Diversity which Transcends Stereotypes

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Abstract

Ways of measuring culture in the American social sciences are not “culture free”. We use the preferences and biases, which are part of our culture. Most prominent among these is the habit of dichotomizing polarities, so that cultures are deemed to operate at the far ends of dimensions in an either-or mode. A cultural paradigm is a pattern we take for granted before research begins and is not itself questioned. This paper questions it. Nations tend to believe that wealth is created by the cultures they prefer and admire, so that in effect business scholarship in US culture may still be used as a paradigm in other cultures. In this paper we examine the way other nations think to see if this is not equally legitimate. A new form of measurement that transcends East-West differences is suggested.

Keywords: Culture, Polarity, Diversity, Stereotyping, Entrepreneurship

Introduction

Cultural diversity is not an objective reality waiting “out there” to be discovered. It is a way of thinking and conceiving which patterns the way social scientists go about their work. Our epistemology is part of our culture. We have no universal “window” to look into the souls of those foreign to us. Universality itself is a cultural preference.

The problem: culturally biased ways of measuring culture.

American and European cross-cultural studies suffer from Western cultural biases, which also shape our social sciences. These result in stereotyping or more politely “socio types”. The disciplines of the social sciences are not “above culture”; they are *part of* culture and are slanted against many foreign cultures, so we fail to understand these. The principal bias is that of *polarity, linearity, and dichotomy*, otherwise known as the tyranny of either/or thinking and the excluded middle ground. For example, Geert Hofstede (1980) and Fons Trompenaars (1992) both dichotomize Individualism – Collectivism. The former dichotomizes high and low Power Distance, Masculinity---Femininity, and high and low Uncertainty Avoidance. The latter dichotomizes Universalism --- Particularism, Specificity---Diffusion, status through Achievement---Ascription, Inner-direction---Outer-direction and Sequential---Synchronous orientations to time. Trompenaars has drawn most of his classifications from Parsons (1951) and Kluckhohn & Strodtbeck (1961).

Expressed in another way we could say the West's bias in favor of Specificity (specific, taxonomies of "things") is also a feature of our academic studies of culture. We treat any cultural orientation towards universal rules as a "thing" at the far end of a polarity and any particular exception as another dichotomized "thing" apart from any rules. And we classify cultures as belonging to one of these extremities. The assumption is that cultures interested in legal, scientific and moral laws are of necessity opposed to any particular exceptions and conversely that cultures in search of uniqueness and particular differences are of necessity opposed to rules and generalizations.

A moment's reflection might reveal this as very strange indeed. Since when can any rules be established without the closest attention to exceptions? What of the famous Scottish proverb "the exception proves (tests) the rule."? What is the Null Hypothesis about except assuming that no relationship exists until this has been proved by experimentation? Do we not become more certain through systematic doubt? Are we seriously contending that America, a culture high in individualism has *no interest at all* in communities or that this orientation forecloses such an interest? Are we saying that China, a culture high in community orientation, has *no interest at all* in individualism and that such an interest would sap its sense of community? What is a "voluntary association" save a community of individuals who choose to work together? The claim that this cultural preference reduces a person's individuality is simply absurd. S/he has chosen to work with and for others.

The paradigmatic assumptions behind measurement

Measurement does not occur in a vacuum, but within a *paradigm* or pattern of assumptions. This paradigm is assumed *a priori* to an investigation and is not *itself* questioned by any investigation. It cannot be proved right or wrong but is part of culture. When Western researchers measure cultural variables their respondents within various nations are placed at one end OR the other of a continuum and one preference is *subtracted* from the other. This defies common sense and everyday experience. Since when is a culture static? Since when are we stuck at one point, or at either end of a dichotomy? Since when does being an individual, being free and independent preclude a concern for the wider community? Why does Bill Gates spend half his life making money and the other half giving it away, a habit shared with many of America's famous entrepreneurs who give their names to charitable foundations? Individualism is not enough for them.

We might well ask how an individualist knows whether s/he has succeeded in that quest for self-fulfilment. What is the evidence that individuals have met their career goals and their ultimate objectives? Surely they need the community to recognize their achievements, so that the individual and the community are not opposed positions, but a single process and dynamic in which the person serves the community so well that s/he is taken to its heart. Rather than just a dichotomy dividing people in Western style, there are also relationships joining people in Eastern style, as in *guanxi*, Chinese for "relationship". In Western social science, facts are naturally separate and we must prove their correlation. In Asian perspectives, facts and people are naturally related and we must prove the value of their independence.

Research problem: Stereotypes of community

Reference to Asian preference for community as "collectivism", is tinged with Cold War rhetoric. Collectivism is bureaucratic, state socialism. The challenge we face is not from this

source, but from Confucian family-style networks of enterprise, which have already made the Chinese Diaspora into the 4th largest economy in the world. State Owned Enterprises (SOE's) in China are losing market share, so much for "collectivism". Town and Village Enterprises (TVE's) based in communities have expanded by several thousand percent since 1979. Here lies the genuine power of community. This is an expression of Taoism where contrasting values are joined rather than dichotomized, where these create new harmonies, fusions and innovative combinations.

Literature Review

The literature tends to be divided between those who take the conventional view of the divinely discontented individual, overcoming all obstacles, and the view that entrepreneurship is buried deep in the culture of the group.

Opposed views on the origins of entrepreneurship

In the West we are confident that these are outstanding and redoubtable individualists who defied received opinion and set up businesses of their own through inner-directed initiatives and personal achievements. Trompenaars and Hampden-Turner (1992) show clearly that most American managers prefer Individualism to Community orientation, Inner-direction to Outer-direction and Achievement orientation to Ascribing status. Case proved? Not quite.

Certainly this is how Americans *think* about entrepreneurship but is this the whole truth about that phenomenon?

Consider another line of evidence. English Quakers were a dissenting religious community, heavily involved in the British industrial revolution. They produced forty times more wealth than their numbers justified (see Hurst, 1995). Half of all Britain's great entrepreneurs, whose religion can be traced, were of Non-Conformist religion in a culture where 6% were of that persuasion (see Hagen, 1961). Many Non-Conformists immigrated to the USA and prospered there.

