From the desk of the Editor-in-Chief . . .


All articles that appear in this volume of the Mustang Journal of Business and Ethics have been recommended for publication by the Reviewers/Advisory Editors, using a double, blind peer review process. I express a personal thanks to the Reviewers/Advisory Editors for all their hard work and dedication to the Journal. Without their work, the publication of this Journal would be impossible.

I wish to express my sincere thanks and appreciation for all the support, encouragement, assistance and advice throughout this year. I would like to further express appreciation to Will Mawer of Southeastern Oklahoma State University, for his efforts in coordinating the entire process. The publishing of this journal is an intense educational experience which I continue to enjoy.

Congratulations to all our authors. I extend a hearty invitation to submit your manuscripts for future issues of Mustang Journals.

To further the objectives of Mustang Journals, Inc., all comments, critiques, or criticisms would be greatly appreciated.

Again, thanks to all the authors for allowing me the opportunity to serve you as editor-in-chief of the Journal.

Brad Reid
Editor-in-Chief
Mustang Journal of Business and Ethics
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<table>
<thead>
<tr>
<th>Title . . . . 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Editor’s Notes . . . . 2</td>
</tr>
<tr>
<td>Advisory Editors . . . . 3-4</td>
</tr>
<tr>
<td>Table of Contents . . . . 5</td>
</tr>
<tr>
<td>Announcements - Mustang Academic Conference Las Vegas . . . . 6</td>
</tr>
<tr>
<td>Call for Papers – Mustang Journals . . . . 7-11</td>
</tr>
<tr>
<td>Best Paper Award Winners . . . . 12</td>
</tr>
</tbody>
</table>

Joselina Cheng & Mark McCoy . . . . 14
An Innovative Model for E-teaching Inter-Disciplinary Digital Forensics

Shawn Schooley . . . . 30
Constitutional Ethics and Contracting Out: The Dilemma of Public-Private Partnerships

Donna Steslow . . . . 47
Think Like a Lawyer: Using Legal Pedagogy in your Business Course

Joseph Trefzger . . . . 54
Time Value of Money is Just Two Simple Equations

Andrew Campbell . . . . 69
Indepth Analysis of Global Leadership Challenges

Lynn Spellman White . . . . 78
An Investigation of Commitment Models and Antecedent Factors for the Human Resource Profession

Princess Habiba . . . . 93
The Difference between Psychological and Social Affairs and the Implications for Key Players

Ruth Wolf . . . . 105
Ethical Issues in India and their Ramifications on Economic Development

C. Edgar Sentell . . . . 113
Teaching Business Ethics and Making it Real

Shael Wolfson & James Bartkus . . . . 119
An Assessment of Experiments Run on Amazon’s Mechanical Turk

G. Nagamani & K. Katyayani . . . . 131
Organizational Culture Dimensions in Educational Institutions
Call for Papers

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The scope of this journal is the discussion of current controversies and trends in all fields of accounting and finance, both teaching and practice, in both the domestic and international sphere.

Papers are welcomed which use original research, add to existing theory, or discuss pedagogical innovations developed for the classroom. Innovative research ideas which span discipline areas or which incorporate other nations or cultures are especially encouraged. In addition, we welcome case studies, teaching tips, book reviews, and multi-disciplinary papers.

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The Editor of MJLL is Dr. Will Mawer, Dean of School of Education, Southeast Oklahoma State University.

The Mustang Journal of Business and Ethics was started in 2009.

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Papers are welcomed in all areas of management and marketing which use original research, add to existing theory, or discuss pedagogical innovations developed for the classroom. Innovative research ideas which span discipline areas or which incorporate other nations or cultures are especially encouraged. In addition, we welcome case studies, teaching tips, book reviews, and multi-disciplinary papers.

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

The Mustang Journal of Management & Marketing had its premiere issue in 2012.

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

**Oklahoma City, Fall, 2012 Conference:**

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

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

**Ralph Bourret & Dana Roark, Northwest Oklahoma State University**
Paper: Are Routine Retiring CEOs More Closely Monitored in their Last Year?
AN INNOVATIVE MODEL FOR ETEACHING INTER-DISCIPLINARY DIGITAL FORENSICS

Dr. Joselina Cheng, DBA
University of Central Oklahoma

Dr. Mark McCoy, PhD
University of Central Oklahoma

Abstract

The innovative just-in-time (JIT) and inter-disciplinary model was designed for a multi-year grant that had been submitted to National Science Foundation in the United States in the winter of 2011. This pilot study sought to examine the effects of the use of emerging technologies such as Camtasia (screen capturing software) and iPads (used as an intelligent ebook reader) on student learning outcomes. The target population of the pilot test included college students with majors in Management Information Systems (MIS) and Digital Forensics (DF) at one Southwest university. Sample population included students who self-enrolled in the upper levels of MIS and DF courses during the semesters of fall 2011 and spring 2012. A Cybercrime Problem Solving Assessment (CPSA), which was administered to student participants as pre- and post-test, was designed to measure student learning outcomes. The pre-test established the baseline of any prior knowledge; whereas posttest was designed to measure knowledge that was gained by student participants after reviewing discipline-specific contents. Researchers examined differences in learning outcomes (score gains) by subtracting posttests from pretests of each participant. Findings suggested that JIT eTutor had positive effects on student learning outcomes in relation to major, preferred learning style, gender, and ethnicity.

Keywords: Just-in-time Model, eTutor, Forensics, Cybercrimes, and iPads.

Introduction

An Emerging & Inter-Disciplinary Profession: Digital Forensics

Cybercrimes, which can negatively disrupt national security, commercial infrastructures, and daily lives, have been growing rapidly in a technology-rich society (U.S. Department of Defense, n.d.). Cybercrimes can occur in forms of security breach, network attacks, identity theft, white collar, and computer hacking (Attack Trends, 2010). Insider and outsider hackers often use the Internet, network, or computer-related equipment as media to commit illegal activities.
Digital Forensics (DF) is generally defined as the collection, preservation, analyses, interpretation, documentation, and presentation of legal evidence found on compromised digital media. In the context of this study, DF is defined as the “discipline to reconstruct the events which lead to a security policy violation in an information system” (Freiling, Holz, & Mink, 2008, p. 3). DF has become an indispensable tool for law enforcement to solve cybercrimes (Nelson, Phillips, Enfinger, & Steuart, 2010). DF offers digital examiners with a myriad of scientific and technological skill to solve cybercrimes.

Statement of Need
As the result of rising demands for digital examiners, the DF profession is projected to grow 30% annually in the next five years (US Bureau of Labor Statistics, 2011). This rapidly growing and emerging DF profession is a working trajectory that encompasses multiple disciplines including science, computer, and information technology (Choo, 2008; Wei, Sprague, Warner, & Skjellum, 2010).

In 2006, in response to the intensive demand to build a diverse and equitable forensics workforce in the nation, the University of Central Oklahoma established the Forensics Science Institute (FSI). FSI is a research entity and a comprehensive academic program for students and law-enforcement professionals. FSI is also pushing for hybrid and online courses that can better serve working adult students and law-enforcement professionals who work full time and prefer flexible class schedules. The trend, which offers students with web-based resources, is categorized as a method of e-learning. E-learning is the use of networked computing and communication technologies to deliver learning content through learning management systems such as Desire to Learn.

Statement of Problem & Research Gap
Although e-learning continues to be a pervasive trend in the current higher education system and advances in information technology present new opportunities for traditional higher education institutions to deliver education digitally, researchers in this area have identified specific challenges relevant to this mode of learning and instruction. Quality web-based resources and innovative DF tools will need to be developed and piloted in order to offer quality online education to build equitable workforce for the emerging DF profession (Allen & Seaman, 2011).

Some challenges noted in relevant literature are that text-based static modules do not inherently (1) cultivate a multisensory e-learning environment to better address learners’ learning styles, (2) engage students in active learning, and (3) foster higher-order thinking skills for solving real-world problems (Brown, 2010; Moallem, 2008; Online Education Attrition, n.d.). Likewise, research also shows that students of different gender and ethnicity also learn differently based on the delivery modalities (Waterhouse, 2005; Zhang, 2004). Further, models that examine the use of innovative technologies and forensic tools to solve real-world cybercrimes remain under explored (Dede, 2011; Franklin, 2011; Huynh, Umesh & Valacich, 2003; Lessen & Sorensen, 2006; Moallem, 2008; Nelson, Phillips, Enfinger, & Steuart, 2010; Siberman, 2007; Springer, 2011; Wei, Sprague, Warner, & Skjellum, 2010).

Statement of Purpose & Research Questions
This study sought to investigate the effects of the use of innovative technologies on students’ learning outcomes. Innovative technologies such as Camtasia (screen-capturing software) and iPads (an eBook device) were incorporated into the instructional design and content delivery. Researchers use Camtasia to create web-based, multimedia-based learning and tutoring modules (eTutor). Each student could access via the Internet 24/7 with a PC, laptop, or an iPad. A Cybercrime Problem Solving Assessment (CPSA) instrument, as shown in the Appendix, was developed and piloted. Analyses were
derived from CPSA to form the basis for answering the following research questions (RQ):

RQ1: To what degree does just-in-time (JIT) eTutor affect student learning outcomes in relation to major and preferred learning style as measured by CPSA?

RQ2: To what degree does JIT eTutor affect student learning outcomes in relation to major and gender as measured by CPSA?

RQ3: To what degree does JIT eTutor model affect student learning outcomes in relation to major and ethnicity as measured by CPSA?

THEORETICAL FRAMEWORK FOR THE INTER-DISCIPLINARY & JUST-IN-TIME (JIT) Model

A Corporate Strategy for JIT Skill Acquisitions
Web-based training aids employees in acquiring new skills needed to compete in the global economy, because skills learned today are soon obsolete in a knowledge-based society (Brown, 2010; Munzer, 2002). Global companies such as IBM, GE, and Motorola established corporate universities to provide web-based training to employees who are located in different continents. These companies incorporate information communication technology (ICT) to deliver web-based training modules that employees can access via the Internet 24/7 without the location constraint (Huynh, Umesh, & Valacich, 2003).

An Integrated Industry-University JIT Model for Higher Education
Likewise, by exposing both teacher and students to JIT emerging technologies can better prepare them for the workforce of the future (Brown, 2010; Huynh et al, 2003). Technology, in various forms, as shown in Table #1, has played a vital part in the evolution of distance education for decades. The Internet, Google, YouTube, social networks, and cloud computing have dramatically rechanneled today’s youth for the way they interact and learn, both formally and informally. Further, these advanced technology provides opportunities for higher education to explore innovative strategies and new methods of delivering education, partly to enhance traditional methods of knowledge acquisition and distribution in a traditional face-to-face, hybrid, or cyber classroom (Chen, Gupta, & Hoshower, 2006; Picciano, 2006). As students and instructors have increased their use of computers in both personal and professional capacities, demands for online resources rise.

<table>
<thead>
<tr>
<th>Table #1. Four Generations of Distance Education</th>
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<tr>
<td>Distance learning generation</td>
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<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td>Generation #1</td>
</tr>
<tr>
<td>Generation #2</td>
</tr>
<tr>
<td>Generation #3</td>
</tr>
<tr>
<td>Generation #4</td>
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</table>

Six Interdisciplinary Studies of JIT eTutor
Although textbook publishers have presented instructors with options for using the systems as class supplements, there are varying opinions about the helpfulness of the systems with regard to student engagement and impact on performance (Oppenheimer, 2003). Research shows that web-based tutorials offer opportunities to increase student engagement, understanding of material, and learning outcomes, as shown in Table #2 (Cheng & Moyers, 2008; Cheng, 2009a, b, c; Cheng & Epplin, 2011; Cheng & Swanson, 2011).

### Table #2. Student learning outcomes in Relation to Disciplines

<table>
<thead>
<tr>
<th>Disciplines</th>
<th>Treatment Variable</th>
<th>Statistical Significance</th>
<th>JIT eTutor Group</th>
<th>Lecture Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td>eTutor</td>
<td>Y</td>
<td>72</td>
<td>62</td>
</tr>
<tr>
<td>Economics</td>
<td>eTutor</td>
<td>Y</td>
<td>77</td>
<td>65</td>
</tr>
<tr>
<td>MBA</td>
<td>eTutor</td>
<td>Y</td>
<td>85</td>
<td>73</td>
</tr>
<tr>
<td>Management Information Systems</td>
<td>eTutor</td>
<td>Y</td>
<td>76</td>
<td>72</td>
</tr>
</tbody>
</table>

To extend the demonstrated successes of JIT eTutor for social science, researchers sought to compare how the use of JIT eTutor with inter-disciplinary content (digital forensics) would affect student learning outcomes. The following sections provide discussion on the technologic, contextual, and andragogical frameworks (Figure 1) that support JIT eTutor model and a hands-on, problem solving, inquiry-based, and project-driven (HPIP) learning environment.

### Figure 1: An integrated Industry-University JIT Model (Cheng, Copyright 2012)

Three Technological Frameworks for JIT eTutor

eTutor was based on Multimedia, Information Communication technology (ICT), and Technology Mediated frameworks. First, researchers used Camtasia (Screen capturing software) to create multimedia-based learning modules and tutorials. Multimedia learning is the delivery of information in a computer-based presentation by integrating several mediums of communication such as text, graphics, video, animation, and sound as the Internet supports the delivery of full-motion audio and video to personal computers (Zhang, 2004). Multimedia courseware can cultivate a multi-sensory learning environment and address various learning styles by enticing learners to pay full attention through the vividness of presentation, sound, and hands-on activity (Nugent, Soh, Samal, Person, & Lang, 2005). Multimedia instruction can also maximize the learner’s ability to retain information by enticing learners to focus their full attention on a task through the vividness of the presentation.

Next, researchers incorporated Technology Mediated and Information Communication
technology (TM/ICT). TM/ICT is an environment “in which the learner’s interaction with learning materials such as readings, assignments, and instructions” (Alavi & Leidner, 2001, p. 2). TM/ICT is often implemented in forms of computer-assisted instruction, computer-based training, Web-based instruction, or Web-based training. *eTutor* was integrated with learning management systems (LMS) such as WebCT, Blackboard, or Desire to Learn. Students could use a PC, laptop, or an iPad to access eTutor 24/7 via the Internet to access eTutor modules that were located on the LMS course site.

These technological frameworks allow instructors to deliver the planned course contents to students digitally. Research shows that technology mediated and multimedia learning can cultivate an active and multi-sensory learning environment to better address student learning styles (Cao, 2005; Weston & Barker, 2001; Zhang, 2004). Research also shows that these frameworks can enhance learning and teaching effectiveness in the global e-learning environment when students’ learning dynamics are better addressed (Cheng & Moyers, 2008; Cheng, 2009a, b, c; Cheng & Epplin, 2011; Cheng & Swanson, 2011). Research shows that the use of these frameworks produces empirical evidence, that they can enhance the traditional method of teaching and increase learning effectiveness in the cyber classroom (Hogan & McKnigh, 2007; Moallem, 2008; Sandman; 2009; Turkmen, 2008).

Three Contextual Frameworks for JIT eTutor and HPIP Learning Environment

*Real-World Cybercrimes*

Technology is rarely a solution without rich content. To address this challenge, *eTutor* modules were designed to model real-world cybercrimes. The pilot study situated students with the scenario of a hacker who invaded a corporate network and corrupted employee information systems.

*Job Shadowing*

Students were asked to role play as digital examiners while instructor served as a chief digital examiner. This mentoring approach in a virtual simulated environment enabled learners to make mistakes and receive feedback without endangering the lives of people or damaging important property or information.

*21st Century Critical Problem Solving Skill*

Faculty also engaged students in the problem-solving process with a guide to teach forensic investigation with a triage model. Table 3 presents a summary of these *eTutor* modules that were designed to support students with a just-in-time skill acquisition model and problem-solving process. For the scope of the pilot test, *eTutor* modules were designed to provide students with sequential instructions for how to use a demo-version of forensic tool kit (FTK) to solve a cybercrime that was assigned by both DF and MIS instructors. Students were requested to access JIT eTutor which provided step-by-step instructions on how to download the FTK, search criminal databases, collect digital evidence, and solve the cybercrime.

Table #3. *Web-based eTutor with Digital Forensics Contents*

<table>
<thead>
<tr>
<th>Module &amp; Content Description</th>
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<tbody>
<tr>
<td>1-Downloading forensics tool kit</td>
</tr>
<tr>
<td>2-Recovering digital photo</td>
</tr>
<tr>
<td>3-Examine the hidden email header</td>
</tr>
<tr>
<td>4-Restore data from digital devices</td>
</tr>
<tr>
<td>5-Searching criminal records on databases</td>
</tr>
</tbody>
</table>
Five Tenets for Supporting Adult Learning with JIT eTutor in the Virtual Classroom

Since technology is only a tool, and content knowledge alone is not enough to transform education, great teachers must be able to call on a repertoire of methods and reformed teaching strategies to teach in the global learning environment in addition to those used in the traditional face-to-face (F2F) classroom (Brown, 2010). Despite the fact that web-based teaching and learning have gained momentum and now account for a significant proportion of course offerings in higher education, pedagogical guidance for faculty making the transition from the traditional classroom to the hybrid and cyber classroom teaching is very limited (Moallem, 2008). Educators often undergo the pragmatic process by unlearning past teaching habits and philosophies.

Further, today’s adult learners are digital natives who learn differently. The concept of an adult learner was brought to the education forefront in 1968 by Malcolm Knowles. Andragogy that is defined as the “art and science of helping adults learn” (Knowles, 1980, p. 38). Andragogy is an integral concept of adult learning theory that asserts several assumptions about learners. First, adult learners prefer to engage in the learning process actively (Knowles, 1980). Second, adult learners become ready to learn when they can apply the knowledge to real-life situations (Knowles, 1980). Aligning learning objectives with adult students’ needs, interests, skills, attitudes, readiness, and preferences can enhance learning effectiveness (Mungania & Hatcher, 2004). Third, adult learners focus on problem-centeredness, self-directed learning, and life-long development.

To better serve adult learners who prefer to take online courses because of the flexible schedule that accommodate their full-time jobs or prefer to learn in an immersive online environment, researchers also incorporated the frameworks of constructive, active learning, and Bloom’s taxonomy were incorporated into the JIT system to design learner-centered courses to engage students and increase online learning effectiveness (Lieberman & Wilkins, 2006; Trotter, 2006).

*Andragogical Tenet #1 for Supporting Active Learning*

For teachers to transition pedagogy from lecture-based to learner-centered, *eTutor* learning modules were designed with hands-on, problem solving, inquiry-based, and project-driven (HPIP) approaches to foster active learning (Brzovic & Matz, 2009; Chanlin & Chan, 2007). The HPIP learning environment can foster students’ critical thinking where learners “become more actively engaged in the learning process” (Waterhouse, 2005, p. 37). Teachers become facilitators who also encourage students to think creatively and critically by applying learned concepts to solve real-world problems (Artino, 2008; Gonzalez & Salmoni, 2008; Juni, 2006; Snow-Renner & Lauer, 2005). Research shows that integrating HPIP with innovative technology to create multimedia-based learning modules can enhance teaching and learning effectiveness in both hybrid and online settings (Tangdhanakanond, Pittyanuwat, & Archwamety, 2006; Waterhouse, 2005).

*Andragogical Tenet #2 for Supporting Cognitive Learning*

The focus of cognitive learning is for faculty members to develop activities that help students learn how to learn (Bellefeuille, 2006). Cognitive learning theory underlines the importance of goal setting and the type of feedback that is given to learners to motivate learning. Faculty members should also develop learning activities that require students to engage in self-regulatory strategies such as logging onto hybrid and online courses regularly throughout the week to complete homework assignments or participate in threaded discussions. Whipp and Chiarelli (2004) found that successful learners in a web-based course used self-regulatory strategies.
Andragogical Tenent #3 for Supporting Constructive Learning

The focus of constructivism is for faculty members to transition from knowledge transmission to knowledge construction by cultivating a learning environment by encouraging students to engage in self-directed, self-reflective, interactive, and collaborative learning experience (Bellefeuille, 2006). Self-paced and autonomous learning are key principles of constructivism. Constructive learning is enhanced in a virtual learning environment where students can engage in learning anytime and anywhere (Bellefeuille, 2006).

Incorporating cognitive and constructive learning theories into eTutor learning modules can help students learn autonomously when teaching practice changes from knowledge transmission to knowledge construction (Waterhouse, 2005). Cognitive and constructive learning underlines the importance of goal setting and the types of feedback that can motivate students to learn (Bellefeuille, 2006). Cognitive and constructive learning also develops students’ self-regulatory skills to manage course workload and succeed in the e-learning environment (Whipp & Chiarelli, 2004).

Andragogical Tenent #4 for Supporting Social Learning

The focus of social learning theory is for faculty members to promote scaffolding through technology. Scaffolding is a key idea that derives from Vygotsky’s (1978) social learning model. Faculty members can incorporate technology to elevate students’ cognitive levels with modeling, support, and fading (Bellefeuille, 2006). First, etutor was designed to support “Modeling” by providing students with JIT assistance and adequate learning structures that lead students to the desired learning behavior. Next, etutor was designed to align with “Supporting” by rendering timely feedback so that they can perform tasks or assignments independently. Last, eTutor was designed to support “Fading: which is to reduce the amount of support over time so that students can become confident and self-reliant (Bellefeuille, 2006).

Andragogical Tenent #5 for Supporting Bloom’s High-Order Learning

Bloom (1956) classified different levels of intellectual behaviors that are important in the learning process including the cognitive, the affective, and the psychomotor domains (Waterhouse, 2005). The revised Bloom’s (2001) taxonomy asserts that mastery of a concept is defined by the ability to exhibit six increasingly sophisticated levels of cognitive behavior relative to the concept, as shown in Table #4. Research shows that incorporation of Bloom’s taxonomy into the learning content design can enhance faculty members’ abilities to foster critical thinking in a learner-centered learning environment where learners “become more actively engaged in the learning process” (Waterhouse, 2005, p. 37). Further, Bloom’s model provides faculty a framework to foster student higher order thinking skills as teams of student investigating a cybercrime further and collecting digital evidence with creative solutions. Students were required to “create” reports using innovative technologies such as Prezi to present findings as if they were to appear in a moot court.

Table #4. Bloom’s Classification of Higher Order Thinking Skills (Bloom, 2012)
In short, these theoretical teaching strategies provide the framework for the design of eTutor to help teachers shift from a teacher-centered to a learner-centered paradigm. Such an environment also fosters a supportive, collaborative, and interactive learning environment to enhance the sense of community by providing student resources of materials and technology for students (De Simone, 2006). Doing so can better prepare students to compete in the workforce by engaging them in active learning to build their knowledge and apply skills to solve real-world problems with creative solutions.

DESIGN & METHODOLOGY

Treatment Variable: Just-in-time (JIT) eTutor

Since the Internet supports the delivery of full-motion audio and video to personal computers, the researcher operationalized one research construct, the primary investigator (PI) used screen-capturing software (Camtasia) to create web-based, multimedia-based learning modules (eTutor) for students to retrieve and download via the Internet. eTutor combines several media of communication such as text, graphics, video, animation, and sound. For the scope of the pilot test, eTutor modules were designed to provide students with sequential instructions for how to use a demo-version of forensic tool kit (FTK) to solve a cybercrime that was assigned by both DF and MIS instructors as previously discussed.

Instrument

CPSA was designed to collect (1) demographic data (e.g., self-reported preferred styles, gender, and ethnicities, and (2) closed-ended multiple choice questions that were designed to measure learning outcomes. CPSA was administered to student participants as pre- and post-test. The pre-test established the baseline of any prior knowledge; whereas posttest was designed to measure knowledge that was gained by student participants after reviewing discipline-specific contents. Researchers examined differences in learning outcomes (score gains) by subtracting posttests from pretests of each participant.

Target Population & Group Affiliation

Researchers targeted (a) graduate and undergraduate students who self-enrolled in an upper digital forensics 4463/5463 course (referred to as the DF group) in fall 2011 and (b) undergraduate students who were in management information systems 4303 (referred to as the MIS group) in spring 2012. Both were three-credit hour courses that lasted 16 weeks. The sample population included a total of 35 students who consented to participate in the study. The DF group used personal computer or laptops to access eTutor in a forensic lab; whereas MIS group used iPads in a MIS lab.