So prolific were the business skills of French Huguenots that they were forbidden at one point from leaving France! Entrepreneurship has been repeatedly connected to the migration of ethnic and religious communities, so that Indians outside India, the Chinese outside China, the Irish outside Ireland and Poles outside Poland often do better in business than those who stayed at home. The Chinese Diaspora is of especial interest. Were this treated as one economy it would be the fourth largest in the world. Ming-Jer Chen (2001) describes its feats. A 3% Chinese community in the Philippines is responsible for 71% of that nation's wealth. This pattern is repeated in Thailand, Indonesia, Brunei and Malaysia. Parts of Seattle are called New Hong Kong. Singaporeans, who are 71% Chinese, are three times richer than Malaysians from whose federation they were expelled.

One reason for China's sudden economic take-off after the death of Mao in 1979 is that the Confucian business model of the Diaspora was brought back home. Everything else had failed to work and of course joining the market brings individuality back into the community. Chinese families were allowed to form their own companies and literally thousands of these sprang up assisted and joined by town and village officials who were supposed to be regulating them!

The migrant stranger in the strange land

What happens when you are a stranger in a strange land along with a small group of persons in a similar situation? You form a networked community, perhaps of only thirty to forty others who depend entirely on each other for survival. Should you betray any member of this small community it will be known to many of them before sunset and your means of survival are gone. For that reason “my word in my bond” was the famous motto of the Quakers who did not have to write down financial transactions because neither party would renege. It saved a lot of time and led to the trading floor where orders were voiced and accepted in seconds.

In short, a completely different image of entrepreneurship emerges from these insights. It has everything to do with Community, with credit unions to avoid banks and trusted community leaders arbitrating disputes in their own communities at a fraction of the cost of lawyers. More recently, innovation has been located geographically by Richard Florida (2002) in key regions of the USA. Without the group norms of the Bay Area, Silicon Valley, Cambridge-Boston, Seattle, Boulder Co., Austin, Texas, New York and Los Angeles, 75% of all innovation would be lost. Even more recently Henry Chesborough (2003) has extolled “Open Innovation” a particular form of community formed by members of supply chains, where the customer encourages his/her suppliers to innovate and keep him informed of crucial new components and raw materials. Indeed it may no longer be the single firm that prospers so much as the community of networked members all helping each other to succeed.

We must measure the interaction BETWEEN cultural values

What really matters in making cultures creative, prosperous and nurturing of their membership, is not their relative preference for Rules or Exceptions, Individuals or Communities, Masculine or Feminine. It is not whether, when forced, they prefer one to another, but whether the two have been reconciled and made compatible. Has the rule proved genuinely *universal* because all *particular* exceptions were noted and the rule modified? Has the *individual* defied received opinion and earned the gratitude of the *community* despite it all? Did that *community* nurture his/her *individuality*? When you analyze problems into *specific* pieces are you now in a better position to create a *diffuse* synthesis or pattern of connections? Remember more and more products are becoming modular systems.

Should we judge a new product by how much money it can achieve in the marketplace or are some issues like global warming or solar energy so important we should ascribe status to them initially and then achieve them? Should we be inner-directed like a prize fighter in the boxing ring flooring an opponent, or should we be outer-directed like a Kung Fu fighter redirecting the energy of an opponent? The answer to such questions is BOTH. We need all around agility and intercultural competence to initiate and to respond, and as the economic world grows ever more turbulent, responding well is vital. This is where the strengths of East Asia lie. But above all, our Asian competitors know how to put Yin and Yang together while we insist on separating these. We may find ourselves at a competitive disadvantage unless we wake up to this new reality.

Not wrong but only half right

The conventional approach to culture is less wrong than half right. To some extent being an Individualist DOES preclude Community, especially in a sound-bite, ideological culture with

an attention-span of seconds, especially in the hands of the Tea Party Republicans and the 61% of Americans who believe in the Devil. If we HAD to choose between individualism and the community the former is a lot less dangerous. Millions of Chinese have starved in spectacular “leaps forward” and cultural revolutions that actually took them backwards. When a whole community makes a major error it’s a lot more dangerous. But we argue that we do NOT have to choose one over the other. Good communities nurture caring individuals and this should be our aim. Moreover the Chinese have grasped that “one nation two systems” as they call it actually helps them. They learn from both sides. They aim to be the Middle Kingdom, the harmonious realm between conflicts as they were once before in the Tang dynasty and its aftermath.

A new form of measurement

We recently tested out a new form of measurement and applied it to entrepreneurship classes in Singapore. It borrows from the conventional Western methodology of the Likert Scale and combines this with the Eastern concepts of harmony, or synergy as we call it in the West.

We set out to measure the effectiveness with which innovation was being taught and we defined innovation in at least ten ways. The first was that the innovator *turns ideals into realities*. So first we measured the Ideal vs. the Real as straight line dichotomies Western style. This style is less wrong per se than *insufficient*. So we asked students in a highly successful course that had generated 55 start-ups the following question.

“Please indicate your judgment of the undergraduate courses you once took at this university and compare these with your completed innovation course. Score the undergraduate courses you remember by using a U. Score the innovation course you remember using an I.”

- a. My education has been realistic. It readies me for the world as it is, not necessarily as it might be. It is practical and effective.

1 2 3 4 5 6 7 8 9 10

- b. My education has been idealistic. It shows me how realities can be changed, so as to create new values. It is inspirational.

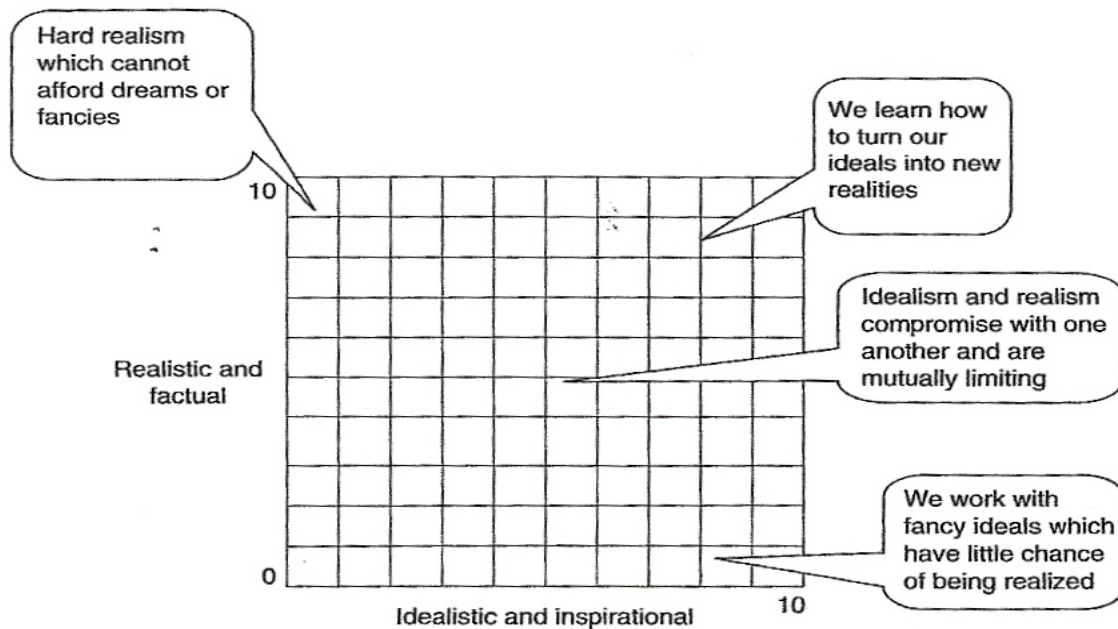
1 2 3 4 5 6 7 8 9 10

Thus far we have been entirely Western and orthodox but is it at all possible to measure whether these two values fuse, harmonize and are synergistic? Can we estimate the extent to which ideals have *become* realities? We believe we can do this. We instruct respondents as follows.

“Please enter your scores above into the Grid below, but to help you four balloons will pop up to prompt your answers. You may change your answers since we have slightly changed the question and we want to discover to what extent, if at all, the ideals you were taught proved realizable by you so that the difference between the real and the ideal were transcended.”

The research was conducted during the years Raymond Ferris Abelin developed and administered entrepreneurship and innovation programs at Singapore’s Technology University, NTU. What we found was that between 35% and 50% of the Innovation classes scored in the top nine squares in the top far right corner of the Grid. We asked nine other questions including Universal rules vs. Particular exceptions, Individuality vs. Group or team orientation, Specific

objectivity vs. Diffuse patterns and connections, and Inner vs. Outer-directedness. It did not matter very much which question we asked. Highly innovative respondents **reconciled cultural values in general**. If they were in the top nine squares in Idealism---Realism *they were extremely likely to be in this quadrant on all other questions*. These results reminded us of a quote by Abraham Maslow and his investigation of self-actualizing people.
HOW CAN INNOVATIVE PEDAGOGIES BE MEASURED?



GRID 3.1 Realism vs. idealism

Source: Teaching Innovation and Entrepreneurship: Building on the Singapore Experiment. Grid 3.1 Realism vs. Idealism is from page 46 of the book by Charles Hampden-Turner, Cambridge University Press, 2009.

“The age-old opposition between heart and head, reason and instinct, or cognition and conation was seen to disappear in healthy people where they became synergic rather than antagonists ... The dichotomy between selfishness and unselfishness disappears... because in principle every act is both selfish *and* unselfish. Our subjects are simultaneously very spiritual and very pagan and sensual. Duty cannot be contrasted with pleasure or work with play where duty *is* pleasure and work *is* play. Similar findings have been reached for... concreteness- abstraction, acceptance-rebellion ... serious-humorous, lust-love and a thousand philosophical dilemmas are found to have more than two horns or paradoxically no horns at all,” (Maslow, 1954, pp.121-122).

Conclusion

Westerners fail to go beyond Western cultures and we fail to appreciate the growing challenge from the East unless and until we include the ways in which they think in our methodologies for assessing cultures. We have to grasp that methodologies are in themselves aspects of our own culture, not neutral tools reflecting god-given realities. Science is interactive and interacts with cultures. East Asians have a higher cultural preference for exceptions than for rules, for communities than for individuals, and for diffuse relationships rather than for specifics.

But this is not the most salient point or the real threat to our hegemony. Cultures influenced by Taoism look to BOTH ends of any dichotomy and seek to marry these. They are learning from western culture because Western views are relevant, but Westerners are failing to learn from them because the East is at the rejected end of a value dichotomy. A methodology has been presented that enables measurement from both Eastern and Western perspectives, but most important of all, facilitates measurement of intercultural competence and the reconciliation of diverse perspectives.

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English Abstract

A New Approach to the Study of Cultural Diversity which Transcends Stereotypes

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Abstract

Ways of measuring culture in the American social sciences are not “culture free”. We use the preferences and biases which are part of our culture. Most prominent among these is the habit of dichotomizing polarities, so that cultures are deemed to operate at the far ends of dimensions in an either-or mode. A cultural paradigm is a pattern we take for granted before research begins and is not itself questioned. This paper questions it. Nations tend to believe that wealth is created by the cultures they prefer and admire, so that in effect business scholarship in US culture may still be used as a paradigm in other cultures. In this paper we examine the way other nations think to see if this is not equally legitimate. A new form of measurement that transcends East-West differences is suggested.