Data Collection

Participants were administered with the Cybercrime Problem Solving Assessment (CPSA) as the pre- and post-test. Both tests resided in the Survey Monkey website. The assessment consists of multiple-choice questions that required problem solving skills. At the end of data collection, demographics and scores of pretests and posttests from both DF and MIS groups were downloaded from the Survey Monkey server and imported into Excel on the PI’s PC for analysis.

FINDINGS OF THE STUDY

Data Analyses

Students’ learning outcomes were measured by score improvement that was derived by subtracting the pre-test scores from the post-tests scores. The differences in learning outcomes formed
the basis for data analyses in order to answer the following research questions (RQ):

RQ1: To what degree does JIT eTutor affect student learning outcomes in relation to preferred learning style (PLS) as measured by CPSA?

Table #5 of the Appendix summarizes the effects of eTutor on learning outcomes for students with different majors (Management Information Systems and Digital Forensics) and preferred learning styles. Students’ learning outcomes were measured by score improvement (referred to as “gain” hereafter) that was derived by subtracting the pre-test scores from the post-tests scores. Management Information Systems (MIS) students with a PLS of kinesthetic (gain=53) performed better than Digital Forensics (DF) students (gain=44) with the same PLS. Likewise, MIS students with a “visual” PLS (gain=30) also performed slightly better than those with the same PLS (gain=27).

Table 5. Student Learning Outcomes in Relation to Major and Preferred Learning Styles (PLS)

<table>
<thead>
<tr>
<th>Major/Group</th>
<th>PLS</th>
<th>Pretest Average</th>
<th>Postest Average</th>
<th>Gain Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>DF</td>
<td>Auditory</td>
<td>30</td>
<td>60</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Kinesthetic</td>
<td>38</td>
<td>83</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>Visual</td>
<td>35</td>
<td>62</td>
<td>27</td>
</tr>
<tr>
<td>MIS</td>
<td>Auditory</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Kinesthetic</td>
<td>20</td>
<td>73</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>Visual</td>
<td>45</td>
<td>75</td>
<td>30</td>
</tr>
</tbody>
</table>

RQ2: To what degree does JIT model affect student learning outcomes in relation to gender as measured by CPSA?

Table #6 presents findings of learning outcomes of students with majors in MIS and DF. Female DF students (gain=41) performed slightly better than female MIS students (gain=40). However, male MIS students (gain=38) performed much better than DF female students (gain=23).

Table 6. Student Learning Outcomes in Relation to Major and gender

<table>
<thead>
<tr>
<th>Major/Group</th>
<th>Gender</th>
<th>Pretest Average</th>
<th>Postest Average</th>
<th>Gain Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>DF</td>
<td>Female</td>
<td>35</td>
<td>76</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>35</td>
<td>58</td>
<td>23</td>
</tr>
<tr>
<td>MIS</td>
<td>Female</td>
<td>30</td>
<td>70</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>42</td>
<td>80</td>
<td>38</td>
</tr>
</tbody>
</table>

RQ3: To what degree does JIT model affect student learning outcomes in relation to ethnicity as measured by the Technical Competency Assessment CPSA?

Table #7 presents summarized findings of the effects of eTutor on learning outcomes for students with MIS and DF majors and self-reported ethnicity. American Indian students (gain=70) in the MIS group performed better than those in the DF group (gain=30). Asian students (gain=34) in the MIS group performed slightly better than those in the DF group (gain=30). White students in both groups performed the same (gain=40).
Table 7. Student Learning Outcomes in relation to Major and Ethnicity

<table>
<thead>
<tr>
<th>Major/Group</th>
<th>Ethnicity</th>
<th>Pretest Average</th>
<th>Postest Average</th>
<th>Gain Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>DF</td>
<td>African American</td>
<td>40</td>
<td>30</td>
<td>-7</td>
</tr>
<tr>
<td></td>
<td>American Indian</td>
<td>40</td>
<td>70</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Asian</td>
<td>38</td>
<td>72</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>White</td>
<td>32</td>
<td>78</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Middle Eastern</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>MIS</td>
<td>African American</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>American Indian</td>
<td>20</td>
<td>90</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>Asian</td>
<td>50</td>
<td>80</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>White</td>
<td>30</td>
<td>75</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Middle Eastern</td>
<td>60</td>
<td>63</td>
<td>3</td>
</tr>
</tbody>
</table>

Discussion

The overall findings aligned with literature that learning style, gender, and ethnicity matters in terms of course delivery method. Overall, the data evidence that students in both groups benefit from the JIT eTutor since the MIS group gained 35% versus students in the DF gained 34%. For the DF group, further interpretation of the relationships among preferred learning style, gender, and ethnicity were conducted. In particular, findings suggest that eTutor was most effective with white female students who preferred kinesthetic learning style; whereas eTutor was least effective with African-American male students who preferred visual learning style.

For the MIS group, findings suggest that eTutor was most effective with female American Indian students who preferred kinesthetic learning style; whereas eTutor was least effective with Middle-Eastern male students who preferred visual learning style.

Overall, the MIS group outperformed the DF group. White females with the preferred kinesthetic learning style benefited most from the JIT eTutor.

LIMITATION OF THE STUDY

This study has several limitations due to limited resources and the timeframe. First, the pilot study employed convenience sampling that was small. The study is limited to students who self-enrolled in MIS and digital forensics courses that were offered by one public university in the southwest region of the United States. Second, the pilot study was only conducted in two semesters over one module. The small sample size, geographic boundary, limited modules, and short time frame hinder researcher’s ability to generalize the results to a larger population.

SIGNIFICANCE OF THE STUDY TO LEADERSHIP

Although e-learning can be a crucial strategy for traditional higher education institutions to accommodate adult learners’ needs, institutional administrators and teachers have tremendous responsibilities to ensure the quality of online education is technologically, contextually, and pedagogically addressed when migrating learning modules to course sites (De Simone, 2006). It is vital for administrators, decision makers, and faculty members to understand the complexity of teaching and learning dynamics in the global e-learning environment.
The project challenges the traditional method of professional development, teaching, and learning in higher education with an automated Web-based tutoring builder system by integrating technological, contextual, and andragogical factors into the course design and class instruction. As evidenced by the study, doing so can cultivate a multi-sensory learning environment to address student preferred learning style, gender-specific, and diversity of ethnicity that can affect teaching and learning effectiveness in the global classroom. Specifically, findings of the study in relation to gender and ethnicity in relation to disciplines can also help educators understand how to better serve female college students and minorities in order to build an equitable STEM workforce for the MIS and DF professions to fend off rapidly growing cybercrimes in a technology-rich society.

FUTURE RESEARCH

Several future studies could further explore technological factors to enhance learning outcomes of college courses in higher education institutions. A study of iPad use as an eBook device for accessing Web-based learning modules in a wireless campus can provide new insights on student learning satisfaction and academic performance.

Next, a longitudinal study across multiple semesters could examine the effects of Web-based, automated learning systems. Extending the study to include more students attending different institutions across the nation is also a possibility. Variables such as time spent on assignments, homework system tools used, and their impact on success in the course might also be investigated. The goal would be to provide insight into which factors are most effective in helping students understand course material.

Last but not the least; a study for using simulation technology to teach MIS, digital forensics, and other disciplines can also provide insights on how today’s learners collaborate and interact in the virtual world. Immersive technologies also allow educators and researchers to simulate “authentic” learning environments when they are too expensive or impossible to re-create. A triangulation study can be conducted with a quantitative survey study and a following-up qualitative interview to explore each of the technological, contextual, and andragogical factors. Research could also investigate the interaction between the internal factors of course characteristics and the external factors of student demographics.

CONCLUSION

While advanced technology can provide traditional brick-and-mortar higher education institutions with innovative methods to deliver education electronically, the success of online teaching and learning depends on the academic stakeholders’ efforts. It appears that using an online homework system is useful in encouraging students to complete homework assignments by providing students with JIT web-based tutorials. This study contributes to the literature by providing insights on how the use of innovative technology can have a positive effect on teaching and student learning digital forensics in the global e-learning environment. Although the empirical findings provide direction for instructors to design coursework, the search for holistic models should continue in order to better engage and prepare students with 21st century skills that are critical to participate in the highly competitive global economy.

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### APPENDIX – A CYBERCRIME PROBLEM SOLVING ASSESSMENT (CPSA)

**eTutor Module #1: Digital Forensics**

1. How might a computer be involved in a crime?
   - A) As a target.
   - B) As a container of evidence.
   - C) As a tool.
   - D) All of the above.

2. Data in this type of memory is lost when the computer is turned off.
   - A) ROM.
   - B) CMOS.
   - C) RAM.
   - D) Flash drive.

3. Most computer hardware settings are stored in __________.
   - A) Complementary Metal Oxide Semiconductor (CMOS)
   - B) Random access memory (RAM)
   - C) ROM
   - D) All of the above

4. The triad of computing security includes which of the following?
   - A) Detection, response, and monitoring
   - B) Vulnerability assessment, detection, and monitoring
   - C) Vulnerability assessment, intrusion response, and investigation
   - D) Vulnerability assessment, intrusion response, and monitoring

5. Policies can address rules for which of the following?
   - A) When you log on to a company network from home
   - B) the Internet sites you can or cannot access
   - C) the amount of personal e-mail you can send
   - D) Any of the above

6. Who should have access to a secure container?
   - A) Only the primary investigator
   - B) Only the investigators in the group
   - C) Only senior-level management
   - D) None of the above

7. The manager of a computer forensics lab is responsible for which of the following?
   - A) Necessary changes in lab procedures and software
   - B) Ensuring that staff members have sufficient training to do the job
   - C) Knowing the lab objectives
   - D) None of the above
CONSTITUTIONAL ETHICS AND CONTRACTING OUT: THE DILEMMA OF PUBLIC-PRIVATE PARTNERSHIPS

Shawn Erik Schooley

_Auburn University_

**ABSTRACT**

This article examines John Rohr’s (1998) Constitutional ethics approach for bureaucrats, applying it as a contextual lens to public-private partnerships between the government and business sectors. This analysis is used to explore the ethical dilemmas created by New Public Management’s adage “run government more like a business”; specifically, as it relates to contracting out of public services in the field of security. The private sector entity known as Academi, formerly known as Blackwater Worldwide, Blackwater USA, and Xe Services LLC, is used as a case study. It is argued that an “oath” to the Constitution should be required of private sector personnel fulfilling public sector contracts, just as if they were federal level public administrators. Further, Rohr’s (1998) recommendation of a Federal Civil Service Academy could also be used to inform private sector contractors of their ethical obligations to the citizenry of the United States.

**INTRODUCTION**

New Public Management (NPM) has been the predominant paradigmatic view (i.e., worldview) in the field of public administration in the United States since 1993 (e.g., Haque, 2004). It has been hailed by its champions as the answer to “good” government with its penultimate focus on efficiency. Its detractors argue it has numerous shortcomings leading to myriad public interest issues. Not the least of which include the criticisms leveled at contracting government services to private sector entities (e.g., Denhardt and Denhardt, 2011).

Many ethical issues are raised by these public-private partnerships (PPP) (e.g., Haque, 2007; Haque, 2004; and Savas, 2000), also known as privatization or contracting out. Several academicians focus on the substantive area of ethics for bureaucrats (e.g., Cooper, 2004; Theobald, 1997; and Tong, 1986). John Rohr (1998) is one such scholar who makes an argument for a Constitution based ethics for public administrators.

The purpose of this article is to apply Rohr’s (1998) ethical approach for civil servants to the moral dilemmas raised by PPP that are firmly entrenched in post-9/11 America. It examines as a case study the private sector company Academi, formerly known as Blackwater Worldwide, Blackwater USA, and Xe Services LLC. The research question being addressed by this work is “In what way, if any, can Rohr’s (1998) Constitutional ethics approach be used to mitigate unethical behavior by private sector contractors?”

First, this paper provides an overview of the relevant literature: NPM and PPP as well as public administration ethics. Second, it presents Rohr’s (1998) Constitutional ethics approach for public administrators. Third, this article illustrates the case of Academi and the ethical issues it has faced as a private sector company. Fourth, it uses Rohr’s (1998) approach as a contextual lens with which to analyze the case study. Fifth, this article offers a discussion and answers the
research question “In what way, if any, can Rohr’s (1998) Constitutional ethics approach be used to mitigate unethical behavior by private sector contractors?”

NEW PUBLIC MANAGEMENT

David Osborne and Ted Gaebler (1992) argue the answer to addressing what ails contemporary public administration in the United States is to “reinvent government.” This worldview and approach to the field of public administration has become known as New Public Management (e.g., Denhardt and Denhardt, 2011; Denhardt and Denhardt, 2009; Haque, 2004; and Kaboolian, 1998). They posit ten tenets of NPM: 1) catalytic government: steering rather than rowing, 2) community-oriented government: empowering rather than steering, 3) competitive government: injecting competition into service delivery, 4) mission-driven government: transforming rule-driven organizations, 5) results-oriented government: funding outcomes, not inputs, 6) customer-driven government: meeting the needs of the customer, not the bureaucracy, 7) enterprising government: earning rather than spending, 8) anticipatory government: prevention rather than cure, 9) decentralized government: from hierarchy to participation and teamwork, and 10) market-oriented government: leveraging change through the market (Denhardt and Denhardt, 2009; and Osborne and Gaebler, 1992).

They draw on public choice theory and stress efficiency, competition, entrepreneurship, accountability, performance measurement, and benchmarking (Osborne and Gaebler, 1992). Osborne and Gaebler (1992) advocate “running government more like a business” with efficiency being the supreme value (Denhardt and Denhardt, 2011; and Denhardt and Denhardt, 2009). They write,

[W]aste in government is staggering, but we cannot get at it by wading through budgets and cutting line items. As one observer put it, our governments are like fat people who must lose weight. They need to eat less and exercise more; instead, when money is tight they cut off a few fingers and toes. To melt the fat, we must change the basic incentives that drive our governments. We must turn bureaucratic institutions into entrepreneurial institutions, ready to kill off obsolete initiatives, willing to do more with less, eager to absorb new ideas…Our fundamental problem is that we have the wrong kind of government. We do not need more government or less government, we need better government. To be more precise, we need better governance (Osborne and Gaebler, 1992 at 23-24).

Osborne and Gaebler (1992) propose entrepreneurial government via privatization as a big part of the solution to American public administration’s ills, albeit they caveat it is only “one answer, not the answer” (at 45).

There are many scholars who have weighed in on the NPM debate (e.g., Atreya and Armstrong, 2002; Box, 2009; Box, 1998; DeLeon and Denhardt, 2002; Denhardt and Denhardt, 2011; Denhardt and Denhardt, 2009; Haque, 2004; Kelly, 1998; Kettl, 1998; Khademian, 1998; King and Stivers, 1998; Osborne and Gaebler, 1992; Peters and Pierre, 1998; Pollitt, 1995; Stillman, 2003; and Terry, 1998). Cook (1996) has traced the instrumental and constitutive aspects of public administration throughout American history since the founding period arguing NPM’s intellectual roots can be discovered as far back as the Federalist writings of James Madison, Alexander Hamilton, and John Jay. Denhardt and Denhardt (2011) add to this line of
reasoning by discussing the three eras of public administration since its inception as a standalone discipline, distinct and separate from political science, as articulated by Woodrow Wilson (1887) in his essay entitled “The Study of Administration.” They label these three periods, Traditional Public Administration, New Public Management, and New Public Service (NPS) (Denhardt and Denhardt, 2011).

Denhardt and Denhardt (2011) take particular issue with NPM and offer what they call New Public Service as an alternative. A way of governing that emphasizes the citizen over the client or customer. One in which public participation is heralded as the most appropriate way to govern (Denhardt and Denhardt, 2011; and Denhardt and Denhardt, 2009). The Denhardts (2011) offer seven tenets in lieu of Osborne and Gaebler’s (1992) ten elements of NPM. These are: 1) serve citizens, not customers, 2) seek the public interest, 3) value citizenship over entrepreneurship, 4) think strategically, act democratically, 5) recognize that accountability is not simple, 6) serve rather than steer, and 7) value people, not just productivity (Denhardt and Denhardt, 2011; and Denhardt and Denhardt, 2009). A primary point of difference between NPM and NPS is privatization; NPM proponents’ belief the private sector can provide government services more efficiently (i.e., more expediently, for less cost, and of better quality) than NPS adherents’ bureaucratically-minded public administrators can.

PUBLIC-PRIVATE PARTNERSHIPS: CONTRACTING OUT

Public-private partnerships are created when a government partners, through a legally binding contract, with one or more private sector entities to provide specified goods or services in furtherance of the public interest (e.g., Freeman and Minow, 2009; Haque, 2004; Osborne and Gaebler, 1992; and Savas, 2000). Much public administration scholarship has been devoted to PPP (e.g., Gaffey, 2010; Goldenkoff, 2001; Haque, 2001; Haque, 1999; Haque, 1996a; Haque, 1996b; Kee and Forrer, 2012; Rheaume, 2000; Savas, 2000; and Wolf, 2005). Savas (2000) argues “privatization has reached the third stage” (at xiii) of Schopenhauer’s maturation of great ideas wherein privatization is ‘considered to be self-evident’ (as cited in Savas, 2000 at xiii).

Savas (2000) posits five forces influence privatization: 1) pragmatic, 2) economic, 3) philosophical, 4) commercial, and 5) populist. He writes,

[T]he goal of the pragmatists is better government, in the sense of a more cost effective one. Economic affluence reduces people’s dependence on government and increases their acceptance of privatized approaches. The goal of those who approach the matter philosophically --- some would say ideologically --- is less government, one that plays a smaller role vis-à-vis private institutions; this is the Jeffersonian view---government which governs least is best. The goal of the commercial interests is to get more business by having more of government’s spending directed toward them. And the goal of the populist is to achieve a better society by empowering people so they can satisfy their common needs, while diminishing the power of large public and private bureaucracies (Savas, 2000 at 5).
Savas (2000) recommends government contract out public provision of goods and services to private sector businesses, allowing market forces to act, after elucidating his examination of the goods and services required by contemporary society and their classification.

He notes “governments contract not only with other governments but also with private firms and nonprofit organizations for goods and services” (Savas, 2000 at 70). Arguing contracting is feasible and works well under the following set of conditions: (1) [sic] the work to be done is specified unambiguously; (2) several potential producers are available, and a competitive climate either exists or can be created and sustained; (3) the government is able to monitor the contractor’s performance; and (4) appropriate terms are included in the contract document and enforced (Savas, 2000 at 75).

Savas (2000) does present obstacles to privatization and PPPs in his work but it is only done so he can proffer strategies to NPM aficionados for overcoming such barriers as citizens, workers, politicians, and public administrators who oppose such measures. Before casting a more jaundiced eye on the “panacea” of PPPs, this work explores the literature pertaining to public sector ethics.

CONSTITUTIONAL ETHICS FOR PUBLIC ADMINISTRATORS

Despite a good deal of scholarship on the subject (e.g., Adams, 2001; Cooper, 2001; Cooper, 1991; Cooper, 1987; Cooper, 1984; Cooper, 1982; Cooper and Wright, 1992; Cooper and Yoder, 2002; Denhardt and Denhardt, 2009; Denhardt, 1988; Frederickson, 1974; Gilman and Lewis, 1999; Goodsell, 1990; Hart 2001; Hart, 1984; Hart, 1974; Kalu, 2003; Lilla, 1981; Marini, 1971; McGregor, 1974; McSwite, 1997; Morgan, 2001; Rawls, 1971; Richardson and Nigro, 1987; Rohr, 1989; Stewart, 1991; Vetterli and Bryner, 1987; Wamsley and Wolf, 1996; Wamsley, Bacher, Goodsell, Kronenberg, Rohr, Stivers, White, and Wolf, 1990; and White, 1999), the field of public administration ethics is only approximately thirty or forty years old. The study of ethics for bureaucrats in the United States realistically begins with the Minnowbrook conference of 1968 (Cooper, 2004). Cooper (2004) argues since its inception there has been no general agreement between public administration ethics scholars about what normative questions should drive this substantive area, let alone how to achieve ethical governance.

Cooper (2004) calls for the need for a focused, collaborative effort by said scholars. He writes,

[M]ore than a passing fad, administrative ethics has demonstrated its sustainability and its centrality to the field...[W]hat is lacking with respect to these developments is anything like a focused effort by groups of scholars to study specific sets of significant research questions in a sustained and systematic fashion. There is an enormous amount of interesting but highly disparate scholarship on administrative ethics reflecting the diverse and often episodic interests that capture our attention (Cooper, 2004 at 395).

The first “big question” he poses is “[W]hat are the normative foundations for public administration ethics?” (Cooper, 2004 at 396).

His answer provides five “major alternatives that have been advanced in the literature over the last 30 years” (Cooper, 2004 at 396). These are: 1) Regime Values, Constitutional Theory, and Founding Thought; 2) Citizenship Theory; 3) Social Equity; 4) Virtue; and 5) The Public
Interest (Cooper, 2004). According to Cooper (2004), Regime Values, Constitutional Theory, and Founding Thought “is most clearly associated with the work of John Rohr” (at 396).

**ROHR’S (1998) CONSTITUTIONAL ETHICS**

Rohr (1998) argues civil servants’ professional ethics ought to be normatively grounded in the United States Constitution, in American constitutional tradition, and in the regime values found therein. He begins by presenting his case against the validity of Wilson’s (1887) politics/administration dichotomy; relegating it to the status of myth in that it does not comport with administrative reality (Rohr, 1998). Rohr (1998) offers evidence of widespread administrative discretion (i.e., flexibility in decision making) by civil servants who by virtue of making governing decisions are not simply executing the specific, verbatim will of duly elected officials in the legislature. He writes,

> Through the extensive discretion that bureaucrats necessarily enjoy in a modern administrative state, they can be said to share in the governing process. To the extent that bureaucrats govern in a democratic polity, they should somehow reflect the values of the people in whose name they govern. This is an ethical question. It is not only the abuse of administrative discretion that raises ethical questions but its simple existence as well” (Rohr, 1998 at 19).

Rohr (1998), having established a strong case based on inductive logic, concludes that if the politics/administration dichotomy is false, then public administrators are faced with an ethical quandary (Rohr, 1998). In a word, once they make decisions related to governance separate and apart from politicians, then they are moral actors and responsible for their professional actions. If administrative discretion exists and civil servants are confronted with ethical decisions to be made, then the question is raised, where are they supposed to find guidance for their ethical decision making (Rohr, 1998)?

Rohr (1998) suggests bureaucrats look to the Constitution first-and-foremost for two reasons. First, as the supreme political and legal document of the country, it contains within its writing the American peoples’ regime values. Regime values are those normative aspirations that they, in a general sense and at a broad collective level, value as a people (Rohr, 1998).

Rohr (1998) cites three: freedom, equality, and property. He maintains this is not an exhaustive list and these are not the only three regime values (Rohr, 1998). Others could include justice, equity, efficiency, effectiveness et cetera. He argues individuals who aspire to the civil service “within the bureaucracy of a particular regime, the values of that regime are the most suitable starting point for their ethical reflections. This is especially true in countries like the United States in which bureaucrats are expected to take an oath to uphold the Constitution” (Rohr, 1998 at 21-22).

Second, Rohr (1998) points out public administrators in the United States are required to swear an oath to uphold the Constitution. An oath is more than a promise, a contract, or a mere “I owe you.” It is a “sacred covenant” between an individual human being and his or her Creator; in the Judeo-Christian sense; his or her God (i.e., Yahweh, the Lord) (Rohr, 1998).

For Rohr (1998), the oath takes on supreme significance when its original etymology and meaning is truly understood. It is “sacred” because God is involved. It is a “covenant” between only two parties that is freely entered into that can only be broken with serious moral consequences as well as theological implications. The breaking of a covenantal relationship with
the Divine resulted in the Old Testament in the death of the covenant breaker (*i.e.*, the fallible human being) (Rohr, 1998). Rohr (1998) stresses an “oath is an important moral event in the personal history of an individual, and oaths take on added significance in pluralistic societies like the United States where there are myriad philosophical and religious starting points from which people derive their ethical norms” (at 22).