Keywords: Culture, polarity, diversity, stereotyping, entrepreneurship

French Abstract*

A New Approach to the Study of Cultural Diversity which Transcends Stereotypes

Une nouvelle approche pour étudier la diversité culturelle qui transcende les stéréotypes

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Résumé

Les mesures de la culture dans les sciences sociales américaines ne sont pas « culture neutre ». Nous, les chercheurs américains, utilisons les préférences et biais qui font partie de notre culture. Le biais le plus important est l'habitude de polarités dichotomiques, de sorte que les cultures semblent fonctionner d'un bout ou à l'autre des dimensions culturelles, dans un mode soit-soit. Un paradigme culturel est un modèle que nous prenons pour acquis avant le début d'une recherche et qui lui-même n'est pas remis en question. Or, cette contribution le remet en question. Les nations ont tendance à croire que la richesse est créée par les cultures qu'ils préfèrent et admirent, de sorte que dans la recherche en gestion, la culture américaine peut encore être utilisée comme un paradigme pour étudier d'autres cultures. Dans cet article, nous examinons la façon dont d'autres nations pensent, de manière à voir si cela n'est pas tout aussi légitime. Une nouvelle forme de mesure, qui transcende les différences Orient-Occident, est suggérée.

Mots-clés : culture, polarité, diversité, stéréotypes, entrepreneuriat

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German Abstract*

A New Approach to the Study of Cultural Diversity which Transcends Stereotypes

Ein neuer Ansatz zur Lehre einer über Stereotypen hinausgehenden kulturellen Vielfalt

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Zusammenfassung

Die Messung von Kultur in der amerikanischen Sozialwissenschaft ist nicht wirklich „kulturfrei“. Wir nutzen die Vorlieben und Neigungen, die Teil unserer Kultur sind. Am bekanntesten ist die Gewohnheit der binären Polaritäten, bei der Kulturen am äußersten Ende der Dimensionen in einem Entweder-Oder-Modus operieren. Ein kulturelles Paradigma ist ein Muster, das wir als selbstverständlich ansehen und wird, bevor die Forschung beginnt, selbst nicht hinterfragt. Diese Arbeit stellt es in Frage. Nationen neigen dazu zu glauben, dass Wohlstand von den Kulturen kreiert wird, die sie präferieren und bewundern, so dass praktisch die Unternehmenswissenschaft der amerikanischen Kultur immer noch als Paradigma in anderen Kulturen verwendet wird. In dieser Untersuchung analysieren wir die Art und Weise wie andere Nationen denken und inwieweit dies gleich zu bewerten ist. Ein neuer Bewertungsansatz, der über Ost-West Unterschiede hinausgeht, wird vorgeschlagen.

Keywords: Kultur, Polarität, Vielfalt, Stereotyp, Unternehmer

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Spanish Abstract*

A New Approach to the Study of Cultural Diversity which Transcends Stereotypes

Un Nuevo Enfoque del Estudio de la Diversidad Cultural que Trasciende los Estereotipos

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Abstract

Las formas de medición de la cultura en las ciencias sociales norteamericanas no están "libres de cultura". Usamos las preferencias y prejuicios que son parte de nuestra cultura. El más destacado de ellos es el hábito de la dicotomización de polaridades, por lo que se considera que las culturas operan en los extremos de las dimensiones de un modo u otro. Un paradigma cultural es un patrón que damos por sentado antes de que comience la investigación y no es en sí cuestionado. En este trabajo lo ponemos en duda. Las naciones tienden a creer que la riqueza es creada por las culturas que prefieren y admiran, por lo que el conocimiento erudito sobre los negocios de la cultura de EE.UU. puede ser utilizado como un paradigma en otras culturas. En este trabajo se examina la forma en que piensan otros países para ver si esto es igualmente legítimo. Se sugiere una nueva forma de medición que trasciende las diferencias entre Oriente y Occidente.

Keywords: Cultura, polaridad, diversidad, estereotipos, espíritu empresarial

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Arabic Abstract*

A New Approach to the Study of Cultural Diversity which Transcends Stereotypes

نهج جديد لدراسة التنوع الثقافي الذي يتجاوز القوالب النمطية

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ملخص

طرق قياس الثقافة في العلوم الاجتماعية الأميركية ليست خالية من الثقافة حيث نستخدم التفضيلات والتحيزات التي هي جزء من ثقافتنا. ومن أبرز هذه العادات القطبية الثنائية والتي تعتبر أن الثقافات تعمل على طرفي النقيض. النموذج الثقافي هو نمط نتخذه قبل أن نبدأ البحث وليس في حد ذاته موضعاً للتساؤل، هذه الورقة تتساءل عن ذلك. الأمم تميل إلى الاعتقاد بأن يتم إنشاء الثروة من قبل الثقافات التي يفضلونها أو يستمتعون بها. الريادية الأميركية في الأعمال في الثقافة الأميركية ربما لا تزال تستخدم كنموذج في الثقافات الأخرى. في هذه الورقة ندرس الطريقة التي تعتمدها الدول أخرى لمعرفة ما إذا كانت هذه ليست مشروعاً على حد سواء. ونقترح شكلاً جديداً من القياس يتجاوز الاختلافات بين الشرق والغرب.

الكلمات الدالة: الثقافة، القطبية، التنوع، التعميم، التنميط، الريادية

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Italian Abstract*

A New Approach to the Study of Cultural Diversity which Transcends Stereotypes

Un nuovo approccio allo Studio della Diversità Culturale che Trascende gli Stereotipi

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Abstract

Modi di misurare la cultura nel contesto delle scienze sociali Americane non sono 'svincolate dalla cultura'. Usiamo preferenze e punti di vista che sono parte della nostra cultura. La più prominente fra questi modi di polarizzare e l'abitudine di creare una polarità basata su due estremi, in questo modo le culture vengono categorizzate a operare alle estremità di un punto o dell'altro. Un paradigma culturale è uno schema che diamo per scontato prima che la ricerca abbia inizio e che non è posto in dubbio dall'interno. Questo documento lo pone in dubbio. Le nazioni hanno la tendenza a credere che la ricchezza è legata alle culture che loro preferiscono ammirare, in questo modo gli effetti della ricerca nel contesto business della cultura USA può ancora essere utilizzato in altre culture. In questa ricerca noi esaminiamo il modo in cui le altre nazioni considerano se questo sia non reciprocamente legittimo. Viene suggerita una nuova forma di misurazione che trascende le differenze fra Est e Ovest.

Keywords: cultura, polarizzazione, diversità, fare stereotipi, imprenditoria

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The Michelangelo Premise

Performance, Potential, and Business Psychology

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Abstract

This paper relates the wisdom contained in a renaissance metaphor with current notions of potential, performance, and the field of Business Psychology. Renaissance genius Michelangelo's ideas about sculpture are employed as a powerful metaphor for the release of our hidden performance potential. The actualization of inherent potential is viewed as a creative work performance that synergizes head, heart, and body. Potential is seen as closely related to the concepts of talents and multiple intelligences.

For the global economy, the effective employment of talent, intelligence, and knowledge is projected to be a primary driving force for years to come. For business organizations, investment in the realization of human potential is seen to have lasting value and is considered to be a continuing source of competitive advantage. For the discipline of Business Psychology, the realization of human potential in the context of a business setting has been a long-pursued Holy Grail. And, for the individual manager there is the real possibility of enhanced future performance with an associated economic payoff.

Keywords: Michelangelo, performance, potential, business psychology

Introduction

Renaissance artistic genius Michelangelo was once asked to explain his remarkable ability to fashion beautiful statues from roughly hewn blocks of marble. He reportedly replied that all he was doing was chipping away the excess in order to release the image that was already there trapped in the stone. Michelangelo's sculpting premise is an apt metaphor for contemplating the untapped potential for greater performance resident in each of us. Is it really possible for us to chip away the impervious stone of self-ignorance that hides the realization of our own latent promise? In other words, how can we discover and actualize the very best that is in us?

This paper will explore the preceding questions as well as related queries, such as: What is performance potential? What form does potential take? How is it measured? How can we maximize it? And, what determines our performance? Additionally, some possible responses to these questions will be posed followed by a summary of what it all might mean.

What is Performance Potential?

What Michelangelo saw in his mind's eye was a likeness of the realized potential inherent in the raw material of the uncut stone. To actually transform the mental image into physical being required Michelangelo to accomplish a creative work performance. Work performance is an action process containing mental, emotional and behavioral components directed toward the accomplishment of individually or socially valuable outcomes. Different outcomes require different kinds of performances. For example, successfully balancing on a bicycle requires a different work performance than successfully balancing the books of a business. Over the period of our life-history we are apt to notice that we can perform some types of tasks with ease and grace. Alternatively, other kinds of tasks we seem to perform with some difficulty or, perhaps, not at all.

Had we lived in Renaissance Italy, we might have noticed that Michelangelo, Titian, and Leonardo da Vinci performed their artistic tasks very differently. However, each of them produced highly acclaimed works of art that have stood the test of time. Likewise, our comparative observations of other people's behavior may indicate to us that they appear to be more capable performers in certain areas than are we. We may also observe that others may choose a different path to reach a desired outcome than do we. Therefore, we are led to conclude that the capacity to perform varies considerably among individuals. The performance required to successfully reach a particular outcome seems to be available to different individuals in different measure at different times.

Potential, on the other hand, is a much more ambiguous concept than performance. It is concerned with a promise of performance at some unspecified future time. University of Utah professor Herbert Otto (1970: p. 12) defined potential as "the sum of capacities and qualities which, in the human race and in every individual, exist but have not been brought out and used (actualized); potentialities, therefore are individual hidden capacities and qualities." Otto identified five such hidden qualities: 1. the potentiality for more effective and more satisfying relationships, 2. hidden or dormant capacities, abilities and talents, 3. the potentiality for tremendously increased creative productivity, 4. the potentiality for developing and exercising social concern and responsibility and for developing the capacity for leadership in matters which affect the community, and 5. the potentiality for a more vital vibrant and life-affirming existence.

What Form Does Our Hidden Potential Take?

On one end of the spectrum of human potential are polymaths such as da Vinci and the eighteenth-century English physician and scientist Thomas Young. Of Young, who deciphered the Rosetta stone and developed the wave theory of light, it has been said that he was the last person to know everything there was to know. Polymaths are individuals who have been naturally endowed with a number of capabilities in great degree and have made significant contributions in several disciplines. At the other end of the continuum might be the idiot savants, individuals who possess a very large amount of one particular kind of intelligence, but may be non-functional in the other areas. This one extraordinary capability appears to dominate and diminish all the others. For example, an idiot savant might be able to speedily and accurately calculate the product of two, four-digit numbers in his or her head or effortlessly play a musical composition after hearing it only once, but might need assistance to walk, eat, converse and tie shoelaces.

Each of us, it appears, has been endowed with a particular genetic makeup and a unique set of life experiences that help constitute our potential or hidden capacities. According to psychological researcher Isabel Briggs Myers (1980), co-creator with Katharine Briggs of the widely used personality assessment the Myers-Briggs Type Indicator or MBTI, no two of us are exactly alike in the gifts of potential we have been provided by nature or the ways by which they may have found expression in our lives.

Harvard professor Howard Gardner has described these gifts in terms of different multiple intelligences. He relates each type of intelligence to its ability to solve particular problems, or to fashion culturally valued products. Gardner (1999) has identified eight such capacities that are genetically based: logical-mathematical, linguistic, musical, bodily-kinesthetic, intrapersonal, interpersonal, spatial, and naturalistic.

For example, Gardner symbolically represents logical-mathematical intelligence with a computer scientist, employs a poet for linguistic intelligence, and uses a salesperson or clinical psychologist for interpersonal intelligence. A biologist represents naturalistic intelligence, or the ability to recognize and classify various species of animal and plant life. Architects might be chosen to represent the spatial, ballet dancers for the bodily-kinesthetic, and autobiographers for the intrapersonal forms of intelligence.

These eight multiple intelligences also appear to be well distributed among those of us who have selected the disciplines of Business and Psychology as their chosen fields of study and work.