After identifying the regime value(s) in question regarding a particular ethical decision, the public administrator is to then find “meaningful statements” about it (Rohr, 1998). Rohr (1998) asserts, these meaningful statements can be found in other founding documents such as the Declaration of Independence and the Federalist Papers, by listening to or reading speeches given by great American orators (*e.g.* Lincoln’s Gettysburg Address (1863) or Frederick Douglass’ Fourth of July Oration (1852)), or in Supreme Court Justices’ judicial opinions. Rohr (1998) writes,

> [O]ne might find indications of the values of the American people in the writings and speeches of great statesmen, in major Supreme Court opinions, in scholarly interpretations of American history, and even in the rhetoric of standard Fourth of July oratory (at 23).

He particularly stresses judicial opinions because they are pertinent, concrete, dialectic, and institutional (Rohr, 1998).

Rohr (1998) maintains using his approach can provide administrators guidance in their ethical decision making. As Cooper (2004) writes,

> [R]ohr called for public administrators to steep themselves in this evolving tradition of constitutional values because when one accepts employment in a regime, it is extremely important to be clear about its core values and whether one can uphold them. That is the fundamental professional ethical problem to be resolved, and addressing it does not require the full range of knowledge and skills expected of moral philosophers. Thus, taking a job in government is an ethical decision, as well as an economic and career decision (at 396).

However, Rohr (1998) clearly states

> [I]n studying Supreme Court opinions, the bureaucrat will be exposed to many conflicting interpretations of American values. Whenever possible, he or she will look for some consistency in the values of the American people, and the judicial process with its concern for precedent will be of some help. Frequently, however, mutually exclusive values will arise within the tradition and the bureaucrat will have to choose the position that seems most appealing and persuasive… The purpose of ‘regime values’ is not to make all bureaucrats march in lockstep. There is no one ‘authoritative’ interpretation of the American experience that all bureaucrats must adopt. What is important is that they accept the moral obligation to put themselves in touch with the values of the American people (at 28).
Rohr (1998) also contends a federal civil service institute should be established along the lines of the extant U.S. military academies.

This institute would serve, in part, to educate members of the Senior Executive Service (SES) about their moral obligations to the citizenry. The SES is comprised of political appointees as well as career bureaucrats (Rohr, 1998). Rohr (1998) envisions the institute’s curriculum having three component parts: 1) the significance of the oath to uphold the Constitution, 2) institutional literacy, and 3) knowledge of presidential politics. Rohr’s (1998) approach can be applied to any ethical situation facing a public administrator to ameliorate the bureaucrat’s moral decision making.

Rohr (1998) states the “first element in the training program should be a careful consideration of the ethical implications of the oath of office…[T]he oath of office creates a duty to resist unconstitutional orders and legitimates the position of a career civil servant who does so” (at 53). “Institutional literacy is the second training device I would suggest…[to those] personnel interested in operationalizing the difference between ‘appropriate responsiveness’ and ‘improper influence.’ By ‘institutional literacy,’ I mean a solid grasp of the statutory foundation, administrative history, and leading court decisions affecting one’s agency or program” (Rohr, 1998 at 55). “The final element in ethical training for…personnel is a thorough study of the political vision of the president” (Rohr, 1998 at 56). The private sector entity Academi and some ethical situations its employees have found themselves in in the past will be presented as a case study to demonstrate an application of Rohr’s (1998) approach.

CASE STUDY: ACADEMI AND ETHICS

AN OVERVIEW OF THE COMPANY

Academi is a private sector corporation that provides security management, risk management consulting, and security training (e.g., close personal protection and defensive driving) services both in the United States and abroad. Though its area of operation is global, its corporate offices are based in McLean, Virginia (Arlington County) with satellite locations in Moyock, North Carolina; San Diego, California; and Salem, Connecticut. Established in 1997, its founders are Erik Prince and Al Clark. The company’s motto is “Elite Training, Trusted Protection” (Academi, 2013; Pelton, 2006; Scahill, 2008; Simons, 2009; and Singer, 2003).

Academi is the largest of the three private security contractors that provide services to the U.S. State Department. Mr. Prince stated regarding Academi’s, nee Blackwater USA’s, purpose is that “[W]e are trying to do for the national security apparatus what FedEx did for the postal service” (House Committee on Government Oversight and Reform (HCGOR), 2007 at 2). Blackwater’s first government contract was after the bombing in Yemen of the U.S.S. Cole in October 2000 (e.g., Pelton, 2006; Scahill, 2008; Simons, 2009; and Singer, 2003). Since then the company has made over $1 billion dollars in U.S. government contracts (NY Times, 2007).

Repositioning and renaming Blackwater Worldwide, to Blackwater USA, to XE Services LLC, to Academi was intended to lower the company’s higher profile to a more subdued one. The name Academi was inspired by Plato’s Academi in Ancient Athens (BBC News, 2011) with the intent of portraying a more “boring” corporate image (Hodge, 2011 at 1). It has done so to mitigate the negative repercussions from many reports alleging Blackwater employees have
committed serious abuses in Iraq, including the killing of Iraqi civilians (e.g., Glanz and Lehren, 2010).

ETHICAL ISSUES

Academi has had its share of ethical scandals since its inception (e.g., HCGOR, 2007; Scahill, 2008). For example, as Chairman of the House of Representatives Committee on Oversight and Government Reform Representative Henry Waxman (D) from California stated in 2007 regarding Blackwater USA,

Over the past 25 years, a sophisticated campaign has been waged to privatize Government services. The theory is that corporations can deliver Government services better and at a lower cost than the Government. Over the last 6 years, this theory has been put into practice. The result is that privatization has exploded. For every taxpayer dollar spent on Federal programs, over 40 cents now goes to private contractors. Our Government now outsources even the oversight of the outsourcing. At home, core Government functions like tax collection and emergency response have been contracted out. Abroad, companies like Halliburton and Blackwater have made millions performing tasks that used to be done by our Nation’s military forces. What has been missing is a serious evaluation of whether the promises of privatizing are actually realized. Inside our Government, it has been an article of faith that outsourcing is best. (HCGOR, 2007 at 1-2).

Representative Waxman (D) went on to report that

[T]here are also serious questions about Blackwater’s performance. The September 16th shooting that killed 11 Iraqis is just the latest in a series of troubling Blackwater incidents. Earlier this year our committee examined the companies [sic] mistakes in Fallujah where four contractors were killed and their bodies burned. That incident triggered a major battle in the Iraq War. New documents indicate that there have been a total of 195 shooting incidents involving Blackwater forces since 2005. Blackwater’s contract says the company is hired to provide defensive services, but in most of these incidents it was Blackwater forces who fired first. We have also learned that 122 Blackwater employees, one seventh of the company’s workforce in Iraq, have been terminated for improper conduct (HCGOR, 2007 at 2-3).

For instance, in 2006 a Blackwater contractor who was drunk shot the Iraqi Vice President’s guard within the Green Zone killing him (HCGOR, 2007). “Accusations that run the gamut from negligence, racial discrimination, prostitution, wrongful death, murder, and the smuggling of weapons into Iraq in dog-food containers” (Pelton, 2011 at 1). In Mr. Prince’s mind, it was the September 16th incident in Nisour Square in Iraq that was the beginning of it all going wrong for he and Blackwater (Pelton, 2011).

On that fateful day in 2007, Blackwater contractors were providing security for a U.S. State Department vehicle convoy transporting American diplomats. Blackwater Personal Security Detail (BPSD) personnel were sent to clear the route. When they encountered a busy traffic
circle, Nisour Square, they started shooting (e.g., Devereaux, 2012; Johnston and Broder, 2007; and Pelton, 2011).

The “butcher’s bill,” in what the U.S. State Department called a “terrible accident,” was 17 Iraqi civilians dead and 20 more wounded (e.g., Devereaux, 2012; and Johnston and Broder, 2007). The F.B.I. determined 14 of the 17 deaths were “without cause” (Johnston and Broder, 2007 at 1). In 2008 the United States charged five Blackwater guards as follows: 14 counts of manslaughter, 20 counts of attempted murder, and a weapons violation (Pelton, 2011).

CONSTITUTIONAL ETHICS: AN ANALYSIS OF ACADEMI

Rohr’s (1998) Constitutional ethics approach for bureaucrats can be used to analyze all of the aforementioned moral dilemmas Academic’s private contractors have found themselves facing over the last 12 years. For the purposes of this research, Rohr’s (1998) method will be used to analyze the 2007 Nisour Square incident. The first step is to identify the regime value in question (Rohr, 1998).

The regime value at issue in this case is “freedom.” In the context of a Constitutional argument, the Fourth Amendment’s requirement that a person has a right to protection from “unlawful search and seizure” has been used by the Supreme Court to hold that excessive force (i.e., deadly force) cannot be used against a person to “unreasonably seize” them (e.g., United States Supreme Court (USC), 2007). Though this may not be the only regime value in play, it is sufficient to demonstrate an application of Rohr’s (1998) approach.

Next, Rohr (1998) advises finding meaningful statements about the regime value; here being freedom. He maintains Supreme Court Justices’ opinions are the best place to do this; paying particular attention to the dialectic back and forth between Justices as a way of providing guidance for ethical decision making (Rohr, 1998). Many cases wherein meaningful statements regarding the regime value of freedom can be examined (e.g., New York Times Co. v. United States (1971) and Garcetti et. al., v. Ceballos (2006)). However, this article will focus on Scott v. Harris (2007).

Notably, ethical norms are higher than all other norms, including legal norms (e.g., Vaughn, 2010). The law merely provides a floor for moral behavior and not, by any means, a ceiling (e.g., Rohr, 1998). Hence, it would be a mistake to look for Court cases that were necessarily similar in the facts of the case in regard to the ethical situation that moral guidance is being sought for. Rather, it is the meaningful statements about the normative regime value in question that need to be discovered (Rohr, 1998). As such the holding of the Court is not important from an ethical standpoint for Rohr’s (1998) approach.

In Scott v. Harris (2007), Timothy Scott, a deputy with the Coweta County Sheriff’s Department in Georgia, ended a high-speed pursuit of 19 year old Victor Harris by applying his front push bumper to the rear of Harris’ vehicle causing him to lose control of his automobile whereupon it left the road and crashed. Harris was left a quadriplegic. The reason Harris was being pursued was because he was speeding (USC, 2007).

He was traveling at 73 miles per hour in a 55 mile per hour zone on a four lane highway with a wide median separating the opposing lanes of traffic. While Deputy Scott did radio for permission to use a “Precision Intervention Technique” (PIT) maneuver, which causes a fleeing vehicle to spin to a stop, and received permission to do so, he did not use that approved technique. At issue is whether Deputy Scott’s actions, resulting in Harris’ paralysis below the
neck, were reasonable in “seizing” or stopping Harris in accordance with the Fourth Amendment’s reasonable search and seizure standard (USC, 2007).

In an 8-1 decision, the Court held Deputy Scott did not act “unreasonably” in seizing Harris (USC, 2007). While the decision is a legal one, applying Rohr’s (1998) approach can yield ethical guidance. In his majority opinion, Justice Scalia wrote,

"In determining the reasonableness of the manner in which a seizure is effected, '[w]e must balance the nature and quality of the intrusion on the individual's Fourth Amendment interests against the importance of the governmental interests alleged to justify the intrusion.' United States v. Place, 462 U. S. 696, 703 (1983). Scott defends his actions by pointing to the paramount governmental interest in ensuring public safety, and respondent nowhere suggests this was not the purpose motivating Scott's behavior. Thus, in judging whether Scott's actions were reasonable, we must consider the risk of bodily harm that Scott's actions posed to respondent in light of the threat to the public that Scott was trying to eliminate. Although there is no obvious way to quantify the risks on either side, it is clear from the videotape that respondent posed an actual and imminent threat to the lives of any pedestrians who might have been present, to other civilian motorists, and to the officers involved in the chase. See Part III-A, supra. It is equally clear that Scott's actions posed a high likelihood of serious injury or death to respondent--though not the near certainty of death posed by, say, shooting a fleeing felon in the back of the head, see Garner, supra, at 4, or pulling alongside a fleeing motorist's car and shooting the motorist, cf. Vaughan v. Cox, 343 F. 3d 1323, 1326-1327 (CA11 2003). So how does a court go about weighing the perhaps lesser probability of injuring or killing numerous bystanders against the perhaps larger probability of injuring or killing a single person? We think it appropriate in this process to take into account not only the number of lives at risk, but also their relative culpability. It was respondent, after all, who intentionally placed himself and the public in danger by unlawfully engaging in the reckless, high-speed flight that ultimately produced the choice between two evils that Scott confronted. Multiple police cars, with blue lights flashing and sirens blaring, had been chasing respondent for nearly 10 miles, but he ignored their warning to stop. By contrast, those who might have been harmed had Scott not taken the action he did were entirely innocent. We have little difficulty in concluding it was reasonable for Scott to take the action that he did (USC, 2007 at 6-7).

In his dissenting opinion, Justice Stevens responded to Justice Scalia’s rationale by arguing the majority misinterpreted the video evidence presented. He offers alternative ways Deputy Scott could have acted such as terminating the pursuit and arresting the subject at a later time since they had his license plate information. Justice Stevens writes,

"The Court today sets forth a per se rule that presumes its own version of the facts: ‘A police officer's attempt to terminate a dangerous high-speed car chase that threatens the lives of innocent bystanders does not violate the Fourth Amendment, even when it places the fleeing motorist at risk of serious injury or death.’ Ante, at 13 (emphasis added)."
Not only does that rule fly in the face of the flexible and case-by-case ‘reasonableness’ approach applied in Garner and Graham v. Connor, 490 U. S. 386 (1989), but it is also arguably inapplicable to the case at hand, given that it is not clear that this chase threatened the life of any ‘innocent bystander.’ In my view, the risks inherent in justifying unwarranted police conduct on the basis of unfounded assumptions are unacceptable, particularly when less drastic measures—in this case, the use of stop sticks or a simple warning issued from a loudspeaker—could have avoided such a tragic result. In my judgment, jurors in Georgia should be allowed to evaluate the reasonableness of the decision to ram respondent’s speeding vehicle in a manner that created an obvious risk of death and has in fact made him a quadriplegic at the age of 19 (USC, 2007 at 14).

The guidance, for individuals wishing to understand the regime value of freedom in a moral situation they themselves are facing, provided by Scott v. Harris (2007) and the dialectic between Justice Scalia’s and Justice Stevens’ opinions is as follows. First, a determination can be made on who makes the more logical and reasonable argument. Here Justice Stevens’ argument seems to be the stronger one, though he is in the dissent.

Second, by neither Justice denying Deputy Scott could have made a different decision, he could have done so. In fine, Deputy Scott had administrative discretion regarding this moral dilemma and could have chosen to use an alternative method of ending the pursuit; one that would not have made a young 19 year old man who made a poor choice a quadriplegic for life. Third, analysis reveals something about the regime value of freedom itself. Specifically, that one aspect of freedom to be considered when faced with an ethical decision where it is a concern is reasonableness.

According to Rohr (1998),

[O]ne might object that all this [i.e., his ethics approach] is terribly subjective and that in the final analysis the bureaucrat responds to those values to which he or she chooses to respond. This is true, but the subjective character of the method I propose is intended to respect the radical responsibility of the bureaucrat to his God, his conscience, his philosophy, or whatever forms the basis of his moral life as a person…[I]n upholding the duty of the bureaucrat to ‘follow his conscience,’ I am not suggesting that he simply ‘do his own thing.’… I would hope that my method would provide the bureaucrat with an informed conscience that would lead him into dialogue with the political society he serves and that he would ponder its values seriously. After submitting himself to this discipline, he would be free to follow his conscience (at 29).

Examining other Justices’ opinions that offer meaningful statements about the regime value of freedom would only serve to help ameliorate our normative understanding of it. How could this have been used in the Nisour Square incident?

If the five Blackwater contractors who were charged with killing 14 Iraqi civilians and attempting to murder 20 others had received training in Rohr’s (1998) Constitutional ethics approach for bureaucrats, then they may have used their discretion to make a different moral decision and lives could have been saved; 37 people would have been free to go about their lives
without unreasonably being seized (i.e., killed or wounded). Contractors who had received
training in Rohr’s (1998) approach may have had a better understanding of the moral issues
involved with restricting or terminating another human beings inalienable right to liberty or
freedom. What reasonable alternative ways were there to handle the situation that September day
in Iraq?

Before being able to answer the research question, “In what way, if any, can Rohr’s (1998)
Constitutional ethics approach be used to mitigate unethical behavior by private sector
contractors?,” a key element of Rohr’s (1998) approach is missing from our potential solution
and must be resolved. These are private sector employees who are not public administrators.
How is this issue addressed so that Rohr’s (1998) approach may be applicable to private sector
actors in public-private partnerships?

DISCUSSION

The answer is two-fold and would seem to lie in requiring private sector employees who are
used to fulfill government contracts to take an oath to uphold the Constitution of the United
States of America and then adequately training them in Rohr’s (1998) approach. It is the oath, a
sacred covenant, to the Constitution which provides the impetus for moral behavior when acting
on behalf of the public (Rohr, 1998). Private sector businesses that contract with the government
to serve the public interest, regardless of the substantive policy area in question or what regime
value(s) is at issue, should require their employees to take an oath to uphold the U.S.
Constitution just like public administrators are required to do before they can serve the public in
our Constitutional democracy (Patterson, 2010).

In addition, these companies, like Academi, ought to provide training to their contractors in
contractors should be educated as a part of their training in 1) the significance of the oath to
uphold the Constitution, 2) institutional literacy, and 3) knowledge of presidential politics. This
training should complement adherence to company ethics statements, rules of conduct,
established policies and procedures, and ethical case study analyses.

The answer to the research question, “In what way, if any, can Rohr’s (1998) Constitutional
ethics approach be used to mitigate unethical behavior by private sector contractors?,” is yes. If
an oath to uphold the Constitution is required as part of a contractor’s employment with the
private sector agency and adequate training in Rohr’s (1998) approach is mandated, then his
approach could be useful in providing private sector actors with ethical guidance when faced
with moral dilemmas. Research should be conducted where Rohr’s (1998) approach to
Constitutional ethics has been appropriately implemented in a private sector organization to
determine if such training has the desired effect: to empower private sector employees working
under government contract via public-private partnerships to make more ethical decisions on
behalf of the public interest.
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THINK LIKE A LAWYER: USING LEGAL PEDAGOGY IN YOUR BUSINESS COURSE

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ABSTRACT

Legal Environment of Business and Business Law courses are taught by attorneys; therefore, they employ teaching methods and techniques for legal analysis learned in law school. Use of judicial cases in business law makes it easy to apply legal analysis in these courses. However, thinking outside of the box, many of the techniques learned and used by attorneys in business law courses can enhance the critical thinking of students in non-legal business courses. This paper explains legal analysis through the IRAC method, legal pedagogical techniques such as the Socratic Method, and offers suggestions for modification and application to other courses in the business curriculum. As business schools increasingly emphasize and measure students’ ability to think critically, application of these techniques can facilitate students’ ability to reach this level of analysis.

INTRODUCTION

Business faculty face multiple challenges in the pursuit of educating 21st century college students. Accreditation mandates by the Association of Accredited Collegiate Schools of Business (AACSB) and others and resulting efforts to assess learning compel faculty to consider whether specific learning goals are being achieved in the classroom. One learning goal emphasized in the business curriculum is the ability of our students to think critically. Combined with this increasing emphasis on assessment is the need for those seeking a degree in business to have not only the foundational knowledge but also the skills to adapt to a rapidly changing business environment. Ensuring business students can think critically, and analyze a situation, and adapt accordingly is crucial to their ability to succeed in the real world.

Business law faculty, educated in the law school environment, learned to think critically through the instructional methods traditionally used in American law schools. These methods, if understood, need not be limited to a Business Law course. Any business discipline can benefit from the use of legal pedagogy to improve the critical thinking skills of students. This paper will “make the case” for the importance of critical thinking in the business curriculum, explain several teaching methods used in law schools and by business law undergraduate faculty, and suggest how these teaching methods may be adapted by other disciplines to as teaching tools to enhance the level of critical thinking by our students.

CRITICAL THINKING AND THE LACK THEREOF IN BUSINESS EDUCATION

The definition of “critical thinking” may vary slightly depending upon who is defining the term, but generally it refers to the ability to understand context, analyze information and arguments, and challenge assumptions (Cotter & Tally, 2009, p. 3). Critical thinking involves higher level thinking skills on Bloom’s Taxonomy scale: analysis, synthesis, and evaluation (Burke, Johnson, & Kemp, 2010, p. 7). It can be argued that thinking critically involves the use of both the right and left sides of the brain. Scientists have identified that logic, sequence and analysis lie in the left hemisphere of our brains. However, the right hemisphere is responsible for context and synthesis, “seeing the big picture” (Pink, 2005). While more of the left-brained, routine jobs are being outsourced, right-brained jobs involving giving personal financial advice, understanding the subtleties of an accounting client’s situation, or being a creative entrepreneur require synthesis and right-brained thinking which cannot be reduced to a set of rules (Pink, 2005).

In their much-discussed recent book Academically Adrift: Limited Learning on College Campuses, Richard Arun and Josipa Roska (2011) raise concerns by various participants in education regarding whether colleges and universities are accomplishing their educational functions: “These diverse concerns about the state of undergraduate education have served to draw attention to measuring whether students are actually developing the capacity for critical thinking and complex reasoning at college” (Arun & Roska, 2011, pp. 1-2).
Of interest to collegiate schools of business are the scores on the Collegiate Learning Assessment (CLA) in 2005 and the predicted 2007 scores across majors. The CLA measures critical thinking, reasoning and writing of college students. It may be no surprise that science and mathematics majors scored highly on the CLA. However, business majors as a group scored the lowest on the CLA; science/mathematics majors scored 77 points higher and social science/humanities majors scored 69 points higher than business majors. After adjusting for several factors (socioeconomic status, amount of time studying per week, amount of writing required), the gap narrows a bit, but only by 10-20 points. The authors argue that those majors scoring higher on the CLA are more engaged in active learning, have higher expectations communicated to them, and engage more with faculty and fellow students (Arun & Roska, 2011, p. 108).

Why are business students among the lowest scoring on a test that attempts to measure their ability to think critically? “One could hardly argue that we would not want teachers who are educating our children, or business majors who are approving home mortgage loans, to develop the capacity to think critically or reason analytically” (Arun & Roska, 2011, p. 108, emphasis added). Future business leaders need the ability to manage decision-making processes, and make sound judgments using “an interpretive, flexible process that examines rules in context so as to produce a valid situational decision” (Burke, et al., 2010, p. 5). In order to compete at a global level in the new economy, we need to educate our business students in “right-brained” thinking: the ability to create and innovate (Burke, et al., 2010, p. 4). AACSB Accreditation Standards require accredited institutions to set learning goals; one suggested goal is critical thinking, analysis and synthesis (AACSB, 2012). There appears to be a disconnect in our students’ ability to critically think and analyze and the need for these skills.

The challenge for business faculty is to find ways to develop business majors into critical thinkers within the business curriculum. A recent study suggests that “canned” questions at the end of textbooks categorized as critical thinking questions did not improve students’ critical thinking skills (Cotter & Talley, 2009). One alternative is turning to legal pedagogical techniques and applying them to non-law-related business courses to promote critical thinking and analysis.

CRITICAL THINKING AND THE LAW

Ensuring that students in legal studies in business courses acquire critical thinking skills has long been a goal of those who teach these courses. (Johns, 2009, p. 357, n.1). In addition to learning about the law and how it relates to business, the topic of law easily lends itself to the added benefit of developing in students “a mode of thinking that will enable them, on their own, to determine what is significant and what is not, to avoid being misled by personal biases and other distractions, and to get to the heart of the matter and to a satisfactory solution as often as possible” (Reitzel, 1991, p. 471).

Since most business law and legal studies faculty have earned the degree of Juris Doctor in law school, they are comfortable with the teaching methods law school professors use and by which they were educated. Specifically, law students are taught by a combination of the Socratic Method, the Problem Method, and case analysis within these methods. While business law faculty do not wish for their students to attain the skill of lawyers, it is helpful to have undergraduates “think like a lawyer” to a certain extent in order to critically analyze the law as it relates to business.