Although most of us seem to have several of these genetic gifts in moderate to high degree, we may be largely unaware of them. In their 2001 book, *Now, Discover Your Strengths*, Marcus Buckingham and Donald Clifton (2001) described these natural gifts as “Talents.” Reporting the results of a massive 25-year study that interviewed two million excellent performers, the two Gallup organization researchers identified some 34 of these talents. They suggest that among the talent possibilities, five typically are dominant within each of us. Examples of Buckingham and Clifton’s talent descriptors include: Achiever, Futuristic, Inclusiveness, Learner and Strategic.

What Are the Benefits of Using More of Our Potential?

In his book, *In the Era of Human Capital*, management consultant and author, Richard Crawford expresses the possible payoff value of tapping into our potential. Crawford (1991) proposes that human talent, intelligence and knowledge have become the world’s primary economic force. He cites current evidence that this new force has supplanted the traditional factors of money, labor, and physical resources in its overall economic primacy.

Robert Salmon, Vice-Chairman of the French cosmetics giant, L’Oreal, has reflected deeply on the value of releasing human potential. In *The Future of Management* (1994: p. 128) he writes, “Technological success is necessarily fleeting, and all organizations are doomed to entropy. They must be constantly regenerated. The only competitive advantage that makes that possible, and that thereby appears to have lasting value, is the quality of the people involved. Developing human potential is long-term investment, one that bears witness to the company’s faith in its own future.”

If Crawford and Salmon’s thinking is at all true, then the release of greater amounts of performance potential should reap enormous practical benefits for us all, not just within business organizations.

What Concerns Arise From Releasing More of Our Potential?

What unexpected consequences might have arisen if Michelangelo had uncovered even more of his greatness in his own time? Releasing additional human performance potential may raise more questions for us than it provides us with answers. Ian Cunningham, a respected thinker and practitioner in the fields of organization development and management learning, sees the release of potential as something of a puzzle. He has raised a red flag related to the possible dangers of an over-emphasis on releasing potential.

Cunningham (1994) fears that releasing capability through action without the right wisdom could lead to unwise action and that having wisdom alone without the relevant capability can result in no action at all. Futurist Richard Watson (2010: p. 7) has also expressed his concern regarding a future of more realized potential, “We have greater choice and more personalization, but concentrating on ourselves can reduce the opportunity for serendipitous encounters, with both people and information.”

Letting go of our closely held mental models may also be an obstacle for the release of hidden potential. Organizational thinker Peter Senge (2006) defines mental models as deeply ingrained assumptions, generalizations or images of how we understand the world and how we take action in it. Further, eminent psychologist and consciousness researcher, Robert Ornstein, suggests that it is quite difficult to alter our assumptions even in the face of compelling evidence to the contrary. Ornstein (1977) saw this resistance to change as the ongoing price we pay in order to gain a measure of stability in our personal consciousness. Therefore, activities aimed at the release of potential may actually create dissonance and disrupt this powerful need for cognitive stability.

How is Potential Measured?

Performance specialist Thomas Gilbert offers a thoughtful perspective on the measurement of potential. Gilbert proposes a formula to assess the potential for improving performance (PIP), which consists of a ratio of exemplary performance to typical performance. Gilbert states (1978: p. 31), “You will note that the PIP is a measure of opportunity, the very stuff that human capital is made of. The PIP does not assign feeble limitations to people as the IQ does, but takes the humane and practical view that poor performers usually have great potential.”

Psychologist Mary-Elaine Jacobsen suggests that part of the problem of measuring potential is our inability to know and explain it to ourselves. In her book, *Liberating Everyday Genius* (1999: p. 12), she writes, “Most gifted people are not able to articulate that it is their First Nature that makes them extraordinarily aware, compels them to make things ‘just so’ or makes them so dissatisfied when things are not that way.” Thus, one of the unexpected benefits of the measurement of potential may be an enhanced knowledge of our own specific gifts.

A very different perspective on the measurement of potential is provided by entrepreneur and author Gene Landrum in his book, *Profiles of Genius*. Landrum (1993), has identified thirteen present-day leaders (all of them business Chief Executives) who he feels have changed the world. These leaders, he believes, share in common many characteristics of the creative genius (such as Michelangelo). Landrum (1993: p. 57) states, “The innovative genius is almost always a qualitative mentality who is right-brain driven while living in a quantitatively driven left-brain world. He uses inductive logic to realize holistic solutions while the establishment world is striving for a deductive reality using mechanistic solutions to maintain the status quo.”

Modern neuroscience, according to neuropsychologist Elkhonon Goldberg (2009), supports the idea that the right hemisphere of the brain seems to be more specialized to handle novelty while the left hemisphere handles the routine. Interestingly, many organizations have developed primarily left-brained systems that pay to reward performance and promote to recognize potential. Given this particular approach to incentives, one might wonder just how Michelangelo would have fared if the reigning pope had required him to operate within a Management By Objectives (MBO) system for painting the Sistine Chapel.

How Can Latent Potential be Actualized”

Individual and organizational researchers have long been intrigued by the question of how to maximize human potential. Humanistic psychologist Abraham Maslow (1998) studied successful businesses and wrote extensively on the relationship between good management and the actualization of potential, calling it “Eupsychian Management.” He argued that our society’s benchmark for human performance was greatly misplaced. Maslow believed that the illness model (defining normalcy by comparing ourselves to the sickest members of our society) was a primary source for the misperception and diminution of our potential capabilities. This is the economic equivalent of using the companies who fail to survive their first year as a comparative business benchmark.

How much different could we be, Maslow wondered, if our benchmark for healthy functioning was, instead, the Olympic gold medal winners of the world? In this case, the comparative reference point for measurement becomes positive rather than negative. It shifts our thinking to a wellness standard for normalcy using the best performers our society has to offer as the point of departure, and it offers us a more optimistic benchmark for gauging human possibilities.