A. The Socratic Method

The great Ancient Greek thinker and philosopher Socrates taught his students through a series of questions and answers refuting a moral assertion eventually resulting in the student drawing a conclusion contracting his or her original premise (Tucker, 2007, p.81). Use of a “pure” Socratic method may leave students “confused and bewildered, not knowing exactly what the truth was or what they personally believed” (Tucker, 2007, p. 81). Socrates also often used the method to disparage his students, which many former law students will verify (and which causes them to break out in a cold sweat to this day!) However, used in a modified, judicious manner, and not to belittle or demean, the Socratic Method remains an effective teaching technique.

While Socrates originally used his method of instruction in the study of philosophy, law schools have adopted and modified the Socratic Method to teach future lawyers by taking a real court decision and guiding the student though a series of questions designed to see the way the facts of the case relate back to the controlling rule of law (Tucker, 1997, p. 81). Use of the Socratic Method for teaching law originated with Harvard Professor Christopher Columbus Langdell in the 1870’s. (Hawkins-Leon, 1998, p. 3). Prior to Langdell’s utilization of the Socratic Method in law school, law was primarily taught through lectures and
textbooks. Langdell developed a method whereby the students were required to read court cases, understand the rules of law and the analysis of the court (Hawkins-Leon, 1998, p. 3). This method, while maligned at first, became the primary method of instructing law students in the United States. The primary support for teaching law through the Socratic Method is that in addition to helping students learn the law, it teaches the fundamentals of persuasive legal argument (Rakoff, 2007, p. 598). To this day, the Socratic Method remains a viable form of pedagogy in the law school classroom, and most legal texts are compilations of cases with accompanying questions at the end to generate Socratic analysis.

B. The Problem Method
The Problem Method is the other major method of law teaching utilized in law schools today. It has been said to “offer all the benefits of the Socratic Method, plus more” (Hawkins-Leon, 1998, p 4). The Problem Method will seem familiar to business faculty using business cases, such as those developed by Harvard, in their courses. In the Problem Method, a complex legal problem is distributed in advance of class. Roles in the problem may be pre-assigned. Students are expected to legally analyze the problem in advance and arrive at class prepared to engage in discussion. The cases, statutes and resources used in Socratic discussion are also made available to students in advance. During class, the problem is discussed. The students’ responses and analysis is critiqued. The students may break into groups to discuss the problem (Hawkins-Leon, 1998, pp. 4-6). Law faculty seem to prefer either the Socratic Method, the Problem Method, or a combination of both, to teach law students. In each of the two methods however, a student’s ability to critically analyze is emphasized.

C. The IRAC Method
A technique used in both the Socratic Method and the Problem Method, is a form of case analysis known as the IRAC Method. IRAC is an acronym for the first letters of the words Issue, Rule, Application (or Analysis), and Conclusion. Essential to understanding many areas of law is the ability to understand the judicial cases which create those laws. “Common law,” developed through case law encompasses typical business law topics such as many types of contracts, tort law, and employment law. Introductory business law courses introduce this method of case analysis to students. While many of the cases are edited and summarized for undergraduate business majors, understanding the basic elements of IRAC assists in teaching law to these students. Judicial opinions, no matter how simple or how complex, follow the same basic legal reasoning process and outline (Clarkson, Miller, & Cross, 2012, p. 11).

Basically, IRAC is a four-step process involving each of the letters. In the first step (Issue) students are asked to identify the key facts and issues in the case. In the second step (Rule) the students identify the rule[s] of law which applies in the case. This may be a statute, regulation or a previous case precedent. Third, the students apply (Application or Analysis) the rule of law to the particular facts and circumstances in the case. Finally, the students state the conclusion drawn by the court (Clarkson et al., 2012, pp. 11-12).

A simple example of the IRAC method, based on the famous case of Palsgraf vs. Long Island Railroad, illustrates its application:

1. **Issue:** The Plaintiff, Helen Palsgraf, was standing on a railroad platform waiting to board a train. Another passenger, in a hurry to board a train going the opposite direction already moving away, was pulled and pushed onto the train by the defendant’s employees. The motion of pushing this passenger jostled a package he was carrying, causing it to drop. The package, containing fireworks exploded, causing some heavy metal scales to topple over onto Mrs. Palsgraf, pinning her underneath and injuring her. Mrs. Palsgraf sued the railroad for injuries allegedly caused by its employees’ negligent conduct.

2. **Rule:** In order to be liable for negligence, a defendant’s conduct must be the proximate (foreseeable) cause of the plaintiff’s injury.

3. **Application/Analysis:** It was not foreseeable that the railroad employees’ conduct in helping a passenger on the train could have caused the type of injury sustained by the plaintiff.

4. **Conclusion:** Palsgraf’s complaint was dismissed; the railroad (through its employees) was not negligent toward her because her injury was not foreseeable (Clarkson et al., 2012, 141).

The IRAC method of case analysis is simple and consistent. It provides students with a template which they can use regardless of the type of case or law being studied. It offers the instructor the opportunity to formulate questions based on the four-part analysis. Finally, it facilitates understanding of complex issues and assists the instructor in discovering which students need more preparation or perhaps more guidance. It certainly is not the exclusive means to teach business law, nor should it be,
but used judiciously can enhance the learning experience of students tackling legal topics for the first
time.

SPECIFIC APPLICATION OF LEGAL PEDAGOGY TO BUSINESS COURSES

With a bit of creativity and forethought, the legal pedagogical methods described above may be
translated into almost any business course. Regarding the Socratic Method, as a substitute for a lecture or
to supplement a lecture, question the students regarding the topic or concepts. Guiding students through the
process instead of merely lecturing on concepts switches the emphasis from passive to active learning. One
element of use of the Socratic Method in the modern classroom is offered by Tucker (2007), a United
States Air Force major who writes about using it to teach leadership. At first, the instructor may use some
leading questions to make the students familiar with the process and to build confidence. Then, ask the
students which facts or concepts are important and their rationale for their answer, which perhaps may lead
to further dialogue. The instructor guides the students through the process to reach a logical conclusion.
Sometimes the conclusion or solution may be different than the one the instructor set out to achieve, but this
may be beneficial as well. The instructor is able to assess the different conclusion and continue the
dialogue.

Additional excellent strategies for incorporation of Socratic dialogue in a college course can be found in
the article When Socratic Dialogue is Flagging: Questions and Strategies for Engaging Students. Gose
(2009) identifies five strategies used by Socrates and provides specific examples for implementation of
these strategies in the classroom. The five general strategies are:
1. asking questions about the issues being discussed;
2. asking questions about the relationship between ideas;
3. playing devil’s advocate and injecting humor;
4. spending time on maintaining the group process;
5. using the positions and roles taken on by participants to one’s advantage (Gose, 2009, p. 45).

In an undergraduate business course, dialogue may be commenced by asking for examples of a situation
applicable to the day’s topic, or providing one through a current event. Why is the situation relevant?
Which concepts from the reading can be used to explain the situation? Are there alternatives? Was this the
best course of action? Why or why not? What conclusions can be drawn from the example as it relates to
our topic? The instructor should let the class know that there may not necessarily be a right and a wrong
answer, and that the instructor does not have all of the answers. “Socrates’ role in teaching is not to defend
a thesis of his own but only to examine the student’s assertion” (Tucker, 2007, 84).

Many non-quantitative business courses (many courses in management, ethics, marketing, for example)
do not have clearly defined correct solutions and thus the Socratic Method is particularly appropriate for
application in these subjects. Even some courses such as accounting, while having a fixed way of doing
things, have areas where students can be guided through the Socratic process by asking which information
is relevant? Where does this information fit? Are there alternative methods to complete this problem?
Which is the best course of action? Why? Helping students to understand there are multiple possible
outcomes or multiple solutions to a complex business situation gets to the essence of development of
critical thinking.

The Socratic Method can also be employed in more quantitative business disciplines. In order to
determine if there are problems comprehending the material, ask students to clarify a key term, to
summarize the chapter, or to develop “their best question” about the material. Ask students to walk through
the logic of a problem themselves on a step-by-step basis. Use the responses as a framework for additional
inquiry.

Utilizing the Socratic Method in the classroom certainly takes practice; inserting questions in the
Socratic style periodically here and there will increase an instructor’s confidence with the technique. The
reward in the form of the intellectual rigor it imparts to students is worth the effort.

Application of the Problem Method is likely more familiar to business faculty not teaching law. The
problems used are not as long and detailed as a business case, but are complex, as stated above. The
Problem Method lends itself to many business topics, and a plethora of instructional resources containing
discipline-specific problems exist for an instructor to use. Some of the drawbacks of the Problem Method
are that it requires more preparation on the part of the instructor to create or modify problems, and the
technique is more effective in smaller classes. The Problem Method can engage a class with relevant,
multi-level, interesting situations. It facilitates teamwork in group situations as the participants in the group

v. 5, Mustang Journal of Business and Ethics, 2013
synthesize their solutions to the problem. Use of the Problem Method allows an instructor to “break up” a course which is lecture-heavy. It encourages class participation since students are required to prepare for class with the materials prepared in advance (Hawkins-Leon, 1998, p. 5).

Finally, the IRAC Method may be modified to many business courses. “Although disciplines such as business management… have extensively used the methodology of case studies, students in these disciplines were not provided with a method to analyze a case” (Bittner, 1990, p. 227) Often, when discussing a hypothetical, case, or actual business dilemma, students are quick to jump to the conclusion and solve the problem using personal opinion (Bittner, 1990, p. 233). IRAC provides a framework for emphasizing that the facts and rules (or theories or principles) are important to identify prior to reaching a conclusion. IRAC may be used as a teaching tool in a number of ways. One suggested method would be to explain IRAC to the class and then require students to use this framework for each case or problem. Alternatively, the instructor may inform the students about the entire case in IRAC format and ask for input. Finally, the instructor may present two differing versions of the case and ask the students to select the correct one (Bittner, 1990, p. 230).

Many Business Law texts provide edited and supplemented cases which allow students to comprehend the essential facts without having to wade through lengthy court opinions. The Clarkson, Miller, et al. series of Business Law texts contain a recurring question at the end of each case: “What if the facts were different?” (Clarkson, et al, 2012). After discussion of the case and the actual facts, take a key fact of two and change it. Ask the students if this would affect the outcome or their conclusion and why. Varying the key facts allows the students to engage in an additional level of analysis and determine if which facts are important.

The “standard framework” aspect of IRAC does not mean that the technique is rote or replaces a student’s own analysis. Instead, it allows students to be more creative and reflective when analyzing a case by emphasizing that each part of the case is important and contributes to the end result.

CONCLUSION

“Learning requires thinking. And thinking is hard work” (Murphy, 2010, p. 357). Each course in the business curriculum has specific learning goals. It is not our goal to train our students to be attorneys. However, it is a goal of many of our courses to “…prepare twenty-first century graduates who can make a positive impact and maintain our nation’s leadership position” and to be productive and effective managers (Burke, et al. 2010, p. 3). Our future business leaders need the ability to understand diverse viewpoints and analyze multiple layers of a decision. Lawyers are trained to identify key facts, see both sides of an issue, and think on their feet by synthesizing and articulating cogent arguments. The methods traditionally used to educate lawyers provide readily adaptable tools for a non-legal business academic to achieve these objectives.

Of interest for future research would be observation and collection of data in courses in which instructors apply the pedagogical techniques discussed in this article and the assessment of students’ ability to critically analyze course concepts. In addition to assessment, students and faculty could also be surveyed as to the effectiveness of these techniques. Courses which are not exclusively law-based, but which have legal implications (such as Human Resources Management, Business Ethics, or Taxation) would be able to employ these legal pedagogical techniques and determine whether learning and critical thinking ability is improved after implementation.

REFERENCES


TIME VALUE OF MONEY IS JUST TWO SIMPLE EQUATIONS

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ABSTRACT

At a time when volatile investment returns and public fiscal crises compel analysts across diverse disciplines to deal with the time value of money, student comprehension remains elusive. Web sites that churn out answers reduce motivation for learning the underlying computational techniques, in turn impeding students’ ability to visualize situations and interpret results. The ideas are more readily grasped if presented through two simple equations, in which patterns common to various time value situations become evident. This method is especially helpful in allowing all types of annuity problems to be analyzed in the same manner. The two equation approach promotes computational ease, facilitates students’ understanding of important relationships, and provides a unified structure for those who teach time value to present. Diligent students from a variety of academic fields, quantitative backgrounds, and previous levels of experience with time value applications have reacted very favorably to this simplified tool box approach.

INTRODUCTION

The too-common lack of understanding of the time value of money, often originating in the introductory finance class, can cause ongoing problems with analytical material in higher level courses, and beyond business studies. A good grasp of time value is especially important in an era when low interest rates and government fiscal crises call for peering at so many questions through a time value lens; consider how pensions have become an accounting, human resources, investment, strategic management, and even public policy issue. Individuals lacking strong intuitive foundations can have great difficulty finding solutions, or even identifying time value problem types, if terms such as “present value of an annuity” do not appear directly in the wording. After seeing so much confusion among even the more serious students, I set out long ago to organize a simpler, more comprehensive way to classify and address essential time value ideas. As one who has faced the enrollees in large lecture sections of the initial business finance course for more than 20 years, I have had to find techniques that foster efficiency and effectiveness in student learning.

KEEP THE EQUIPMENT SIMPLE

Financial calculators and spreadsheets’ automated time value functions are economical computing tools, but are of limited use to someone unable to attempt solutions because the underlying concepts are a muddle. Time lines help create mental pictures of situations, but do not provide a structure for solving. Tables are printed in many textbook appendices, and some instructors still teach with them. But the use of tables, and of calculator or spreadsheet automated functions, should be discouraged in introductory coverage; plugging in numbers without knowing the reasons behind the rote steps tends to promote memorization rather than comprehension. Trying to learn time value with calculator function keys is like learning a new city with shortcuts rather than main roads; the newcomer is more likely to become disoriented and get hopelessly lost than to save time.

Time value seems less mechanical and more meaningful when students realize that with a little practice they can compute the needed factors themselves. Among the benefits is being able to work with return percentages and time periods more realistic than the options to which tables are limited. Knowing the computational underpinnings also ultimately lets students construct their own spreadsheet templates and better see what their calculators are doing (an observation shared by others, including McCarty, 1995 and Dempsey, 2003). Tables and even calculator function keys are, in addition, of no particular help in solving for annuities whose payments change by constant percentages, as discussed below. An inexpensive scientific calculator that displays exponents and logarithms is practical and appropriate for use in building essential groundwork.
PROBLEM IDENTIFICATION

One difficulty students frequently encounter is properly identifying time value situations toward formulating correct solutions. It is not unusual for an instructor to ask whether a problem involves, for example, future or present value of an annuity principles, and to hear in reply, “they have to tell you that.” There is, of course, no they; the world does not identify problems for us, but rather forces us to confront disconnected facts that we must examine and organize toward developing meaningful answers. Yet typical coverage in an introductory finance textbook, with its presentation of seemingly numerous situations that must be handled different ways (and with some authors’ practice of identifying problem types so students see less need to learn to identify them on their own; see, for example, Brigham and Houston, 2010), leaves the learners frustrated.

It need not be this way. Similarities across the attendant situations result in patterns that allow for attacking time value in a manner much easier than the typical textbook coverage. I have enjoyed reasonable success with an approach based on two simple equations. The success has been “reasonable” in that the most diligent students swear by it, often reporting that they feel especially well prepared in subsequent finance or accounting courses. Even the less committed find that with moderate effort they can master enough time value fundamentals to succeed in later situations where basic financial concepts must be put to use, such as capstone business policy courses. The ideas thus might be valuable to pass along to adjunct faculty, teaching assistants, or others without much experience who may find themselves dealing with time value in classroom settings. Even experienced colleagues have remarked on this approach’s usefulness, but I find most reassuring the response of students, the intended beneficiaries of our teaching efforts.

PREVIOUS CONTRIBUTIONS

Instructors have questioned textbook coverage of time value for decades. Texts utilize varying methods, but there can be a tendency for the books to favor getting right answers over understanding the process. Several earlier works have offered insights on intuitive approaches to time value of money. Some address concerns with computational issues. Rosenstein and Reed (1988) encourage stressing that an annuity due factor is just an ordinary annuity factor multiplied by \((1 + r)\) in all applicable cases. Bagamery (1991) provides a technique for completing annuity computations without using exponents, handy to use when payment streams are relatively short. Eddy and Swanson (1996) reconfigure time lines to create more vivid mental pictures. Dempsey (2003) highlights the need to work with formulas toward understanding complex time value applications, noting that tables are limiting, impede understanding essential for spreadsheet and calculator operations, and do not even reduce computing time. His experimental results show that working with formulas promotes solving problems more quickly and accurately. (I join Dempsey in printing annuity factor skeletons on exams, albeit without identifying which factor is which.)

Concerns of more recent writers have been on the problem identification side. Gardner (2004) suggests that focusing on the number of cash flows rather than the number of time periods reduces confusion in ordinary annuity vs. annuity due distinctions. Jalbert (2002), and Jalbert, Jalbert, and Chan (2004), provide a way to identify time value problems through a flowchart based on four to five questions. Martinez (2010) also offers a five question flowchart approach for identifying problems, coupled with factor based computing that builds skills transferable to financial calculators. Newfeld (2012) uses a five question flowchart as well, to break problems into smaller steps for the specific needs of dyslexic students, finding encouraging results in a small sample experiment. All of these authors provide lessons valuable to particular learning styles. The contribution of this paper is to present an even simpler two question road map for identifying basic time value of money problems, combined with a two equation, factor based computational approach that develops knowledge needed for more complex time value activity.

EQUATION 1: NO SERIES OF EQUAL OR RELATED PAYMENTS (“NON-ANNUITIES”)

The simplest time value application is what textbooks typically call future value (FV) of a single dollar amount; anyone can relate to earning interest at the bank. What the textbooks call present value (PV) of a single dollar amount seems fuzzier, perhaps because students are less likely personally to have encountered relevant examples, such as anticipated maturity values of bonds or resale prices of fine artworks. But both so-called FVs and PVs of single dollar amounts involve financial situations in which lone initial values equate, in time value adjusted terms, to single values at later dates, and they are equally uncomplicated to analyze with the first equation:
Beginning Amount \((1 + r)^n = \text{Ending Amount}\), or

\[
\text{BAMT} \times (1 + r)^n = \text{EAMT}
\]  \hspace{1cm} (1)

With this equation the student is equipped to solve, with straightforward algebra, for any possible unknown in a situation in which an initial value (\$600) grows at an average periodic rate (5%) for a specified number of intervals (7 periods, perhaps years) to a final value (\$844.26).

- What textbooks typically call future value of a single dollar amount:

\[
600 (1.05)^7 = \text{EAMT} \quad \text{[multiply to solve as EAMT = \$844.26]}
\]

- What textbooks typically call present value of a single dollar amount:

\[
\text{BAMT} (1.05)^7 = 844.26 \quad \text{[divide to solve as BAMT = \$600]}
\]

- Solving for the periodic rate of return, which textbooks often relegate to tables (see, for example, Gallagher, 2013), a calculator’s rate key, or trial and error, or else ignore:

\[
600 (1 + r)^7 = 844.26 \quad \text{[take the 7th root to solve as } r = 5\%]
\]

Steps: \((1 + r)^7 = 1.4071\) so \(\sqrt[7]{(1 + r)^7} = \sqrt[7]{1.4071}\)

\[
1 + r = 1.4071^{1/7} = 1.05; \quad r = .05 \text{ or } 5\%
\]

- Solving for periods, too often consigned to tables, the \(n\) key, or trial and error, or ignored:

\[
600 (1.05)^n = 844.26 \quad \text{[take logarithm to solve as } n = 7]\]

Steps: \((1.05)^n = 1.4071\) so \(ln [(1.05)^n] = ln 1.4071\)

\[
n \ln 1.05 = ln 1.4071 \quad \text{so} \quad n (.048790) = .341531; \quad n = 7
\]

The natural logarithm, retrieved with the \(ln\) key on any scientific (or financial) calculator, is the power to which we raise irrational number \(e \approx 2.718281828 \ldots\) to reach the desired value. It is a good idea to provide some examples with all steps explicitly shown, especially for the unknown \(r\) and \(n\) cases, for the benefit of those who have been away from algebra for a time.

In any of these situations the student need merely recognize that there is a beginning value BAMT, ending figure EAMT, rate \(r\) (often identified as an “interest rate” in introductory examples because of students’ familiarity with elementary saving and borrowing situations, although the more general “rate of return” probably is preferable), and number of time periods \(n\) (usually expressed as years in introductory examples, but many common financial transactions follow monthly, quarterly, or semiannual frequencies). Any of the four can be unknown, but if there is to be a unique solution there can be but one unknown in a problem. Thus the student simply notes when each dollar amount (be it a given value or the unknown to solve for) exists and plugs the three known quantities into Equation 1; the means to disclosing the unknown becomes obvious.

It also is crucial to identify the situation as one that does not involve an annuity, although distinguishing annuity from single dollar amount cases generally is not a sticking point. Using the term “FV (PV) of a single dollar amount” can create a quandary, however. Students ask: if solving for ending amount is an FV of a dollar problem and solving for beginning amount is PV, which is it if \(r\) or \(n\) is unknown? The answer – it is either, or both – shows that these unhelpful terms should be avoided when possible. (Martinez, 2010 alludes generally to a single equation for single value problems, while McCarty, 1995 at 62 mentions “single amount compounding and discounting” situations, but this wording implies that they are different kinds of analyses.) We do best by designating a problem without a series of equal or related payments simply as a “non-annuity” exercise – if an entire division of literature is called “non-fiction,” we should be able to refer, without apology, to non-annuity time value applications. Also, using BAMT and EAMT rather than textbooks’ preferred PV and FV removes confusion when a previous value has grown to something higher; today’s magnitude clearly is the ending amount and not the “present” value.
Yet another benefit of treating all non-annuity cases as one single type of problem is to lessen confusion over the role of \( r \), which varies directly with ending value EAMT in the so-called FV of a dollar case but inversely with EAMT in the so-called PV of a dollar case. But the traditionalists are correct that it is advisable, once the basic ideas are mastered, to introduce the PV of a dollar factor \((1/\left[1 + r\right]^n)\), by which we multiply EAMT in investment analysis problems, including capital budgeting and asset valuation applications. The student with a solid intuitive understanding of Equation 1’s basic ideas tends to encounter little difficulty making this minor transition.

Finally, a series of unrelated payments must be treated as a group of separate non-annuity situations, whose individual values are summed. If $300 is to be deposited at the start of year 1, $900 at the start of year 2, and $400 at the start of year 3 in an account to which 2.5% per year is credited, the projected balance by the end of year 3 is computed as three applications of BAMT \((1 + r)^n = \text{EAMT}):

\[
300(1.025)^3 + 900(1.025)^2 + 400(1.025)^1 = \$1,678.63
\]

If instead we want to collect $800, $250, $650, and $500 at the ends of periods 1 – 4 and can earn 3.5% per period, the amount needed today is computed as four applications of EAMT \(\div (1 + r)^n = \text{BAMT}):

\[
\frac{800}{(1.035)^1} + \frac{250}{(1.035)^2} + \frac{650}{(1.035)^3} + \frac{500}{(1.035)^4} \quad \text{or} \quad 800 \cdot \left(\frac{1}{1.035}\right)^1 + 250 \cdot \left(\frac{1}{1.035}\right)^2 + 650 \cdot \left(\frac{1}{1.035}\right)^3 + 500 \cdot \left(\frac{1}{1.035}\right)^4 = \$2,028.31
\]

Some observers might call the latter two examples unequal “annuities,” but it seems sensible to save annuity terminology for situations in which the distributive property lets us treat multiple payments as a team in computing. The $1,678.63 value above also can be called a “net future value” (the sum, or net, of multiple future values) and the $2,028.31 a “net present value” (NPV, the sum of multiple present values). That wording, while defensible, may not add to students’ understanding, and can lead to confusion in light of the use they later will make of the term NPV in capital budgeting, with negative and positive dollar values occurring together.

**EQUATION 2: SERIES OF EQUAL OR RELATED PAYMENTS (ANNUITIES)**

Students tend to have little trouble differentiating annuity from non-annuity situations; an equal or related dollar amount, of known or unknown magnitude, changing hands repeatedly characterizes an annuity case. They often do face initial challenges in distinguishing future values of annuities (FVAs) from present values of annuities (PVAs), but making this distinction is not difficult. Each annuity example has a series of equivalent or related payments or receipts (more generically cash flows, or CFs), a periodic rate of return \( r \), and a number of time periods \( n \). The frequently neglected key to identifying is that every annuity scenario also has a lump sum of money that equates, in time value adjusted terms, to the CF series. Being FVA or PVA depends on when the lump sum exists intact. If the known or unknown lump sum total exists intact today, as in borrowing money that must be repaid, we have a PVA situation. The large total will not exist intact until a future date, as in amassing a retirement nest egg, in an FVA situation. (A PVA’s periodic return also is paid or earned on a declining balance as time passes, while an FVA’s return is applied to a growing balance, but this more mechanistic view may be less user-friendly.)

Students sometimes try to separate FVA from PVA cases by looking at whether money is paid vs. received by a particular party – illogical because every transaction has two sides. Another common error is to think all annuities must be FVA in type because CFs always occur after the plan’s creation date. Textbooks can add to the difficulty while trying to help, by distinguishing, for example, between “present value of an annuity” if the lump sum is unknown and “annuity equaling a present value” if the CF amount is unknown (see Block and Hirt, 2000 at 243, 250). The unknown being solved for should play no role, of course, in how we think about a problem.

The equation for annuities, and the thought process that accompanies its use, must be slightly more general than the equation for non-annuity comparisons. (One reason is that the PVA factor is not the mere reciprocal of the FVA factor; the former is the latter divided by \([1 + r]^n\).) The student must wait to insert the correct factor after identifying when the lump sum that corresponds to the series of flows is intact. And that factor could differ slightly depending on whether the CF series is scheduled to change hands at the end (ordinary annuity) or beginning (annuity due) of each period. The ordinary annuity and annuity due situations can be encountered in both FVA and
PVA applications, and our equation must be sufficiently flexible to deal easily with any of these possibilities. Our second equation, one that can be used in all FVA or PVA situations, is

\[
\text{Payment \times Factor} = \text{Total}, \quad \text{or}
\]

\[
\text{PMT \times FAC} = \text{TOT} \quad (2)
\]

In this very versatile equation, the regular cash flow (think of it as a payment PMT made or received each year or month or other period) times the annuity factor FAC equals the lump sum total TOT to which the stream of regular CFs is equal, in a time value adjusted sense. The factor FAC is the FVA or PVA factor, for an ordinary annuity or annuity due situation, involving cash flows that are level or are expected to change by a constant percentage amount, as called for by the circumstances. Even students inclined to shy away from math can meaningfully address important annuity examples with the PMT x FAC = TOT structure, and some algebra practice.

A. Unchanging Cash Flows: Level Annuities

The ordinary annuity factors for level annuity situations (all cash flows equal in amount) are

\[
\left( \frac{(1+r)^n-1}{r} \right) \text{ for FVA} \quad \text{and} \quad \left( \frac{1-(1+r)^n}{r} \right) \text{ for PVA.}
\]

The \( n \) period factor for the FV (PV) of a level ordinary annuity is the sum of the FV (PV) of a dollar factors for the same rate of return (or cost) and same number of cash flow periods. An annuity thus is just a group of non-annuity examples that can be analyzed together, because when the CFs are equal or related the distributive property comes into play. The level PVA factor simplifies to \( 1/r \) in the level perpetuity case involving the PV of a stream of level cash flows expected to continue forever. Intuitively, in a perpetuity the principal is left whole, with no more and no less than the period’s return dollars being paid or received. Numerically, as the exponent \( n \) in the level PVA factor increases, the numerator’s right-hand term approaches zero, yielding \( (1 - 0)/r = 1/r \). (The future value of a perpetuity is not an analytically worthwhile idea, because the ultimate value of any payment stream that will continue forever must, like the number of time periods, be infinite.) Deriving the annuity factors is a topic in some finance and actuarial science texts; two that explain matters particularly well are Rao (1995) for level annuities and the classic Kellison (1970) for changing annuities.

An annuity due factor is nothing more than the corresponding ordinary annuity factor multiplied by \((1 + r)\), because beginning of period CFs would cause a change, by one, in the number of times the rate of return would be applied during the annuity’s life:

\[
\left( \frac{(1+r)^n-1}{r} \right) (1 + r) \text{ for FVA} \quad \text{and} \quad \left( \frac{1-(1+r)^n}{r} \right) (1 + r) \text{ for PVA,}
\]

or \((1/r) (1 + r)\) for the special case of the PV of a level perpetuity with beginning of period cash flows. Because consistent patterns accompany the range of annuity situations, the PMT x FAC = TOT structure can greatly enhance students’ ability to identify problems and perform computations involving all of these ordinary level annuities and level annuities due, which routinely are encountered in the business environment.

1. Lump Sum Value is Unknown

Consider the possibility of investing $200 in each of the next 4 periods (years, or perhaps half years, quarters, or months). What will we have by the end of period 4 if a 6% rate of return per period is earned on the account’s growing balance? Because the lump sum TOT will not exist until 4 periods have ended, a future date, this problem is an FVA example. (If 0% interest were applied, the account total would grow to exactly $800.) Using the second of our simple equations, we analyze as

\[
\text{PMT \times FAC = TOT}
\]
$200 \left( \frac{(1.06)^4 - 1}{.06} \right) = \text{TOT} \quad \text{or} \quad 0 \left( \frac{(1.06)^4 - 1}{.06} \right) (1.06) = \text{TOT}

(multiply to solve; \text{TOT} = $874.92 \text{ for end of period or } $927.42 \text{ for beginning of period cash flows}).

Here the beginning of period CF answer is greater; the future total will be higher if we start immediately than if we waited a period to make the first deposit. In this case the annuity due answer is just the ordinary annuity answer multiplied by \((1 + r); (\text{874.92}) (1.06) = $927.42. \) But if the unknown were the regular payment or cash flow \( \text{PMT}, \) we would have to divide the ordinary annuity answer by \((1 + r) \) to get the annuity due answer. Without \( \text{PMT} \times \text{FAC} = \text{TOT} \) students are bewildered by this “multiply vs. divide” dilemma, whereas with our second simple equation the right answer falls correctly into place for any unknown.

Understanding is heightened if students work through all of the cash flows in some brief examples; those for the ordinary annuity and annuity due cases in our 4 period FVA problem are:

<table>
<thead>
<tr>
<th>Period</th>
<th>Initial Balance</th>
<th>Plus 6% Return</th>
<th>Amount Before</th>
<th>Plus End of Period Deposit</th>
<th>Final Balance</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$200.00</td>
<td>$200.00</td>
</tr>
<tr>
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<td>$12.00</td>
<td>$212.00</td>
<td>$200.00</td>
<td>$412.00</td>
</tr>
<tr>
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<td>$412.00</td>
<td>$24.72</td>
<td>$436.72</td>
<td>$200.00</td>
<td>$636.72</td>
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<tr>
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<td>$636.72</td>
<td>$38.20</td>
<td>$674.92</td>
<td>$200.00</td>
<td>$874.92</td>
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and

<table>
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<tr>
<th>Period</th>
<th>Initial Balance</th>
<th>Plus Beg. of Period Deposit</th>
<th>Amount Before</th>
<th>Plus 6% Return</th>
<th>Final Balance</th>
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<tbody>
<tr>
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<td>$38.20</td>
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<td>$200.00</td>
<td>$874.92</td>
<td>$52.50</td>
<td>$927.42</td>
</tr>
</tbody>
</table>

In the end of period FVA case there are cash flows in all 4 periods, but returns are applied only in 3. This periodic dissection also helps explain the role played by the distributive property in annuities:

\[ \text{TOT} \times (1.06)^3 + \text{TOT} (1.06)^2 + \text{TOT} (1.06)^1 + \text{TOT} (1.06)^0 = \text{TOT} \left( \frac{(1.06)^4 - 1}{.06} \right) = \text{TOT} \]

Now consider wanting to receive $100 in each of the next 5 periods. If we expect to average a 3% periodic return on any remaining balance, how much must be in the account today? \( \text{TOT} \) exists intact in the present, so we have a PVA problem. An equivalent situation would be finding how much we can borrow today if we can afford to repay $100 per year for each of the next 5 years and are charged a 3% annual interest rate. (If no interest were earned/paid on the declining balance, we would need/could justify borrowing $500.) The analysis is set up as

\[ \text{PMT} \times \text{FAC} = \text{TOT} \]

\[ $100 \left( \frac{1 - (1.03)^5}{.03} \right) = \text{TOT} \quad \text{or} \quad $100 \left( \frac{1 - (1.03)^5}{.03} \right) (1.03) = \text{TOT} \]

(multiply to solve as \( \text{TOT} = $457.97 \text{ for ordinary annuity or } $471.71 \text{ for annuity due}).

As in the FVA example the answer for beginning of period CFs is greater; we need a higher balance to start taking $100 withdrawals immediately than if we could wait and earn a period’s interest before the first withdrawal, or could manage a higher loan if making the first payment now and not waiting until the end of the first year. And as in the FVA example, multiplying the ordinary annuity answer by \((1 + r)\) yields the annuity due answer, but only because the unknown is \( \text{TOT} \). Still, as noted above, there is no need for confusion; simply follow \( \text{PMT} \times \text{FAC} = \text{TOT} \). Again with PVA it can help to work through the ordinary annuity and annuity due CFs in a brief exercise:
<table>
<thead>
<tr>
<th>Period</th>
<th>Amount</th>
<th>Minus End of Period Balance</th>
<th>Plus 3% Before Withdrawal</th>
<th>Minus End Before Withdrawal</th>
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<td>$2.91</td>
<td>$100.00</td>
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<td>$0.00</td>
</tr>
</tbody>
</table>

The annuity due situation in this PVA story has 5 cash flows but only 4 rate of return applications. A periodic overview again helps illustrate the distributive property’s role in annuity mechanics and reasoning:

\[
100 \left( \frac{1}{1.03} \right)^1 + 100 \left( \frac{1}{1.03} \right)^2 + 100 \left( \frac{1}{1.03} \right)^3 + 100 \left( \frac{1}{1.03} \right)^4 + 100 \left( \frac{1}{1.03} \right)^5 = 100 \left( \frac{1 - \left( \frac{1}{1.03} \right)^5}{0.03} \right) = 457.97
\]

In the special case of a perpetuity, the present value lump sum TOT is simply the expected periodic CF divided by the required periodic rate of return (FAC is just 1/r). For example, if an investment is expected to provide a $100 cash flow each period forever, and if the required periodic rate of return is 3%, the price a buyer should be willing to pay today is

\[PMT \times FAC = TOT\]

(solution is TOT = $3,333.33 or $3,433.33 for ordinary perpetuity or perpetuity due). The answer is considerably greater than the $457.97 or $471.71 needed for providing the 5 period finite CF stream depicted above (or if willing to make loan payments forever, we could borrow much more today). In a true perpetuity the principal remains intact, with each period’s CF coming only from the rate of return or cost. If CFs begin immediately, factor 1/r is multiplied by (1 + r), which is equivalent to increasing it by 1; then immediately taking out $100 leaves a $3,333.33 balance against which the 3% r can be applied to yield the desired $100 PMT in each subsequent period. Or a loan $100 greater could be serviced with the same periodic payments, since $100 would be repaid immediately (loans, however, almost always have end of period payments).

### 2. Regular Payment (Cash Flow) is Unknown

We hope to reach an $874.92 balance after making 4 equal deposits. If the growing balance is expected to earn a 6% average periodic return, how much should each deposit be? Because lump sum TOT will not exist intact until a future date it is an FVA problem, solved as

\[PMT \times FAC = TOT \quad \text{(such that } TOT \div FAC = PMT)\]

\[PMT \left( \frac{(1.06)^4 - 1}{0.06} \right) = 874.92 \quad \text{or} \quad PMT \left( \frac{(1.06)^4 - 1}{0.06} \right) (1.06) = 874.92 \]
(solution, from straightforward division, is PMT = $200 or $188.68 for the end or beginning of period CF case).
Now the annuity due answer is smaller (in effect we divide the $200 ordinary level FVA answer by 1.06); if the first deposit occurs at the outset, more interest will be earned over the account’s life so we can put less in each time and still reach the $874.92 goal.

Or imagine that $457.97 is in an account today, and any balance that remains earns 3% per year. To deplete the balance to $0, what equal amount should we withdraw each year for 5 years? Here the TOT that corresponds to the CFs exists intact now, so we have a PVA example:

$$\text{PMT} \left( \frac{1 - (1.03)^{-5}}{.03} \right) = 457.97 \quad \text{or} \quad \text{PMT} \left( \frac{1 - (1.03)^{-5}}{1.03} \right) = 457.97$$

(solve by dividing; PMT = $100 for end of year or $97.09 for beginning of year withdrawals). The latter answer is the lesser figure (we essentially divide the ordinary annuity answer by 1.03); if the first withdrawal occurs at once then less remains to earn returns over the account’s life, and we cannot take out as much each time. Again, we easily can compute with Equation 2.

A common level PVA application with an unknown PMT and a non-annual CF stream is mortgage loan repayment. Someone borrows $180,000 to buy a house, with end of month payments to be made over 30 years (360 total). The interest rate is quoted as a 5.4% Annual Percentage Rate, which translates to $5.4\% / 12 = .45\%$ or .0045 per month. (Though less likely, interest instead could be quoted as a 5.5357% compounded Effective Annual Rate, with a monthly periodic rate of $\sqrt[12]{1.055357} - 1 = .0045$.) The monthly payment is computed as

$$\text{PMT} \left( \frac{1}{1.0045} \right)^{360} = 180,000; \quad 180,000 / 178.084624 = \text{PMT} = 1,010.76$$

If a $457.97 initial balance generating a 3% average annual return were to deliver a perpetual cash flow stream, each annual payment could be only a small amount, the periodic dollar return earned:

$$\text{PMT} \left( \frac{1}{.03} \right) = 457.97 \quad \text{or} \quad \text{PMT} \left( \frac{1}{1.03} \right) = 457.97$$

(with solution of $13.74 for end of period or $13.34 for beginning of period collections).

3. Rate of Return is Unknown

We invest $200 each period; what average periodic rate of return must be earned if the account balance is to grow to $874.92 by the end of period 4? With the large TOT not expected to be accumulated until 4 periods have passed we have an FVA application:

$$200 \left( \frac{(1+r)^4-1}{r} \right) = 874.92 \quad \text{or} \quad 200 \left( \frac{1+r}{r} \right)^4 (1 + r) = 874.92$$

(solution is $r = 6\%$ or $r = 3.613\%$; amassing $874.92 with beginning of period deposits does not require as high a rate of return). While solving for $r$ in a non-annuity example requires but taking a root, solving for a finite annuity’s $r$ calls for trial and error iterations, because of the complication of having both $r$ and $r$ to a higher power (here $r^4$) in the same equation. But the PMT x FAC = TOT structure facilitates the trial and error process, at least by making apparent to the student what she is trying to find (and providing guidance on entering values into a spreadsheet or financial calculator, whose internal rate of return capabilities can do trial and error computations rapidly).

Or perhaps we have $457.97 now, and want to take $100 away in each of the next 5 periods, leaving $0 remaining after the last $100 is received. What average periodic return must be earned on the declining balance? The large total is intact today, so in this PVA case, for ordinary annuity or annuity due:

$$100 \left( \frac{1 - \left( \frac{1}{1+r} \right)^5}{r} \right) = 457.97 \quad \text{or} \quad 100 \left( \frac{1 - \left( \frac{1}{1+r} \right)}{r} \right)^5 (1 + r) = 457.97$$
(solution is $r = 3\%$ or $r = 4.593\%$). Again, with $r$ and $r^2$ both in the equation solving for $r$ requires trial and error, but PMT x FAC = TOT provides the blueprint for analysis. A $457.97 balance could provide for $100 payments perpetually only if the account earned a much more substantial

$$100 \left( \frac{1}{r} \right) = 457.97 \quad \text{or} \quad 100 \left( 1 + r \right) = 457.97$$

(solution is $r = 21.836\%$ or an even higher $r = 27.935\%$). Solving for the periodic rate in a perpetuity case does not require trial and error, since we do not encounter $r$ to differing powers.

**4. Number of Time Periods is Unknown**

We contribute $200 each year, and expect to earn a 6\% average annual rate of return on the growing balance. How long should it take for the account to grow to $874.92? Because the total will not exist intact until a future date we have an FVA application, with

$$200 \left( \frac{1.06^n - 1}{.06} \right) = 874.92 \quad \text{or} \quad 200 \left( \frac{1.06^n - 1}{.06} \right) (1.06) = 874.92$$

(solution is $n = 4$ years or $n = 3.797$ years; it takes a little less time with beginning of year deposits because interest starts accumulating sooner). The $n$ value is computed with logarithms as in the earlier non-annuity case; setting up to solve is easy with our second simple equation, PMT x FAC = TOT.

Or think of borrowing $457.97 at a 3\% periodic interest rate; how many times must $100 be paid before the loan is retired? An intact lump sum (principal borrowed) today indicates PVA:

$$100 \left( \frac{1 - \left( \frac{1}{1.03} \right)^n}{.03} \right) = 457.97 \quad \text{or} \quad 100 \left( \frac{1 - \left( \frac{1}{1.03} \right)^n}{.03} \right) (1.03) = 457.97$$

(indicated answer is $n = 5$ periods or $n = 4.843$ periods; the debt is settled a bit more quickly if repayment begins immediately). As in the FVA case we would compute $n$ with logarithms, but definitely would want to give students a good detailed example, because in PVA analysis potentially puzzling negative logarithm values emerge; $e^0$ is 1, so to achieve a value less than 1, such as $1/1.03 = .9709$, we must raise $e$ to a negative power. Solving for $n$ in a perpetuity case is pointless, as the number of periods would be infinite.

**B. Constant Percentage Change in Cash Flows**

The PMT x FAC = TOT structure’s greatest value may be that it is just as useful in more involved situations, such as analyzing annuities with CFs that change by equal percentages, the factors for which look much like those for level annuities except that a rate of constant expected change $g$ (suggesting growth, although the change as easily could be negative) appears in each of the formulas:

$$\frac{(1+r)^n-(1+g)^n}{r-g}$$ for FV of a changing ordinary annuity, 

$$\frac{1-(1+g)^n}{r-g}$$ for PV of a changing finite ordinary annuity,

and $1/(r-g)$ for PV of a changing perpetuity with end of period CFs. The factor for each corresponding annuity due case is, predictably, just the ordinary annuity factor multiplied by $(1 + r)$. All of these situations are analyzed conveniently with Equation 2. (While it might seem counterintuitive, an annuity with CFs changing by a steady dollar amount per period requires far more complicated computing than does one with constant percentage change.)

What will be the compounded value, at the end of period 4, of four deposits into an account expected to provide a 6\% periodic return, if deposits begin with $200 and grow by 1\% each successive period? With the lump sum not intact until a future date we have the FV of a changing annuity, analyzed as
$200 \left( \frac{(1.06)^4 - (1.01)^4}{0.06 - 0.1} \right) = \text{TOT} \quad \text{or} \quad 200 \left( \frac{(1.06)^4 - (1.01)^4}{0.06 - 0.1} \right) (1.06) = \text{TOT}

(the solution, $887.49 or $940.74 for end or beginning of period deposits, slightly exceeds the $874.92 or $927.42 found in the earlier FVA cases with unchanging 4 period streams). If \( g = 0 \) the changing annuity factor simplifies to the level FVA factor; the latter therefore is merely a special case of the former. CFs declining by 1% per period would correspond to TOT values of $862.52 for deposits at the end or $914.27 for deposits at the beginning of each period, less than the $874.92 and $927.42 corresponding to level $200 FVA streams.

Alternatively, what should we pay today (the capitalized value) for 5 years’ worth of net operating income (NOI) if the stream is expected to begin at $100 and then grow by 2% per year? The value for this PV of a changing annuity can be computed as

$100 \left( \frac{1 - (1.02)^5}{0.01 - 0.02} \right) = \text{TOT} \quad \text{or} \quad 100 \left( \frac{1 - (1.02)^5}{0.01 - 0.02} \right) (1.03) = \text{TOT}

(answer is $476.10 or $490.39; we must pay more than $457.97 or $471.71 if benefits are to increase over time). If \( g = 0 \) the changing annuity factor becomes the factor for the PV of an ordinary level annuity, the latter again being just a special case of the former. As with the FV of a changing annuity, the change rate can be negative instead of positive. The value of the right to collect a 5 year NOI stream starting at $100 and declining by 2% per year for 4 added years, if the required annual return is 3%, is computed as in the example above, but with \(-0.02\) replacing \(0.02\) in the factor. The solution, \( \text{TOT} = $440.54 \) or $453.76 for declining end or beginning of period receipts, is lower than the $457.97 or $471.71 seen in the level annuity case.

What if a stream is expected to start at $100 and continue forever, with each cash flow greater than the previous by constant growth percentage \( g = 2\% \) per period? In our PMT x FAC = TOT breakdown, with FAC of \(1/(r - g)\), PMT becomes the first expected CF rather than one within an unchanging series. With a 3% periodic required rate of return the changing perpetuity’s value is

$100 \left( \frac{1}{0.03 - 0.02} \right) = \text{TOT} \quad \text{or} \quad 100 \left( \frac{1}{0.03 - 0.02} \right) (1.03) = \left( \frac{100}{0.01} \right) = \text{TOT}

(with even a small percentage of expected growth the value is $10,000 or $10,300, considerably higher than the $3,333 or $3,433 seen in the level perpetuity case). A changing perpetuity could have CFs expected to decline, but decreasing percentage perpetuities raise practicality questions, because the dollar figures eventually become so small that it would be impractical to deliver any returns to the investor.

Other similarities carry through from earlier illustrations. For example, we might know that we want to have $874.92 in 4 periods, and wish to determine what must be put into the plan each period if we can earn an average return of 6% per period on the growing balance and also want the amount deposited to grow by 1% per period. The answer for this FV of a changing annuity is

\[ \text{PMT} \left( \frac{(1.06)^4 - (1.01)^4}{0.06 - 0.1} \right) = \text{TOT} \quad \text{or} \quad \text{PMT} \left( \frac{(1.06)^4 - (1.01)^4}{0.06 - 0.1} \right) (1.06) = \text{TOT} \]

(the initial deposit can be $197.17 or $186.01, which is less than the $200 or $188.68 needed in the level FVA case; we can start smaller and still reach the $874.92 total if subsequent cash flows grow by 1% per period).

If we have $457.97 today, can earn 3% per period on the remaining balance, and want to make 5 withdrawals that grow by 2% per period, the amount taken the first period should be

\[ \text{PMT} \left( \frac{1 - (1.02)^5}{0.03 - 0.02} \right) = \text{TOT} \quad \text{or} \quad \text{PMT} \left( \frac{1 - (1.02)^5}{0.03 - 0.02} \right) (1.03) = \text{TOT} \]

(the resulting $96.19 or $93.39 is less than the $100 or $97.09 from the level PVA case). A perpetuity growing by 2% per period would have an initial CF computed as
PMT \left( \frac{1}{0.03-0.02} \right) = $457.97 \quad \text{or} \quad \text{PMT} \left( \frac{1}{0.03-0.02} \right) (1.03) = $457.97

(the answer is $4.58 or $4.45; if a growing stream is to go on forever it must start out extremely small).

Solving for unknown \( r \) or \( n \) values would require considerable algebra or trial and error, but students should be able to absorb the relationships and set up for analyzing using Equation 2 (which is my requirement on exams for problems like these). From values in the exercises above, setups would be

\[ 200 \left( \frac{(1+r)^4-(1.01)^4}{r-0.01} \right) = $874.92 \quad \text{or} \quad 200 \left( \frac{(1+r)^4-(1.01)^4}{r-0.01} \right) (1+r) = $874.92 \]

(solution, with some tedious trial and error, is \( r = 5.0319\% \) or \( r = 3.0188\% \)), for example, or perhaps

\[ 100 \left( \frac{1-(1.02)^{10}}{1.03-0.02} \right) = $457.97 \quad \text{or} \quad 100 \left( \frac{1-(1.02)^{10}}{0.03-0.02} \right) (1.03) = $457.97 \]

(solved with logarithms as \( n = 4.805 \) periods or \( n = 4.662 \) periods).