Maslow also felt that each person experiences, whether consciously recognized or not, an inherent internal thrust toward actualizing his or her potential. In Maslow’s concept, we all possess an impulse to self-release our own innate capacity; a capacity that too often is sturdily encased in the rough stone of our own perceived self-limitations. Today, psychologists might label this removal of apparent self-restrictions as the advancement of credence or belief in our own competency or “self-efficacy.” “Be all you can be,” the upbeat, long-time recruiting slogan of the U. S. Army, seems to reflect the liberating power of realizing our potential and enhancing self-efficacy.

Psychologist Mihaly Csikszentmihalyi has extensively studied excellent performers for many years. Csikszentmihalyi (1990) found, from conducting a large number of research studies on very different kinds of people engaged in a wide variety of different activities, that there is a state of mind that appears to equate to creating optimum performance. Csikszentmihalyi called this condition “flow” or, more colloquially, “being in the zone”. This is a situation where seemingly effortless and effective performance occurs naturally without any time-conscious sense of striving. This particular mental, emotional, and physical state seems to occur most frequently when the challenge of the task we have undertaken closely matches our ability to perform it. Therefore, the “flow” condition appears most readily accessible to those deeply immersed in the activities of the task undertaken.

Professor Otto, in his role as the former Co-director of the National Center for the Exploration of Human Potentialities, has suggested that an inter-disciplinary approach should be utilized to better tap our wellsprings of hidden potential. In his book, *Human Potentialities* (1968: p. 5), he wrote, “While we reach for the stars, we should be plumbing the depths of man

to unfold the hidden capacities and possibilities of his inner universe-his potential. For, unquestionably, the history of man is the unfolding of his potentialities- it is also the key to his future.” Perhaps, Otto had the mental image of people such as Michelangelo in mind when he wrote these inspiring and optimistic words about realizing our potential.

What Does it All Mean?

Just what made Michelangelo such an outstanding painter and sculptor? Was it his native ability or the particular circumstances of his time that allowed him to create such outstanding pieces of art? Part of Michelangelo’s greatness as a sculptor appears to have been his exceptional ability to imagine in exquisite detail the final artistic product in his mind. Holding his mental picture as a point of departure, he could then replicate it in physical reality with his hands by removing the extra stone that surrounded and obscured it. By using his imagination as a guide, Michelangelo was able to effectively shape and transform what currently existed in the present into what could be in an envisioned future. Some five centuries later, another acknowledged genius, Albert Einstein, reputedly commented that “Imagination is more powerful than knowledge.”

A review of the current evidence suggests the value of a more optimistic view of latent human potential as expressed by Michelangelo’s metaphor of the entrapped, striking image, in the stone. This six-hundred year old artistic premise reflects the internalized potential for the extraordinary in all of us. It is a striking vision of hope, an image that promises that somewhere in each of us resides a transcendent form of beauty and power just waiting to be uncovered.

Business and Psychology have long led the way in providing exemplars of what is possible in the field of human potential. In the early 1900s American psychologists Walter Dill Scott (1910) and Hugo Munsterberg (1917) demonstrated the potential for a strong connection between the two fields. Current researchers in the domain of human possibility intimate that latent human potential is both discoverable and realizable through our own deliberate efforts.

Jim Clifton, the Chairman and CEO of the Gallup polling organization, has summed-up the case for human potential nicely (2011: p. 107), “Technology is exploding because human development has caused it to explode. As Thomas Edison said, ‘We don’t know one-millionth of one percent about anything.’ And that’s absolutely true of maximizing human potential too.” With growing advances in our understanding of how our brains, minds, and bodies interconnect, we have just begun to uncover the tools that will help us better realize our implicit potential and shape the future.

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English Abstract

The Michelangelo Premise

Performance, Potential, and Business Psychology

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Abstract

This paper relates the wisdom contained in a renaissance metaphor with current notions of potential, performance, and the field of Business Psychology. Renaissance genius Michelangelo's ideas about sculpture are employed as a powerful metaphor for the release of our hidden performance potential. The actualization of inherent potential is viewed as a creative work performance that synergizes head, heart, and body. Potential is seen as closely related to the concepts of talents and multiple intelligences.

For the global economy, the effective employment of talent, intelligence, and knowledge is projected to be a primary driving force for years to come. For business organizations, investment in the realization of human potential is seen to have lasting value and is considered to be a continuing source of competitive advantage. For the discipline of Business Psychology, the realization of human potential in the context of a business setting has been a long-pursued Holy Grail. And, for the individual manager there is the real possibility of enhanced future performance with an associated economic payoff

Keywords: Michelangelo, performance, potential, business psychology

French Abstract*
The Michelangelo Premise
Performance, Potential, and Business Psychology

Le principe de Michel-Ange Performance, Potentiel, et Psychologie d'entreprises

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Résumé

Cette contribution relie la sagesse qui est contenue dans des métaphores de la Renaissance aux notions actuelles de potentiel, de performance et au domaine de la psychologie d'affaires. Les idées du génie de la Renaissance, Michel-Ange, en matière de sculpture sont utilisées comme métaphore puissante qui permet de libérer notre potentiel de performance cachée. L'actualisation du potentiel inhérent est considérée comme une performance de travail créatif qui met en synergie la tête, le cœur et le corps. Le potentiel est considéré comme étroitement lié aux notions de talent et d'intelligences multiples. Pour l'économie mondiale, l'emploi efficace des talents, de l'intelligence et des connaissances sera la force motrice principale pour les années à venir. Pour les organisations professionnelles, les investissements dans la réalisation du potentiel humain constituent une valeur durable et une source continue d'avantages concurrentiels. Pour la discipline de la psychologie d'affaires, la réalisation du potentiel humain, dans un contexte d'entreprise, a été une quête du Graal longtemps poursuivie. Pour le manager individuel, il y a une réelle possibilité de renforcement de la performance future avec un gain économique associé

Mots-clés : Michel-Ange, performance, potentiel, la psychologie d'affaires

* Translated by: Johannes Schaaper, Senior professor in International Management, BEM Bordeaux Management School

German Abstract*
The Michelangelo Premise
Performance, Potential, and Business Psychology

Die Michelangelo Prämisse

Performance, Potenzial und Wirtschaftspsychologie

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Zusammenfassung

Diese Arbeit bringt die Weisheit einer Renaissance Metapher mit gegenwärtigen Vorstellungen von Potenzial, Performance und dem Bereich der Wirtschaftspsychologie in Verbindung. Die Ideen von Renaissance Genie Michelangelo über Bildhauerei werden als eine mächtige Metapher für die Freigabe unseres versteckten Performance-Potenzials angewendet. Die Verwirklichung des inhärenten Potenzials ist als eine kreative Arbeits-Performance gesehen, die Kopf, Herz und Körper vereint. Potenzial wird als eng verbunden mit den Talent-Konzepten und der multiplen Intelligenz angesehen.