C. Deferred Annuities

Equation 2 works equally well with the deferred annuity, a PVA application in which equal or related periodic CFs, with respect to an initial endowment, will not begin until some time has passed. What should we pay today for the right to collect $100 in each of years 8 – 12 if the required annual rate of return is 3%? (A real world deferred annuity example is the second phase of a lease with payments expected to escalate in stages over time.) We can analyze through PMT x FAC = TOT, but now the factor must be adjusted for the delay in collections: a 5 year annuity deferred until after 7 years have passed. The answer is

\[ 100 \left( \frac{1-(1.03)^5}{1.03-0.02} \right) \left( \frac{1}{1.03} \right) = TOT \quad \text{or} \quad 100 \left( \frac{1-(1.03)^5}{0.03-0.02} \right) \left( \frac{1}{1.03} \right) (1.03) = TOT \]

(solution is $372.37 or $383.54; a deferred series of benefits is worth less than the $457.97 or $471.71 value of a stream of five $100 cash flows that begins this year). It would be a loftier

\[ 100 \left( \frac{1-(1.02)^{10}}{1.03-0.02} \right) \left( \frac{1}{1.03} \right)^3 = TOT \quad \text{or} \quad 100 \left( \frac{1-(1.02)^{10}}{0.03-0.02} \right) \left( \frac{1}{1.03} \right)^3 (1.03) = TOT \]

(solution is $435.70 or $448.77) in the case of a deferred annuity with CFs rising 2% each year. We also could solve for PMT, \( r \), or \( n \) with deferred, and changing deferred, annuities in the manner discussed earlier (and could in addition encounter deferred and changing deferred perpetuities; setting up to solve for PMT, TOT, or \( r \) would be easily accomplished based on the now-familiar patterns).

D. Truncated Annuities

The deferred annuity’s FVA counterpart might be called a “truncated” annuity: a series of equal or related CFs ends, but the account’s balance continues to earn returns. Think of investing $200 in each of years 1 – 4, and then switching to a new plan for year 5 – 13 contributions while allowing the original account to continue earning 6% per year for those 9 years; what would the original account’s balance be at the end of year 13? Again we rely on PMT x FAC = TOT, but now with a factor adjusted to reflect the extended earnings interval. This factor can be thought of as applying to a 4 year annuity with 9 years of added earnings; the answer is found as

\[ 200 \left( \frac{(1.06)^4-1}{0.06} \right) (1.06)^9 = TOT \quad \text{or} \quad 200 \left( \frac{(1.06)^4-1}{0.06} \right) (1.06)^9 (1.06) = TOT \]
($1,478.16 or $1,566.85 is the solution). The value $(1.06)^9$ (1.06) is just $(1.06)^{10}$, but a visual presentation that highlights both the 9 extra compounding periods and beginning of period CFs serves to reduce head scratching. Changing truncated annuities follow all of the convenient patterns:

$$200 \left( \frac{(1.06)^9-(1.01)^4}{.06-.01} \right) (1.06)^9 = \text{TOT} \quad \text{or} \quad 200 \left( \frac{(1.06)^9-(1.01)^4}{.06-.01} \right) (1.06)^9 (1.06) = \text{TOT}$$

(solution is $1,499.40 or $1,589.36 if deposits begin at $200 and then grow by 1% per period). As in all earlier examples we would use the outlined procedures in solving for PMT, r, or n.

**CONCLUDING REMARKS**

The two simple equation approach obliges the student to answer only two questions:

- Is there a series of equal/related payments, equally spaced in time? and
- If so, when is the large amount relating to those payments intact?

It is a different tool box, not a different tool, for teaching time value. No new computational methods arise, nothing is inconsistent with what is taught traditionally, but it provides easier ways to organize and access computational tools, with a unified framework for analyzing a problem and setting up to solve for any unknown. The student with this foundation in place finds working with spreadsheets and financial calculators quite manageable.

$$\text{BAMT} (1+r)^n = \text{EAMT}$$

eliminates the artificial distinction between PV and FV of single dollar amount cases, while

$$\text{PMT} \times \text{FAC} = \text{TOT}$$

emphasizes the lump sum total as the key to distinguishing between FVAs and PVAs. More importantly, the latter equation illuminates the similar patterns across annuity situations and simplifies analyzing complex cash flow cases, helping us identify and solve without need to consult cumbersome example lists or if/then charts. Knowing they can rely on just two equations gives students confidence, and the true understanding they gain leaves them feeling rewarded for their efforts.

*Any errors/omissions are the responsibility of the author, who thanks an anonymous reviewer for helpful comments.*

**REFERENCES**


APPENDIX: ROAD MAP FOR WORKING TIME VALUE PROBLEMS

A) Is there a series of equal or related payments, equally spaced in time? If not then we have a non-annuity problem, structured as

\[ \text{BAMT} (1 + r)^n = \text{EAMT} \]

B) If there is a series of equal or related payments then we have an annuity problem, structured as

\[ \text{PMT} \times \text{FAC} = \text{TOT} \]

1) If TOT (large amount that corresponds to series of small PMTs) exists intact in the present (think loan repayment), then we have a PV of Annuity problem, and FAC should be the PVA factor:

\[ \text{PMT} \left( \frac{1 - (1 + r)^n}{r} \right) = \text{TOT} \]

or

\[ \text{PMT} \left( \frac{1 - (1 + g)^n}{r - g} \right) = \text{TOT} \]

Level Constant % Change

2) If TOT will not exist intact until a future date (think saving for retirement), then we have an FV of Annuity problem and FAC should be the FVA factor:

\[ \text{PMT} \left( \frac{1 + r}{r} \right)^n - 1 = \text{TOT} \]

or

\[ \text{PMT} \left( \frac{1 + r}{r} \right)^n - (1 + g)^n = \text{TOT} \]

Level Constant % Change

Multiply any of the ordinary annuity factors shown above, which all are consistent with end of period PMT amounts, by \((1 + r)\) to get the annuity due factors if there are beginning of period PMTs.

Computing PV of Annuity factor on scientific calculator without writing things down or using memory. Consider the PVA factor for 7%, 19 periods:

\[ \left( \frac{1 - (1.07)^{19}}{.07} \right) = 10.335595 \]

- Type 1.07, hit \(y^x\) key, type 19, and hit = key (should be 3.616528). Then hit 1/x key. Gives you right-hand side of factor’s numerator (should be .276508).
- Instead of subtracting it from 1, subtract 1 from it and then undo resulting negative value. Type – 1 = (should be -.723492), then hit +/- key. Now you have entire numerator of .723492.
- Divide by typing \(\div .07\) = (should get the factor’s correct value: 10.335595).
IN-DEPTH ANALYSIS OF GLOBAL LEADERSHIP CHALLENGES

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Abstract

Human nature really has not changed since the beginning of time. One of the global leadership challenges is managing the complexity of political and economic change. It is important to understand that basic human issues of management and leadership remain the same in a complex and uncertain environment. The global environment is characterized by regional instability, failed states, increased weapons proliferation, and global terrorism and requires greater global leadership. An argument can be made that leadership scholars and researchers have constructed theoretical frameworks to improve the understanding of management and leadership best practices. Therefore, this paper argues for a global theoretical leadership construct that addresses differing ideological management, intercultural competences, ethnocentric frameworks, and conflict resolution of cultural tension. This paper aims to address the need of a common lexicon for global leadership; the author also looks at the global leadership challenges and the comparison of global leadership traits and its competences; and the author expresses a need for further research to enhance the leadership domain. The author believes, as global leaders come to shift their thinking and understanding ideological differences, that there is a commonality of human interests in economic security, political freedom, and protection of human rights, all of which transcends across boundaries as transnational corporations seek a competitive advantage.

Introduction

Human nature really has not changed since the beginning of time. One of the global leadership challenges is managing the complexity of political and economic change. It is important to understand that basic human issues of management and leadership remain the same in a complex and uncertain environment. The global environment is characterized by regional instability, failed states, increased weapons proliferation, and global terrorism and requires greater global leadership. An argument can be made that leadership scholars and researchers have constructed theoretical frameworks to improve the understanding of management and leadership best practices. For example, the theoretical leadership constructs of Complex Adaptive System (Obolensky, 2010; Uhl-Bien & Marion, 2008), Transformational, Transactional, and Situational Leadership (Bass & Bass, 2008), Realistic Conflict Theory (Pittinsky & Simon, 2007), and Contingency Theory (Bass & Bass, 2008; Houghton & Yoho, 2005) attempt to explain the complexity of leading in an ever-changing human dimension and technological era.

However, the author argues the basic human issues such as greed, jealousy, envy, racial bias, cultural tension, and self-interest shape the actions generated by the leader’s worldview and cultural lens. Scholars contend that the byproduct of today’s technological era necessitates a paradigm shift of a leader’s worldview to one that integrates domestic interests with the global environment (Hames, 2007; Story, 2011). Researchers argue that “with the increasingly global environment, leaders are exposed to many complex challenges and what we know about leadership theory and development may no longer be effective in this global context” (Story, 2011, p. 375). Moreover, “leadership today is profoundly different from what it was yesterday” (Hames, 2007, p. 9).

Therefore, this paper argues for a global theoretical leadership construct that addresses differing ideological management, intercultural competences, ethnocentric frameworks, and conflict resolution of cultural tension. This paper aims to address the need of a common lexicon for global leadership; the author also looks at the global leadership challenges and the comparison of global leadership traits and its competences; and the author expresses a need for further research to enhance the leadership domain. The author believes, as global leaders come to shift their thinking and understanding ideological differences, that there is a commonality of human interests in economic security, political freedom, and protection of human rights, all of which transcends across boundaries as transnational corporations seek a competitive advantage.
Common Lexicon

The primary definitional question leadership researchers wrestle with is, quite simply identifying a common lexicon for global leadership. “What is a global leader?” More importantly, “What is the mindset of a global leader?” Research revealed that, as with leadership, there is no consensually agreed upon definition among leadership scholars for the term global leadership (Bass & Bass, 2008; Dickson, Den Hartog, & Mitchelson, 2003). Jokinen (2005) argued that “a more concise definition of ‘global leader’ is needed, with adequate identification criteria, in order to create a common understanding of the subject term” (p. 212). Despite the lack of literature calling for a common lexicon, there are scholars theoretically framing global leadership as a conceptual approach to internationalize the level of operations, activities, and actions at various echelons within governmental and corporate enterprises. Jokinen (2005) stated “a global leader is anyone having global responsibility over any business activity and global leaders can be found also in lower levels of organization” (p. 201). In their “Global leadership: The next generation” article, Greenberg, Goldsmith, Robertson, and Uh-Chan (2003) defined global leadership as “an extraordinary capacity to unify a global workforce around a single purposeful vision, through demonstration of personal mastery, thinking globally, anticipating opportunity and using shared leadership networks” (p. 3). Story (2011) defined global mindset “as a highly complex cognitive structure characterized by an openness to and articulation of multiple cultural and strategic realities on both global and local level, and the cognitive ability to mediate and integrate across this multiplicity” (p. 378). The author defines global leader as “a person that builds alliances and coalitions to shape shared values through cross-cultural communication, develops mutual economic, diplomatic, political, and security relationships, and balances corporate, national and international interests” (personal definition). The basic challenge for global leadership scholars is recognition of a theoretically integrated and synchronized common lexicon for researchers and educators to shape emerging leaders within a complex global environment.

Global Leadership Challenges

Reconciling Worldviews

Research revealed that one of the challenges for a global leader is reconciling differing ideological worldviews. The author believes global leaders want to conduct the “right actions”; the challenge is synthesizing (Gardner, 2008) the interpretation, perspective, and understanding of what are the right actions. Hames (2007) stated “what we see through our eyes, along with the preconceptions and filters we have in place to interpret what we see, determines what actions we are likely to be able to take to change or improve things” (p. 133). Therefore, the author suggests the challenge for global leaders is to disentangle the knowledge gap of ideological interpretations and beliefs of the “what it is” worldview to the worldview “as it should be” (Hames, 2007; Van Dijk, 2000). Van Dijk (2000) defines ideology as “social representation shared by a group. This means that ideologies allow people, as group members, to organize the multitude of social beliefs about what is the case, good or bad, right or wrong, for them, and to act accordingly” (p. 8). Hames (2007) and Van Dijk (2000) believe that socio-cultural and economic ideologies are a system of ideas influenced by the leader’s worldview. In line with Cronin (2009), the author posits that ideological tension is a battle of religious, ethnic, political, and social ideologies between individuals and groups. Additionally, the author believes that differing ideological interests produce lack of trust, misunderstanding, and socio-cultural tension between political, economic, and military global leaders.

Van Dijk (2000), Kanter (2010), and Dickson et al. (2003) note that childhood acculturation of religious and ethnic ideological beliefs shape the individual or collectivist group behavior. Much of the literature on reconciling differing ideologies suggests that ideological beliefs shape social and cultural identity, social categorization, and intergroup relations (Gardner, 2008; Kanter, 2010; Van Dijk, 2000). The author points out that ideological frameworks tend to segregate socio-ethnic groups resulting in cultural tension. Gardner (2008) argues that “humans exhibit a deep-seated tendency to create, to provide distinctive marks for these collectivities, and to adopt clearly positive or clearly hostile attitudes toward neighboring and more distant cohorts” (p. 104). Moreover, literature revealed that over time these ideological beliefs may cause geopolitical discourse between the interests of self-serving groups that are impacting the global leader’s ability to sustain a competitive advantage. Gardner (2008) stated that “no doubt human beings have deeply entrenched inclinations to delineate groups, to identify with and value members of their own groups, and to adapt a cautious if not antagonistic tone to other comparable groups, however defined and constituted” (p. 105).

Hames (2007), Kanter (2010), and Van Dijk (2000) point out that the necessity for global leaders to strategically navigate and develop the foresight through different socio-political ideological worldviews facilitates
leaders to coevolve, think, adapt, and respond differently within the operational environment. The author agrees that effective global leaders focus on reshaping group and cultural ideologies toward shared values and intercultural competences that cut cross geo-boundaries (Hames, 2007; Kanter, 2010; Van Dijk, 2000). Therefore, the challenge for global leaders managing the ideological differences and interpersonal relationships is developing confidence building and reconciliation measures that either directly or indirectly influence the outcome by transnational corporate or non-state actors (Dechesne, Van De Berg, & Soeters, 2007; Gardner, 2008).

The point can be made that religious ideologies between ethnic groups have historically been the cause of discourse among nations. For example, the religious ideological and ethnic tension of non-state actors in Somalia threatens the broader domestic corporate, national, and regional stability. The author’s experience in African military affairs within the political and military engagements in Somalia provided an understanding that numerous ethnic clans and armed groups sprung up in opposition to the Ethiopian occupation of Somalia in 2007 and 2008. Nowhere is the relocation of authority from state to non-state actors as acute as in the case of Somalia, where the prolonged and complete collapse of the central government during the 19 years has produced a context in which non-state actors have generally been the only form of political authority.

Al-Shabaab was created as a military organization comprised of a few dozen fighters who shared a common experience in Afghanistan. They embraced a neo-Salafi ideology and a commitment to build a vigorous organization. The Global War of Terrorism facilitated their rapid development and their use of brutal tactics further sharpened the exclusiveness of their ideology. Arguably, had this specific agenda not been there, they would have been like any other extremist group, a cluster of militants isolated in their own security. The Al-Shabaab organization exploited the ungoverned spaces as safe havens to establish political and military structures. Violence, or the threat of violence, is a principal unit of currency of power and the main source of individual and group security in a dangerous and often lawless environment. This has remained true despite the creation of two consecutive transitional governments since 2000. Political violence in south-central Somalia has arguably been more severe and uncontrolled in the period since 2006 than at any time in the country’s two-decade-long civil war.

The Somalia political and economic stability is critical for the entire region. The rise of piracy in the Gulf of Aden, humanitarian crisis in southern Somalia, the proliferation of drug and weapons of mass destruction transit routes, and on-going ethnic and religious tension has far reaching effects beyond the borders of Somalia. The conflict and illicit activity internal to Somalia threatens regional stability and influences international security. The international community is struggling to identify effective means to bring peace and stability to this troubled region. According to “Misleading Africa,” Ayittey (2009) article, states that “Africa is poor because its dysfunctional, kleptocratic regimes have disorganized its societies, and Western countries and their aid vehicles have been unwittingly complicit in this. Africa is rich; only its politics is poor” (p. 37). Therefore, the implication is that global leaders have an invested interest in shaping the management science strategies of emerging leaders to understand ideological socio-cultural differences, to mitigate conflict, and to negotiate shared political and economic outcomes for a sustained comparative advantage (Hames, 2007).

Not only does the literature suggest that reconciling differing ideological beliefs is one of the significant challenges for global leaders, some of it also suggests global leaders are equally challenged in reconciling and negotiating differing intergroup worldviews. Cohen and Insko (2008) argue that “leaders often act so as to benefit their in-group, which unfortunately often puts them at odds with out-group’s. Perhaps the most difficult task for any leader is to satisfy his or her constituents while still brokering reasonable agreements with out-groups” (p. 90). Conversely, as long as intrastate conflict, human rights abuses, and economic deprivation persist, the author believes that capacity building mechanisms will require critical leadership responsibilities from the international, regional, and sub-regional players to de-escalate the conflict. Researchers contend that reconciling differing worldviews will occur as global leaders coevolve and expand the cultural knowledge aperture by heuristically reframing the individual thinking and mental models. Hames (2007) points out that reconciling differing ideological worldviews occurs when conflicting parties cooperate to form a community of praxis that strategically aligned with future consequences. The author’s point of view is that the implication of reconciling differing ideological worldviews creates cultural understanding, prevents misunderstanding, and enhances confidence-building measures that transcend political and economic interests. In the “International collaboration under threat: A field study of Kabul” article, Dechesne et al. (2007)

posits that cultural worldviews provide the individual with a sense of order, stability, and meaning. Moreover, cultural worldviews provide the individual with a sense of what is valued, defining for the individual what to do to be appreciated, admired; and most importantly, to be remembered by others who share the worldview. (p. 26)

Additionally, Cohen and Insko (2008) and Hames (2007) suggest that global leaders can mitigate conflict by avoiding intergroup normative pressures and lead, based on shifting lateral thinking within an ideological multi-
perspective framework. Cohen and Insko (2008) “suggest that groups entrenched in conflict may be made to cooperate if they are induced to think about the long-term consequences of their actions” (p. 89). That said, global leaders shape the strategic political and business environment aligning strategic conversations with individual and group morality to reconcile socio-ethnic tensions (Hames, 2007; Cohen & Insko, 2009). Gardner (2007) state that “in the global terrain in which we now live, we should, whenever possible, give priority to respect for those with different backgrounds and beliefs—and hope that they will return the favor” (p. 119).

In sum, ideologies are representations of what we are, what we stand for, what our values are, and what our relationships are with other groups, in particular our enemies or opponents, that is those who oppose what we stand for, threaten our interests and prevent us from equal access to social resources and human rights. (Van Dijk, 2000, p. 69)

The review of literature overwhelmingly suggests that conventional country-specific leadership necessitates creative problem solving to resolve conflicts through the global mindset of mutual respect, building networking cross-cultural alliances within complex global systems, and disciplining the mind in developing new mental models of thinking (Cohen & Insko, 2008; Dickson et al., 2003; Gardner, 2008; Gregersen, Morrison, & Black, 1998). The author believes that leaders wrestle balancing the tension between cooperation and competition with building cross-cultural partnerships of mutual trust in today’s complex business and geopolitical environment. Additionally, leaders can affect glocalized behaviors by influencing underlying perceptions, attitudes, and beliefs through a combination of informing, educating, persuading, political urging, and economic coercing. The implication for global leadership in reconciling differing socioeconomic and intergroup ideological views produces activities that are not based on self serving and ethnic group interests but for the common good. Therefore, the global commons are based on building confidence measures of cultural respect, understanding, and ethical behavior that strengthens transnational political and business alliances. That said, the challenge for global leaders is to shape leader behavior and intentions (Gardner, 2008) in order to mitigate, mediate, and broker conflict reconciliation measures through cultural understanding, strengthening confidence building constructs, and negotiating intergroup tensions.

Us and Them

The literature goes on to suggest a significant global leadership challenge is pitting one cultural, economic, and political group against another that creates conflict (Van Dijk, 2000; Hames, 2007). Van Dijk (2000) and Hames (2007) clearly note basic fundamental beliefs form individual and group ideologies that perpetuate ideological superiority, self-serving actions, inequality, poverty and industrial economism. Hames (2007) states, “the most difficult challenge confronting us in this regard is that of escaping the legacy of prejudice, arrogance, and intolerance so as to make fresh sense of our reality” (p. 184). In line with Van Dijk (2000), the author believes the issue is that “what counts is what the group members believe and what, within their own system of verification, they believe to be justified whether or not such truth criteria are themselves biased” (p. 116). Understandably, different mental models and ideological beliefs “represent the personal experience and interpretation of the event by the participant. Thus, what people know personally about such an event, as well as their perspective on and opinion about the event, is represented in their subjective, individual models of the event” (p. 79).

That said, Gardner (2008) and Hames (2007) point out that within both the political and business environment, actors develop multiple social representations of the same issue with different worldviews, develop results in conflicting new ways of thinking based on different multiperspectives to solve organizational problems. The author suggests an important global leadership competence is the ability to prevent and dissuade intergroup beliefs that divide socio-cultural groups from developing into an ideological dominance over another group. Therefore, the author believes global leaders can prevent and dissuade intergroup bias and cultural dominance by modeling acceptance of cultural diversity, monitoring behavior, translating narratives, and assessing the effects of cultural strategic conversation (Hames, 2007) efforts between intergroups in a complex global environment. Additionally, a critical competence for global leaders is the cultural literacy (Gardner, 2008) to unite different socio-cultural, ethnic, and intergroup ideologies into a common narrative (Gardner, 2008) that builds partnerships among different political, economic, cultural, and religious faction to solve organizational problems. Cohen and Insko (2008) suggest that “intergroup cooperation might be increased by making group members understand that they are all equally members of the human race” (p. 92). Hames (2007) advocates for a new way of thinking that “unites humanity rather than continuing to divide it and that elevates a new understanding” (p. 159) based on the appreciative worldview.

This implication is that the constructive view of beliefs and mental representations that characterize differing ideologies fuel intergroup conflict (Van Dijk, 2000). However, the author believes the implication for global leaders to reframe cultural ideologies based on common interests, underlying principles, values, and beliefs
will facilitate conflict resolution mechanisms over intergroup dominant worldviews. More importantly, reframing ideological discourse along an appreciative worldview strengthens not only the context anchors within the strategic navigation processes but also assesses the broader influence of decision making outcomes within complex political and business environments (Van Dijk, 2000; Hames, 2007).

**Borderless**

Finally, the literature suggests an emerging significant global leadership challenge is protecting and sustaining the national sovereignty within an ever-increasing technologically interconnected political and economically complex and uncertain global environment. Research revealed that “the nation-state is being so weakened by the political and socioeconomic factors underpinning globalism that it may be doomed as an institution” (Hames, 2007, p. 130). This point can be made by observing the European debt crisis on domestic sovereignty and impacts international political, economic, and social policies. According to the *Economic Outlook*, Makin (2011) stated,

> The European sovereign-debt crisis has intensified and grown rapidly over the month. Until late October, the crisis centered on a chronic problem tied largely to the failure to stabilize Greece’s finances. Since then, the crisis has spread rapidly to Italy, Spain, and, most recently, France. Europe is now battling an acute systemic debt crisis that threatens the global financial system and the global economy. This worsening crisis constitutes the largest single threat to the US economy and its financial system. (para. 3)

The author argues that global political and economic leaders need to have the strategic foresight to understand the complexity that critical domestic sovereignty policies have in a global environment. The era of national policies that have focused on domestic centric interests without assessing regional or transnational effects does have far reaching strategic and global implications. According to “America’s Security Role in a Changing World, Global Strategic Assessment 2009” article, Cronin posits that

> no single power can mobilize others around its parochial agenda. And handling 21st century challenges with 20th century international machinery is Sisyphean … forging new approaches to complex global challenges such as energy and environmental security, including strategic surprises will require tailored approaches, in-depth knowledge, and strategic patience. (p. 472)

The traditional leadership approaches and “management controls [that] tend to reflect more the culture of the parent company’s home country culture” (Bass & Bass, 2008, p. 1042) impair the leader’s effectiveness in a complex global environment. Additionally, scholars contend that the management and leadership styles between national political and business enterprises differ in organizational norms, cross-cultural and work-related values, and decision making constructs. This potentially generates power distance conflicts which influence the outcomes within multilateral institutions at international, regional, and subregional levels (Dickson et al., 2003). Kanter (2010) states “the era of globalization is characterized by frequent, rapid, and sometimes unpredictable change, both done by leaders and done to them by the events in the external world” (p. 8). That said, the era of globalization requires leaders to change their approach to leadership through the global mindset of developing alliances and coalitions to solve domestic problems within the international system (Gardner, 2008; Hames, 2007). Literature suggests that leaders need the absorptive capacity (Wanasika, 2009) to balance the complex dynamics of glocalization (Hames, 2007) with a global mindset (Story, 2011) to strategically navigate (Hames, 2007) the technological interconnection of corporate, political, socioeconomic, and cultural interests. Researchers posit that the challenge for emerging leaders is the lack of developmental expertise to manage and balance glocalized complex and strategic competences to think globally (Gregersen et al., 1998). Therefore, the author believes that global leaders need to be cognizant of balancing glocalized leadership strategies that honor national boundaries and culture as part of the calculus within the political and economic decision making process.

**Development of Global Leaders**

The second challenge global leadership researchers wrestle with is expanding the theoretical leadership aperture that shapes leader development, characteristic traits, knowledge, and practical skill sets to address the required competences of emerging leaders within a global environment. The author argues that researchers and scholars have developed traditional theories addressing domestic organizational challenges, identified individual competences, characteristic traits, knowledge, skills, and abilities in understanding the substance of effective organizational leadership. Dickson et al. (2003), Bass and Bass (2008), Pittinsky & Simon (2007), Houghton and Yoho (2005), and Gardner (2008) present evidence that theories and leadership profiles of charismatic, ethical, emotional intelligence, transformational leadership, and discipline are universally endorsed as contributing to
outstanding leadership. However, Gardner (2008) suggests “we should, for sure, think globally, but we should, for sure equally strong reasons, act locally, nationally, and regionally” (p. 18). Therefore, the author argues scholars have neglected researching theoretical and application frameworks for critical global leadership competences that address glocalized ideological political, religious, ethnic, and socio-cultural differences.

Additionally, in agreement with Dickson et al. (2003) and Hames (2007), the author posits that emerging research theories and leadership practices should build on existing leadership profiles and incorporate additive globalization, intercultural competences, and strategic network communication leadership profiles to address the complex global environment. Scholars “argue that global mindset is an essential key to successful global leadership (Irving, 2009, p. 4). Irving (2009) suggests that “leaders around the world are now recognizing the critical importance of global teams as the key to future competitiveness and productivity in today’s new networked-style global organization” (p. 3). Therefore, research revealed that developing global leadership profiles that addresses the alignment of societal worldviews across cultural boundaries with the strategic and operational business ecosystem, the measure of effectiveness that manages uncertainty and economic complexity, the ability to mediate ideological and intergroup conflicts, the ability to develop technological and culturally collaborative networks, and shifting the strategic narrative from domestic interests toward a global mindset of leadership effectiveness will prepare emerging leaders for the constant political and economic change (Cohen & Insko, 2008; Dickson et al., 2003; Hames, 2007; Irving, 2009; Van Dijk, 2000). Therefore, Irving (2009), building on Hames (2007) and Van Dijk (2000), presented supportive arguments that a global mindset requires a multifaceted leader development strategy emphasizing the intellectual capital that focuses on cultural acumen, the psychological capital focusing on diversity, and social capital that focuses on relational competence.

Moreover, the author believes that integrating the use of smart power (Crocker, Hampson, & Aall, 2007) principles within the development of global leadership competence profiles is critical. This requires generating new theoretical knowledge as an integral leadership component for global leaders to reconcile ideological differences, develop intercultural competences and ethnocentric sensitivities, and intergroup conflict resolution mechanisms to solve cultural organization challenges (Cohen & Insko, 2008; Irving, 2009; Greenberg et al., 2003). According to Crocker et al. (2007), “hard power and soft power can complement each other. The ability to combine them effectively might be termed ‘smart power’” (p. 393). For example, Crocker et al. (2007) states “hard power and soft power are related because they are both aspects of the ability to achieve one’s purpose by affecting the behavior of others” (p. 392). On the one hand, Irving (2009) and Gardner (2008) concentrated on shared values, whereas Crocker et al., (2007) indicates “soft power rests on the ability to shape the preferences of others … getting others to want the outcomes that you want” (p. 391). On the other hand, Crocker et al. (2007) suggests that “hard power rests on inducements” (p. 390); manipulation, command compliance, and coercive measures to shape cultural, political, and economic activities (Van Dijk, 2000). Therefore, Crocker et al. (2007) argues that “while leaders in authoritarian countries can use coercion and issue commands, politicians in democracies have to rely, more on a combination of inducement and attraction. Soft power is a staple of democratic politics” (p. 390). More importantly, research revealed that cross-cultural interactions between socioeconomic interests are context specific (Irving, 2009). In the author’s opinion, the employment of smart power in one business regional ecosystem may not produce the same results in another business ecosystem. Therefore, the author suggests that developing smart power to mediate and resolve ideological discourse be context- and country-specific arranged as a global leader competence.

Finally, the complexity of shaping global leadership theory building and application frameworks requires educational institutions to restructure curriculum that addresses ideological understanding, opportunities to experientially foster socio-cultural respect (Gardner, 2008) and lessons learned from global leaders in developing organizational networks. According to Irving (2009), “educating for intercultural competence must take a holistic and multi-dimensional approach that focuses both on the often intrapersonal cognitive and affective levels as well as the relational and behavioral levels of interpersonal experience” (p. 5). The author’s point of view is that as technological innovation increases, the economic deterritorialization (Gardner, 2008) will require transcultural leaders to develop new forms of corporate global governance and innovative solution sets that address the country-specific political and business environment (Dickson et al., 2003; Gregersen et al., 1998).

Further Research

In terms of research, more work is needed to further explore a standardized theoretical lexicon and global leadership framework in a complex and fluid global environment. Research revealed that “there is little agreement among researchers on the definition of global competence, its antecedents or outcomes” (Jokinen, 2005, p. 211). The research implications will focus on how the definition of global leadership can be used to develop global...
leadership profiles that address glocalized ideological political, religious, ethnic, and socio-cultural differences. Second, the author believes further research is needed to explore theoretical frameworks and interdisciplinary methodologies that integrate reconciling differing ideological worldviews and cultural discourse with global leader competences (Dickson et al., 2003; Gardner, 2008). Third, the emergence of globalization has challenged the mental models of leadership practices. Therefore, the need for scholars to develop global leadership theories, application models, and decision making frameworks that balance domestic political and economic interests with transnational corporate and global implications is urgently needed. The author can testify, based on experience, that balancing glocalized interests has domestic and international political, economic, and security implications. The final issue remains for further research: How does a nation state leader influence the interests of a transnational corporation operating within its borders from another nation state? More importantly, how does a nation state leader influence the actions of a non-state actor or leader (terrorist organization) that destabilizes its institutions when they have no authority and the other party does not want to play? The author suggests this is one of the greatest political and economic challenges of global leadership with national security implications. That said, it deserves in-depth theoretical exploration and research.

Conclusion

This paper argued that a global leader’s worldview and cultural lens shapes the complexity of balancing basic human issues with domestic and international interests. The author discussed the need for a common lexicon and metrics as researchers and scholars shape global leadership competences for emerging leader. Additionally, this paper addressed three global leadership challenges as reconciling differing religious, socio-cultural, and ideological worldviews between domestic and international actors; pitting one socio-cultural group against another; and protecting national sovereignty interests within a global environment. Moreover, the author argued that widening the aperture of traditional theoretical leadership frameworks that address glocalized ideological differences will better prepare emerging leaders within a global environment. Finally, the author addressed critical issues for further global leadership research with domestic and international political, economic, and security implications.

References


AN INVESTIGATION OF COMMITMENT MODELS AND ANTECEDENT FACTORS FOR THE
HUMAN RESOURCE PROFESSION

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ABSTRACT

The purpose of this research project is to explore if traditional explanations of organizational and professional commitment and conflict, which have been developed through research of older and more established professions, also applies to the Human Resource profession. Survey data gathered from 294 HR practitioners were used to examine the correlates of organizational and professional commitment and conflict. The study results indicate the models explain a significant portion of the variation in both organizational and professional commitment, and that the two types of commitment have different antecedent factors. Results also indicate that organizational and professional conflict is lowest when both levels of organizational and professional commitment are high. Theoretical and practical implications are discussed.

INTRODUCTION

Today the discipline of Human Resources (HR) is widely recognized as a profession. The professionalization of HR occurred entirely within the twentieth century (Haigley, 1984; Kaufman, 1999) making HR not only a relatively new profession but a very young one as well. The goal of professional status for HR appears to have been reached by the 1980s: Haigley noted that the debate over whether or not personnel was a profession was seldom heard by the mid-1980s, and in 1986 Archer stated that “Professional status for the human resource discipline has reached the point of practical reality” (p. 97).

There is tremendous incentive for an occupation to professionalize. Professionalism strengthens the extent of legitimated occupational control over the provision of services performed by members of the profession. Typically, by screening entrance into a profession and limiting who can legally perform certain services, current members of the profession are assured of maintaining income and work opportunities. Further, identification as a profession can allow the occupation to influence the future development of professionalism as an institution (Torres, 1991). Professionalism is also significant to occupations because it helps to legitimate both what professions do and how they do it (Abbott, 1988).

Today HR is a profession because it possesses traits that are generally considered necessary for an occupation to be recognized as a profession. These traits include: a defined body-of-knowledge, availability of testing and certification, continuing professional education, a code of ethics, university programs, and professional associations (Archer, 1986; Haigley, 1984). A main reason it took until the 1980s for HR to be recognized as a profession was the difficulty of defining competencies that clearly demarcated the requisite areas of knowledge for HR professionals. Brockbank, Ulrich, and Beatty (1999) identified five defining competencies for HR professionals which included: knowledge of business, delivery of HR practices, ability to manage change, culture management, and personal credibility.

Although HR is generally considered to be a profession, the research literature on professionalism is noticeably silent regarding HR. In fact, the professionalism literature has been rather tightly focused on one specific profession, the accounting profession. A meta-analysis of studies investigating professional and organizational commitment found that over half of the studies used accountants as subjects (Wallace, 1993). This is due in part to a long-held belief that an occupation cannot develop into a profession from within an organization because its ability to exercise professional autonomy is compromised. Hall (1969) stated that professional autonomy “involves the feeling that the practitioner ought to be allowed to make decisions without external pressures from clients, from others who are not members of his profession, or from his employing organization” (p.82). Braude (1975) also noted the importance of autonomy, stating that “To the degree that a worker is constrained in the performance of his work by the controls and demands of others, that individual is less professional” (p. 105). Forsyth and Danisiewicz
(1985) suggested that occupations whose members lacked autonomy over their tasks belonged to a type of profession referred to as a mimic profession. They also warned that “Mimic professions may have a code of ethics and other trappings of professions, but they have no power. They have taken on the coloration but not the substance of profession. Personnel administration and funeral direction might be examples of this phenomenon” (pp. 64-65). This statement was especially damaging to HR since it came at a time when members of the HR profession seemed to believe that their professional status was beyond dispute.

More recently the need for an occupation to exercise complete autonomy over its work in order to qualify as a profession has come into question. Abbott (1988) noted that professionalization can occur within workplaces made up of multi-professional bureaucracies, and that professions such as engineering and information science clearly support this conclusion. Wallace (1995) examined the impact of different types of work settings on the organizational and professional commitment levels of lawyers. Wallace found that professional departments in nonprofessional organizations were able to preserve autonomy and discretion over their work and that they continued to perform highly skilled and complex tasks. However, even though the possibility of a profession originating and/or functioning within a bureaucracy has been acknowledged, the vast majority of research on professionalism has continued to focus on the established professions of accounting and law in their traditional work setting of the professional organization. It is important to investigate if our understanding of professionalism, which has been developed through the study of established professions, can be applied to HR, a modern profession.

**ORGANIZATIONAL AND PROFESSIONAL COMMITMENT**

Organizational commitment is one of the most thoroughly researched aspects of work commitment. A survey instrument developed by Mowday, Steers, and Porter (1979) has become the most widely used measure of organizational commitment (Benkhoff, 1997). The instrument developed by Mowday et al. is called the Organizational Commitment Questionnaire and it is largely concerned with measuring an individual’s attitudinal commitment to an organization. Mowday et al. defined organizational commitment as “A state in which an individual identifies with a particular organization and its goals and wishes to maintain membership in order to facilitate these goals” (p. 225). Mowday et al. also suggested that high levels of organizational commitment should be associated with low turnover, limited tardiness, low absenteeism, and enhanced job performance. Ongoing research in this area tends to support the importance of organizational commitment to understanding many aspects of employee behavior at work (Meyer, Stanley, Herscovitch, and Topolnystersky, 2002). For example, several studies report consistent negative correlations between organizational commitment and both employee intention to leave the organization and actual turnover (Allen and Meyer, 1996; Mathieu and Zajac, 1990; Tett and Meyer, 1993). Commitment has also been found to impact the way employees respond to dissatisfaction with events at work. For example, Meyer, Allen, and Smith (1993) found that affective organizational commitment was positively correlated with willingness to suggest improvements and to accept things as they are and negatively correlated with the tendency to withdraw passively from dissatisfying situations. It is organizational commitment’s presumed relationship with many desirable outcomes that continues to make it such a popular research topic (Randall, Fedor, and Longenecker 1990).

Commitment to one’s profession has not been studied as extensively as organizational commitment. This is probably due to the number of people who work in organizations as compared to professions (Kaldenberg, Becker, and Zvonkovic, 1995). There has, however, been an abundance of research conducted which emphasizes the need to understand the interactions of professionals and the organizations in which they work (see for example, Aranya and Ferris, 1984; Benson, 1973; Davies, 1983; and Sitkin and Sutcliffe, 1991).

**Organizational and Professional Conflict**

Much of the early research that investigated the relation between organizations and professionals within them seemed to assume that there must be conflict between professional and organizational forces (see for example, Blau and Scott, 1962; and Scott, 1966). More recently, research appears to be reexamining the assumed inherent conflict between the bureaucratic and professional forms of work organization. For example, Guy (1985) noted that “Professionals are dependent on bureaucracies to employ them and bureaucracies are dependent on professionals to fulfill the organizational mission. Neither can achieve its ends without the other, so they join forces in a collective effort to achieve their goals” (pp. 177-178). Wallace (1993) used meta-analysis to empirically assess the nature of the relation between professional and organizational commitment. Wallace found that “The early belief that professional and organizational commitments are inherently conflicting, and therefore negatively correlated, is not at all supported by the empirical findings” (p. 339). Aranya and Ferris (1984) studied the organizational-professional
conflict (OPC) of accountants and found that the level of OPC experienced by an individual might depend on the interaction of organizational and professional commitments:

Accountants who are highly committed to both organization and profession may tend to overlook possible incompatibility between the two and therefore perceive lower OPC. . . . On the other hand, individuals who experience low commitment to both profession and organization may tend to perceive higher conflict. This situation is symptomatic of occupational maladjustment and hence the perception of OPC may be just a reflection of this vocational difficulty. (pp. 5-6)

Past research, focused on accounting environments, also suggested that OPC might vary inversely with organizational level (Schroeder and Imdieke, 1977). Aranya and Ferris (1984) offered an explanation: “Longevity in both professional and organizational service may reflect a psychological ability (or effort) to reconcile conflicting demands. Another reason may be that partners tend to have more at stake than employees at other levels” (p. 5).

As noted earlier, the vast majority of research investigating organizational and professional commitment and conflict have focused on established professions. An area that has not been fully explored is the relation between professional and organizational commitment in administrative personnel. By administrative I am referring to individuals who are engaged in professions that developed entirely within an organizational setting, such as HR, as compared to the pattern of development that occurred in the established professions such as medicine, law and accounting. Wiley (1995) raised the issue of conflict between the HR professional and the organization by suggesting that “Because professionals place a premium on expertise, specialization, and objectivity, they are often appalled when they observe managers making decisions based on a seat-of-the-pants approach” (p.285). A finding that the two forms of commitment are complimentary rather than oppositional might encourage organizations to help their HR employees obtain professional training and credentialing, and to view these activities as enriching to the overall organization.

**Antecedents of Organizational and Professional Commitment**

Because organizational commitment is a key construct for examining the match between individuals and organizations, a great deal of research has been conducted investigating the predictors of organizational commitment. Unfortunately this literature is characterized by a “laundry list” of significant antecedent or correlate variables (Reichers, 1985). Generally, the wide range of variables that have been studied can be grouped. Mathieu and Zajac (1990) noted that variables relating to personal characteristics, job characteristics, and organizational characteristics have generally been considered to be antecedents of commitment. Parasuraman and Nachman (1987) noted that “Theoretical models of commitment have proposed that organizational and professional commitment are the product of personal and role-related variables, work experiences, and organizational factors” (p. 288). Support for these groupings of significant variables can be found in Reichers’ review of organizational commitment. Some of the antecedent variables discussed by Reichers include age, education, tenure, position, and job characteristics. Morrow and Wirth (1989) studied organizational and professional commitment and included education, age, position level, years in position, years in organization, and years in profession as important variables for understanding commitment.

Another category of variables that informs the discussion on commitment is socialization characteristics. It has long been suggested in the professionalism literature that professional commitment is developed during the process of socialization into a chosen profession (Aranya and Ferris, 1984; Goode, 1957; Larson, 1977; and Wilensky, 1964). Socialization can be defined as the process through which individuals are molded by the society to which they seek full membership (Fogarty, 1992). The more established professions tend to have very defined and rigorous programs both for academic preparation and professional credentialing. The programs provide ample opportunities for individuals entering these professions to become well informed of the goals and objectives of the profession and to internalize them. Historically, the HR field did not have a well-established or required educational and credentialing system in place, although this condition has recently changed (Kaufman, 1999; and Wiley, 1995). Formal education and credentialing in a field are tangible indications that an individual has been exposed to forces of occupational socialization. In HR, these forces have recently acquired more significant influence, and should therefore be included as potential predictors of organizational and professional commitment.

The purpose of this study is to determine if relations which have been found to exist between commitment and other factors in prior research are applicable to the HR profession. Previous studies have tended to involve members of a few, well-established professions. It cannot be known with certainty if relations detected between factors in these studies will be active in a profession, such as HR, that has professionalized in a different environment and in a different era. Given the significance of commitment to a number of job performance factors, it
is important to understand if antecedents of commitment that have been observed in other professions are relevant to
the HR profession.

METHOD

Sample

Questionnaires were mailed to a random sample of 1000 HR practitioners who were members of a
professional HR association. Twenty-nine percent (N=294) of the questionnaires were returned and usable. This
response rate was typical of mail surveys that have not received official sponsorship (Grover, 1992).

Respondents’ ages ranged from 24 to 74 years of age (M=42.3), and 56 percent of the respondents were
female. Most (70%) respondents were married or living with a partner. Average organizational tenure ranged from
less than one to 32 years (M=8.7), and HR tenure ranged from less than one to 38 years (M=14.3). Most (95%)
respondents had undergraduate or advanced degrees and 46% had degrees with concentrations in HR. However,
only 15% were professionally certified in HR.

MEASURES

Subjects were sent a four page questionnaire that included the following parts: (a) scale of organizational
commitment, (b) scale of professional commitment, (c) scale of organizational-professional conflict, (d)
organizational characteristics, (e) job characteristics, (f) personal characteristics, and (g) socialization characteristics.

Organizational and Professional Commitment

Each of the organizational and professional commitment measures was based on an 8-item scale. The
organizational commitment scale (OCS) was adapted (by permission) from Mowday et al. (1979). Due to growing
criticism about the inclusion of turnover intention items as part of the scale, the 8-item version of the OCS was used.
(Randall, Fedor, and Longenecker, 1990). Included in this instrument were items pertaining to the subject’s belief in
and acceptance of the organization’s values. The wording of two items was reversed in an attempt to reduce
response set bias. Each item was rated on a seven point scale with anchors at 1= strongly disagree, 4 = neither
disagree or agree, and 7 = strongly agree. Taking the mean score across all items derived a measure of overall
commitment for each subject. By replacing the word “organization” with “profession” the same 8-item scale was
used to determine the measure of professional commitment.

Morrow and Wirth (1989) investigated the reasonableness of utilizing Mowday et al.’s (1979) OCS to
measure professional commitment. Their evaluation of professional commitment was conducted from a convergent
and discriminant validity perspective. Factor analysis results indicated that organizational and professional
commitment loaded on different factors. This supported the discriminant validity of the work commitment
measures. Morrow and Wirth developed a modified multitrait-multimethod correlation matrix to assess the
convergent validity of professional commitment. Overall, they concluded that the evidence indicated the convergent
validity of professional commitment was adequate, and that professional commitment was distinguishable from
organizational commitment.

The reliability and validity of Mowday et al.’s (1979) OCS has been well-established in the research
literature. Wallace’s (1993) summary of studies that were included in her meta-analysis listed 16 studies that used
Mowday et al.’s (1979) scale. In these studies the reliability of the scale ranged from .74 to .92. Wallace’s
summary also indicated that 11 studies included in her meta-analysis used Mowday et al.’s scale to measure
professional commitment. In these studies the reliability of the professional commitment scale ranged from .72 to
.89. For the present sample, the coefficient α for organizational commitment and for professional commitment was
.93.

Organizational-Professional Conflict

The level of OPC was assessed with a measure developed by Aranya and Ferris (1984). Subjects were
asked to indicate the degree of their agreement or disagreement with the following statements: “My employment
situation gives me the opportunity to fully express myself as a professional;” and, “In my organization, there is a
conflict between the work standards and procedures of the organization and my ability to act according to my
professional judgement.” Each item was rated on a seven-point scale with anchors at 1= strongly disagree, 4
neither disagree or agree, and 7 = strongly agree. The two items were significantly correlated ($r = .37 \ p<.001$), and an eigenvalue greater than one and scree test criteria for factor retention indicated that the two items loaded on one factor, which accounted for 69% of the total variance.

Organizational Characteristics

Subjects were asked what types of businesses their organizations were engaged in. Eighteen categories were provided which corresponded with the major industrial groupings of the Standard Industrial Classification. These categories were then generalized into two broad groupings coded 1 for manufacturing (manufacturing, construction, and agricultural) industry and 0 for nonmanufacturing (services, education, finance, health, insurance, retail trade, transportation, communication, and utilities) industry. These groupings are very similar to the industry groupings used by Blum, Fields, and Goodman (1994). Organizational size was measured by number of employees.

Job Characteristics

Occupational level was assessed by ordinally scaling 11 categories of jobs. Subjects were asked to indicate the most appropriate title from a list. This process enabled the use of a common measure of occupational level across organizations. Position and organization tenure were measured in years.

Income level was measured by an eleven-point interval scale ranging from “less than $20,000” to “more than $150,000.” The non-response rate for the income item was surprisingly low. Only 2.4% of the respondents chose not to answer this item.

Subjects were asked what functional areas their present positions included. Sixteen functional areas were provided, which included labor and industrial relations. Subjects were also asked if they had worked in managerial functions other than HR.

Personal Characteristics

Gender was coded 1 for men and 0 for women, and age was measured in years. A five-point ordinal scale ranging from “high school” to “doctorate” assessed level of education. For race-ethnicity, subjects were asked to identify themselves as African American, American Indian, Asian, Hispanic, White, or other. Due to the small number of minority respondents, all non-white categories were condensed into one category labeled “minority.” Subjects were asked the number of children living with them and their current marital status.