Für die Weltwirtschaft stellt der effektive Einsatz von Talent, Intelligenz und Wissen eine primäre treibende Kraft für die nächsten Jahre dar. Investitionen in das Humankapital haben für Wirtschaftsunternehmen einen nachhaltigen Wert und stellen die Quelle eines Wettbewerbsvorteils dar.

Für die Disziplin der Wirtschaftspsychologie ist die Realisierung des Humanpotenzials in Unternehmen ein lang angestrebter Heiliger Gral. Für den einzelnen Manager besteht zudem die Möglichkeit einer größeren zukünftigen Performance, die mit einer wirtschaftlichen Auszahlung einhergeht.

Keywords: Michelangelo, Performance, Potenzial, Wirtschaftspsychologie

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Spanish Abstract*
The Michelangelo Premise
Performance, Potential, and Business Psychology

La Premisa de Miguel Ángel

Rendimiento, Potencial y Psicología de los Negocios

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Abstract

Este trabajo está relacionado con la sabiduría contenida en una metáfora del renacimiento conectada con las nociones actuales de rendimiento potencial y el campo de la Psicología de los negocios. Las ideas del genio renacentista Miguel Ángel sobre la escultura son empleados como una poderosa metáfora de la liberación de nuestro potencial de rendimiento oculto. La actualización del potencial inherente se presenta como un rendimiento en el trabajo creativo que genera sinergias entre la cabeza, el corazón y el cuerpo. El potencial se ve como estrechamente relacionado con los conceptos de talento e inteligencia múltiple.

Para la economía global, el empleo eficaz del talento, la inteligencia y el conocimiento se proyecta como una fuerza motora para los próximos años. Para las organizaciones empresariales, la inversión en la realización del potencial humano tiene un valor duradero y se considera que es una continua fuente de ventaja competitiva. Para la disciplina de la Psicología de negocios, la realización del potencial humano, en el contexto de un ambiente de negocios, ha sido algo largamente perseguido por el Santo Grial. Y, para los gerentes de personal, existe la posibilidad real de mejorar el rendimiento futuro con una rentabilidad económica asociada.

Keywords: Miguel Ángel, rendimiento, potencial, psicología empresarial

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Arabic Abstract*
The Michelangelo Premise
Performance, Potential, and Business Psychology

افتراض مايكل أنجلو
الأداء، الامكانيات، وعلم نفس الأعمال

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ملخص

هذه الورقة تربط الحكمة الواردة في التشبيهات المجازية في عصر النهضة مع المفاهيم الحالية للأداء، والإمكانيات، و علم نفس الأعمال. حيث تقوم باستخدام أفكار عبقري النهضة مايكل أنجلو حول النحت كرمز قوي لاطلاق إمكانيات الأداء المخفية لدينا كأفراد. حيث ينظر إلى ادراك الإمكانيات الكامنة كأداء عمل إبداعي ينسجم الرأس، القلب، والجسد فيه بشكل متنازر. وينظر الى الامكانيات المحتملة على أنها مرتبطة ارتباطا وثيقا بمفاهيم الموهبة والذكاء المتعدد. بالنسبة للاقتصاد العالمي، ينظر للتوظيف الفعال للمواهب، والذكاء، والمعرفة على أنه سوف يشكل القوة الدافعة الرئيسية لسنوات قادمة. لمنظمات الأعمال، ينظر للاستثمار في تحقيق الإمكانيات البشرية على أنه استثمار ذو قيمة دائمة و مصدرا للميزة التنافسية المستمرة. لعلم نفس الأعمال، تحقيق الإمكانيات البشرية في سياق إطار الأعمال التجارية كان دائماً الغاية والمبتغى. و للمدير هناك إمكانية حقيقية لتعزيز الأداء في المستقبل مع مردود اقتصادي.

الكلمات الدالة: مايكل أنجلو، الأداء، الامكانيات، علم نفس الأعمال

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Italian Abstract*

La Premessa di Michelangelo
Prestazione, Potenziale, e Psicologia nel Business

La Premessa di Michelangelo

Prestazione, Potenziale, e Psicologia nel Business

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Abstract

Questo documento si relaziona con la saggezza contenuta nella metafora del rinascimento con le nozioni attuali di potenziale, prestazione e il campo della psicologia nel business. Le idee del genio del rinascimento Michelangelo riguardo alla scultura possono essere utilizzate come una potente metafora per sprigionare il nostro potenziale nascosto. La manifestazione di questo potenziale inerente è vista come una prestazione creativa a lavoro che fa sinergia tra testa, cuore e corpo. Il potenziale è visto come molto vicino ai concetti di talento e intelligenze multiple.

Per l'economia globale, l'efficace impiego di talento, intelligenza e sapere sono considerati essere le forze primarie di propulsione per gli anni a venire. Per le aziende investimenti nell'espressione del potenziale umano sono visti come aspetti che durano nel tempo e considerati di essere una fonte continua di vantaggio competitivo. Per la disciplina della psicologia applicata al business, l'identificazione del potenziale umano nel contesto organizzativo è da tempo stata cercata come il Calice Sacro. E, per il manager-individuo c'è concretamente la possibilità di incrementare le prestazioni future con i benefici economici che ne sono associati.

Keywords: Michelangelo, prestazione, potenziale, psicologia nel business

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