Socialization Characteristics

Subjects were asked to provide the year when they finished their highest level of education. Subjects were also asked if their Bachelor and/or Graduate degrees included a concentration in HR, and if they were professionally certified in the area of HR. Professional tenure was measured in years.

RESULTS

The means, standard deviations, and correlations of all the variables in the study are shown in Table 1. Subjects who worked in the manufacturing industry were significantly more likely to have labor relations experience and formal HR education. Job level was positively correlated to professional tenure but negatively related to having a formal HR education. Males were significantly older and more likely to have labor relations experience than women. Males also occupied higher job levels, earned higher levels of income, and had more general and HR education than women. However, males were less likely to hold professional certification in HR. Also, there were positive correlations between the year of graduation and both HR education and certification.
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* p<.05, **p<.01, *** p<.001
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Means, Standard Deviations, and Correlations of Variables

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<tr>
<td>4. Position Tenure</td>
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<tr>
<td>5. Organization Tenure</td>
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<td>7. Labor Relations Experience</td>
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<td>10. Minority Status</td>
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<tr>
<td>11. Marital Status</td>
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<td>12. Children</td>
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<td></td>
</tr>
<tr>
<td>13. Sex (Male)</td>
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<td></td>
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<tr>
<td>15. HR Education</td>
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<tr>
<td>16. Professional Tenure</td>
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<tr>
<td>17. Certification</td>
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<td>-.00</td>
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<tr>
<td>18. Year of Graduation</td>
<td>.26***</td>
<td>-.58***</td>
<td>.12*</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>19. Conflict</td>
<td>.01</td>
<td>-.15**</td>
<td>-.02</td>
<td>.23***</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>20. Professional Commitment</td>
<td>.05</td>
<td>.09</td>
<td>.11</td>
<td>.03</td>
<td>-.25***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21. Organizational Commitment</td>
<td>-.02</td>
<td>.13*</td>
<td>-.05</td>
<td>-.19***</td>
<td>-.63***</td>
<td>.22***</td>
<td></td>
</tr>
<tr>
<td>22. Prof. Com. X Org. Com.</td>
<td>.03</td>
<td>.14*</td>
<td>.03</td>
<td>-.12*</td>
<td>-.59***</td>
<td>.76***</td>
<td>.79***</td>
</tr>
</tbody>
</table>

* p<.05, **p<.01, *** p<.001
**Commitment and Organizational-Professional Conflict**

The correlation between organizational and professional commitment was significant and positive. Organizational commitment was positively related to job level, income, age, and professional tenure, and negatively related to year of graduation. Professional commitment was strongly related to labor relations work experience. Organizational-professional conflict was negatively related to job level, income, age, professional tenure, professional commitment, and organizational commitment, and positively related to year of graduation.

The correlation coefficient between OPC and the interaction of organizational and professional commitment was significant and negative. This interaction was further investigated by calculating the mean value of OPC based on the levels of organizational and professional commitment. Levels of organizational and professional commitment were determined by comparing the commitment scores for each subject to the mean score of each commitment. Subjects were then identified as being either above or below the mean for both organizational and professional commitment. Table 2 summarizes the findings and indicates that the mean conflict value was lowest when both levels of organizational and professional commitment were high. Low levels of either organizational or professional commitment were related with larger mean conflict values, and the greatest level of conflict resulted when both dimensions of commitment were low. Table 3 shows that the mean levels of OPC differ significantly between the groups.

### Table 2

**Summary of Organizational-Professional Conflict and Organizational and Professional Commitments**

<table>
<thead>
<tr>
<th>Professional Commitment</th>
<th>Organizational Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Organizational-Professional Conflict M=2.2672</td>
</tr>
<tr>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Organizational-Professional Conflict M=2.6864</td>
</tr>
</tbody>
</table>

### Table 3

**Results of One-Way ANOVA of Organizational-Professional Conflict by Level of Organizational and Professional Commitment**

<table>
<thead>
<tr>
<th>Variable, subsets</th>
<th>Mean</th>
<th>S.D.</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Low Professional, Low Organizational</td>
<td>3.8814</td>
<td>1.1866</td>
<td>35.1063***</td>
</tr>
<tr>
<td>2. Low Professional, High Organizational</td>
<td>2.6864</td>
<td>1.1814</td>
<td></td>
</tr>
<tr>
<td>3. High Professional, Low Organizational</td>
<td>3.6711</td>
<td>1.3621</td>
<td></td>
</tr>
<tr>
<td>4. High Professional, High Organizational</td>
<td>2.2672</td>
<td>0.9878</td>
<td></td>
</tr>
</tbody>
</table>

***p<.001

Table 1 indicates that the level of OPC tends to be inversely related to job level. To further investigate this relationship job titles administrative assistant through director were grouped together and jobs titles assistant vice president through owner were grouped together. Table 4 reports the results of ANOVA on the significance of the difference in the mean values of the dependent variables. As expected, the level of OPC tends to be inversely and significantly related to job level (F = 14.39, p<.001). Organizational commitment is significantly stronger in the upper job levels (F = 8.04, p<.01). Professional commitment does not appear to vary significantly between the two job levels.
Table 4  
Results of One-Way ANOVA of Organizational and Professional Commitment and Conflict by Organizational Level

<table>
<thead>
<tr>
<th>Variable, subsets</th>
<th>Mean</th>
<th>S.D.</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflict</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Lower Job Levels</td>
<td>3.1304</td>
<td>1.2991</td>
<td>14.3936***</td>
</tr>
<tr>
<td>2. Upper Job Levels</td>
<td>2.4941</td>
<td>1.3150</td>
<td></td>
</tr>
<tr>
<td>Professional Commitment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Lower Job Levels</td>
<td>5.7258</td>
<td>.9867</td>
<td>.7921</td>
</tr>
<tr>
<td>2. Upper Job Levels</td>
<td>5.6131</td>
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<tr>
<td>Organizational Commitment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Lower Job Levels</td>
<td>5.4973</td>
<td>1.0277</td>
<td>8.0435**</td>
</tr>
<tr>
<td>2. Upper Job Levels</td>
<td>5.8618</td>
<td>.9238</td>
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</tr>
</tbody>
</table>

***p<.001  
**p<.01

Multiple Regression Analysis

Multiple regression analyses were conducted to examine the relative influence of each predictor variable on organizational commitment (see Table 5) and professional commitment (see Table 6). The results show that the study variables as a whole explained 44% (p<.001) of the variation in organizational commitment and 20% (p<.001) of the variation in professional commitment.

Table 5  
Multiple Regression of Organizational Commitment on Variables Measuring Characteristics of Work and Other Affiliations

<table>
<thead>
<tr>
<th>Explanatory Variables</th>
<th>Standardized Regression Coefficients</th>
</tr>
</thead>
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<tr>
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<td>Organizational Characteristics:</td>
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<tr>
<td>Size</td>
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<td>Manufacturing</td>
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<td>Job Characteristics:</td>
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<td>Position Tenure</td>
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<tr>
<td>Organization Tenure</td>
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<tr>
<td>Income Level</td>
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<tr>
<td>Labor Relations Experience</td>
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<tr>
<td>Other Work Experience</td>
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<td>Personal Characteristics</td>
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<td>Educational Level</td>
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<td>Minority Status</td>
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<td>Marital Status</td>
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<tr>
<td>Number of Children</td>
<td>.0715</td>
</tr>
<tr>
<td>Gender</td>
<td>.0936</td>
</tr>
<tr>
<td>Age</td>
<td>.2988**</td>
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<td>Socialization Characteristics:</td>
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<td>Professional Tenure</td>
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<td>Certification</td>
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<td>Year of Graduation</td>
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Commitment:
Table 6
Multiple Regression of Professional Commitment on Variables Measuring Characteristics of Work and Other Affiliations

<table>
<thead>
<tr>
<th>Explanatory Variables</th>
<th>Standardized Regression Coefficients</th>
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<td><strong>Organizational Characteristics:</strong></td>
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<td>Size</td>
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<tr>
<td>Manufacturing</td>
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<td><strong>Job Characteristics:</strong></td>
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<tr>
<td>Position Tenure</td>
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<td>Organization Tenure</td>
<td>-.2256**</td>
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<tr>
<td>Income Level</td>
<td>-.0765</td>
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<tr>
<td>Labor Relations Experience</td>
<td>.2812***</td>
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<tr>
<td>Other Work Experience</td>
<td>.1930**</td>
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<tr>
<td><strong>Personal Characteristics</strong></td>
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<td>Educational Level</td>
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<td>Minority Status</td>
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<td>Marital Status</td>
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<td>Number of Children</td>
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<td>Organizational Commitment</td>
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<tr>
<td>Organizational-Professional Conflict</td>
<td>-.2433**</td>
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<tbody>
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<td>R²</td>
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<tr>
<td>Adjusted R²</td>
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<tr>
<td>F</td>
<td>9.9543***</td>
</tr>
<tr>
<td>*p&lt;.05</td>
<td></td>
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<tr>
<td>**p&lt;.01</td>
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</tr>
<tr>
<td>***p&lt;.001</td>
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</table>

Further examination of the results revealed a distinct difference between the variables that influenced commitment to the organization and those that affected commitment to the HR profession. The dominant variables that strengthened organizational commitment were income level ($\beta = .27, p<.01$) and age ($\beta = .30, p<.01$), whereas professional tenure ($\beta = -.21, p<.05$), certification ($\beta = -.11, p<.05$), and OPC ($\beta = -.60, p<.001$) all diminished organizational commitment. In comparison, the main determinants of professional commitment were labor relations experience ($\beta = .28, p<.001$), other work experience ($\beta = .19, p<.01$), and marital status ($\beta = .17, p<.05$). The
variables that diminished professional commitment were organizational tenure ($\beta = -.23$, $p<.01$), and once again OPC ($\beta = -.24$, $p<.01$).

**DISCUSSION**

There has been a great deal of research conducted that has investigated the predictors of commitment as well as the relationship of organizational and professional commitment and any resulting conflict. However, administrative professions in general, and HR specifically, have rarely been included in this research. Therefore, this study attempted to analyze if relations which have been found to exist between commitment and other factors in established professions are applicable to the HR profession. In general, the present findings indicate that the guidance provided by prior research was very helpful to understanding the organizational and professional commitments of HR professionals.

Organizational commitment appeared to be positively related to the level of investment individuals had in their organizations. For example, being successful at work (indicated by title and income) enhanced organizational commitment, as well did age, marriage and professional tenure. These factors suggest that as individuals find it more difficult to uproot their careers they bond more closely with their organizations. In comparison, professional commitment was strongly influenced by the presence of labor relations work experience. This specific type of HR experience was also positively related to the sex (male) of the individual. This finding suggests that females might find it difficult to obtain work experience in an important area of HR.

Organizational and professional commitment demonstrated a strong, positive relationship. The finding that these two forms of commitment are complimentary will hopefully motivate organizations to encourage their HR employees to become more occupationally socialized through education, professional training, and credentialing. Organizations should not be concerned that HR professionals interpret commitment as a “zero sum” game, requiring different dimensions of commitment to yield to one another. Quite to the contrary, in the present study the two dimensions of commitment appear to be mutually encouraging of each other.

The strength of association observed in the present study between organizational and professional commitment is also similar to the degrees of association noted in other studies (Aranya and Ferris, 1984; Lachman and Aranya, 1986; Morrow and Wirth, 1989; and Wallace, 1993). This is important because Wallace (1993) found that the degree of professionalization in an occupation was an important moderator of the degree of association between the two dimensions of commitment. In her study she included personnel managers in the samples characterized by low professionalization. The strong correlation between organizational and professional commitment observed in the present study may be an indication that the HR profession is maturing as a profession.

As anticipated, the correlation coefficient between OPC and the interaction of organizational and professional commitment was significant and negative. This finding is in agreement with other recent research on professionals and conflict and serves to support the notion that attitudes of commitment to one’s profession and organization actually work together to diminish negative feelings of conflict about an organization. Table 2 corroborates the correlation statistic by indicating that the mean conflict value is lowest when both levels of commitment are high. Low levels of both organizational and professional commitment result in an increased mean conflict value. These findings are in agreement with Aranya and Ferris (1984) who found that low levels of commitment were indicative of a general occupational maladjustment and that OPC would be a logical outcome of such vocational difficulty.

The level of OPC is also inversely related to job level. An explanation for this finding might be that individuals who occupy higher level jobs tend to be older, earn more income, have significantly more work experience in non-HR positions, and lack formal education in HR. These characteristics suggest that these individuals might tend to align themselves more with their organizations’ goals because they are realizing the benefits of organizational membership. In contrast, their lack of formal knowledge regarding the HR profession, coupled with their exposure to the field in its infancy when it did not command much attention, could combine to make the importance of professional goals weaker and less compelling. Therefore, it could be that lack of conflict is related to a weak sense of professional commitment, and thus there is little for organizational commitment to conflict with.

The results of the multiple regression analyses presented in Tables 5 and 6 indicate that the models explain a significant portion of the variation in both organizational commitment and professional commitment. The ability of the commitment models to explain more of the level of organizational commitment as compared to professional commitment might be an indication of the greater efforts that have gone into research on organizational commitment as compared to professional commitment. Unexpectedly, none of the socialization characteristics were significant predictors of professional commitment. This might be an indication that professional HR associations
still need to demonstrate to practitioners the relevance of professional training and credentialing. Apparently, practitioners lack the motivation to secure formal education and/or credentials in HR because they do not perceive a strong connection between formal accreditation and their affective commitment to the HR profession.

Another important finding is that, with the exception of OPC, none of the independent variables have a significant effect on both dependent variables. This finding builds upon the research conducted by Chelte and Tausky (1987), and Wallace (1995). Chelte and Tausky examined organizational commitment, antecedents, and consequences among three distinct groups of employees. They found no shared consistent pattern of antecedents or outcomes of organizational commitment among the three groups. Wallace (1995) studied the legal profession and found that organizational commitment was highly dependent on perceived opportunities for career advancements and the criteria used in the distribution of rewards, whereas few of the structural characteristics accounted for professional commitment.

The results of this study indicate that in general, traditional explanations of organizational and professional commitment and conflict, which have been developed from research of older and more established professions, also apply to the HR profession. Organizations should not anticipate rivalry between the two forms of commitment, but rather strive to encourage the professional development of their HR professionals since there is a strong, positive relation between organizational and professional commitment. The present findings also indicate a need for research that investigates the unique antecedents of professional commitment. It is clear that research should not continue to assume that both organizational and professional commitment are the product of similar antecedent factors.

REFERENCES


THE DIFFERENCE BETWEEN PSYCHOLOGICAL AND SOCIAL AFFAIRS AND

THE IMPLICATIONS FOR KEY PLAYERS

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Abstract

The costs associated with organisational and institutional disputes and scandals are significant, as evidenced in the Chico University hazing case 2005, which resulted in the death of Matthew Carrington. Because this affair became public, it was possible to conduct an analysis of materials. However, since the 1960s, specific workplace measures to keep issues within the organisation, including humanisation and psychologisation of the workplace, have resulted in the containment of issues as private affairs, making them difficult to investigate. Cases that breach containment and enter the public domain offer an opportunity to explore, not only escalations of conflict, but also the private, contained phase of events. Using Boltanski’s affair model to explore the phases of the Chico affair, specific differences between psychological and social affairs are examined. This case highlights key phases that a conflict or scandal may pass through from psychological to social affair. Key phases of the process are outlined and discussed in light of the containment of the issues and implications for main players, including the organisation or institution. This study contributes to an understanding of conflict processes and outcomes.

Keywords – organisational conflict, organisation, Boltanski, affair process, Chico University, Matthew Carrington

INTRODUCTION

Organisational disputes and scandals and their effects are generally recognisable. The television news reports regularly on different affairs keeping the public abreast of the wide range of conflicts afflicting different individuals. For example, most of us can recall or relate to someone who has been engaged in a workplace dispute that has resulted in them leaving their position, either by choice or through their dismissal by the organisation. Even though such actions may cause interruptions to the productivity and staffing of the organisation or institution (for example, see Hoel, Sheehan, Cooper, & Einarsen, 2011), these costs may be considered collateral damage as the process ensures that the matters remain private between employer and employee. Cases that breach containment pose a particular risk to organisations because they, not only publicise the issue under contention, but also draw attention to the organisation and other potential problems that may have gone unnoticed, such as systemic issues which could lead to litigation or other actions (Khilawala, 2011).

A BRIEF HISTORY OF CONTAINMENT

The emphasis to contain issues can be seen to be tied to workplace changes that have evolved over past decades, particularly from the 1930s to the present time. Some of the key
changes include the shift from mass production in the 1930s to more flexible modes of production (Harvey, 1990), which triggered a need for better managerial approaches (Thompson, n.d.). This led to the introduction of Human Resource (HR) officers as a means for streamlining processes (Thompson, n.d.). HR officers had many roles, but central to the containment of issues was their role of developing more personalised relations between employers and employees (Lécuyer, 2003). They also focused on employee retention and initiatives that enhanced workplace conditions as the value of workers as a resource was realised (Ehrlich, 1997; Womack, Jones, & Roos, 1990). This led to the humanisation of the workplace (Fieldes & Bramble, 1992). This in turn, created a strong sense of loyalty to the organisation which resulted in the further alienation of union bodies (Lécuyer, 2003). Unionism had been in a decline in many countries since the 1950s (Harvey, 1990; Lichtenstein, 2002). Consequently, these events meant that workers became isolated as attention was placed increasingly on them as individuals. This meant that when issues arose they had to be dealt with through the internal mechanisms of the organisation. When legislation in Sweden changed in the 1970s (Engman, 2003; Eurofound, 2009) to include the psychological well-being of employees, workplace issues became psychologised and pressure increased further on employers to tighten up the containment of issues, to avoid escalations of conflict that would land them in court (Khilawala, 2011).

METHODOLOGY

The problem of contained issues is that, as private, internalised affairs, detail is challenging to access, making them difficult to understand. The brief history of the workplace changes highlights that the internalisation of issues leads to a focus on the individuals at the centre of the conflicts and the psychologisation of the issues, while deflecting attention from other aspects of the matters, particularly organisational mechanisms. This results in ‘hidden dimensions’ (Habiba, 2010, p. 84) of these affairs where processes and players involved are obscured. In this paper, the differences between private, psychological affairs and those disputes that escalate to become full blown social affairs, are explored using Boltanski’s (1996) affair model as a structure and the California State University, Chico hazing case of Matthew Carrington in 2005, to demonstrate points of difference between the two affair types.

The Chico case examines the events before and after the hazing death of Matthew Carrington involving members of the Chi Tau fraternity at California State University, Chico. Data is taken from public documents generated when the case breached containment. This allows for analysis of all phases of the affair, and in particular, exploration of the transitory stages between each phase, highlighting key features of the process, including outcomes for players. This case is one of seven used in a larger study, which explores the issue of containment and was selected on the basis of type of dispute or scandal, access to documentation about the affair, its location and how far it progressed as an affair. For example, consideration was given to whether or not the case had been recontained or had proceeded to become a full blown social affair.

Five points in time in the Chico affair have been selected to emphasise features of psychological and social affairs (Boltanski, 1996) and to demonstrate how an affair proceeds from one phase to the next. In order to facilitate a clear understanding of the affair process, a brief introduction to Boltanski’s (1996) affair model, as adapted for this study, is provided.
THE BOLTANSKI AFFAIR PROCESS

Boltanski (1996) identified two types of affair, psychological and social. Close analysis of the affair process reveals there are four transitory stages, namely: 1. onset, 2. breach of containment, 3a.recontainment or 3b.social affair. Not all affairs proceed past onset. These are the affairs that are managed through internal mechanisms of organisations such as workplace bullying cases. Affairs that breach containment must be recontained in some form or be transformed through the generalisation and depersonalisation of the issue to become a social affair. An affair cannot be recontained and then proceed as a social affair at the same time. Therefore, the breach of containment phase is an extremely important phase for all concerned. For targets, the focus is on transforming the affair, whereas for the organisation and persecutors, the emphasis is on recontainment.

There may be many events to each phase and an event follows the same general process for every phase, from onset through to social affair. There are subtle differences in the way that the agencies of denouncer, target, persecutor and judge are filled and how the affair is settled during each phase, as the affair proceeds. The process begins with a denunciation which identifies the agencies of denouncer, target/s, persecutor/s and judge. The denunciation identifies which direction the affair is taking. For example, the closer the relationship is between denouncer and target indicates that the affair is personal and more likely to still remain in the psychological phases, that is, onset, and breach of containment or recontainment. Denunciation is followed by claims and counterclaims and the gathering of proofs or evidence by each team, which includes the testimony or support from other players. These are then presented to a judge whose position is systematically more formalised as the affair proceeds. For example, during onset the judge may be a HR mediator but, during breach of containment, courts are the usual setting legalising the role (Boltanski, 1996). Once agreement is achieved the affair ends. However, settlement made during the psychological affair stage is associated with certain risks. Boltanski (1996, p. 28) tells us psychological affairs are difficult to resolve as they are not settled with ‘tools of equivalence’ having arisen in the ‘affective regime’ (Boltanski, 1996, p. 28). These affairs usually result in superficial changes, such as, to staffing (as mentioned in the introduction) or policy and as such, new claims may arise (Boltanski, 1996) in that setting or elsewhere, if the player is displaced. Social affairs however, are settled in a ‘regime of justice’ (Boltanski, 1996, p. 28) which can result in systemic, cultural or legislative changes. This ends the affair (Boltanski, 1996).

CHICO: KEY EVENTS

From the onset phase to its transformation and settlement as a social affair, the Chico case was made up of many events. These are shown in Table 1. The five events that are used for this analysis are italicised and can be seen to incorporate different stages of the affair process from onset to the point of settlement as a social affair (see Table 1, events 1, 2, 4, 9, 23). A quick glance at Table 1, reveals that detail is limited about the onset phase with only one event listed. The breach of containment phase revolves around the escalation of the affair through the courts, however the establishment of the Matt Carrington Fund is an important event in this phase. The social affair phase marks the shift in focus from the central players to more general concerns including at the university and State levels. Detail from each of the five highlighted events is discussed further to emphasise the importance of each of these phases and these points in time, to the affair.
Table 1
Key events: California State University, Chico affair 2005

<table>
<thead>
<tr>
<th>Onset</th>
<th>Breach of containment</th>
<th>Recontainment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Hell week -</td>
<td>Police investigation</td>
<td></td>
</tr>
<tr>
<td>hazing of freshmen</td>
<td>3.2.05</td>
<td></td>
</tr>
<tr>
<td>at Chi Tau House</td>
<td></td>
<td></td>
</tr>
<tr>
<td>California State</td>
<td>MC fund 8.2.05</td>
<td></td>
</tr>
<tr>
<td>University, Chico</td>
<td>Memorial MC fund</td>
<td></td>
</tr>
<tr>
<td>Feb 2005</td>
<td>10.2.05</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DA Charges</td>
<td></td>
</tr>
<tr>
<td></td>
<td>12.2.05</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Charges laid</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.3.05</td>
<td></td>
</tr>
<tr>
<td>2. Social Affair</td>
<td>Court appearance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>19.3.05</td>
<td></td>
</tr>
<tr>
<td>3. Other cases of hazing exposed 16.4.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Defendants plead not guilty 3.5.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Frat sued 14.5.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Filing of law suit against Chi Tau + National Chapter- Delta Sigma Phi &amp; members by parents of MC 4.6.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Sentence 5.6.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Outcomes- banning of alcohol use &amp; hazing in frats 18.6.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Investigation into Greek system (Frats) 29.3.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Comparison of hazing case to torture- possible life imprisonment sentence 15.08.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Other cases 11.11.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Toughening up on penalties- call for changes to laws 14.11.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Hazing awareness Matt's Law 14.6.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Matt’s Law Passed - Law changed from Education code to Penal code 30.8.06</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

PHASE ONE: ONSET

The first event in the onset phase, as seen in Table 2, is constructed from detail gleaned from an event that occurred as part of the trial of the Chi Tau members during the social affair phase (See Table 1, event 13). This emphasises the restriction of access to information about the early phase of disputes or scandals. While detail is limited, analysis of this event in Table 2, reveals the main focus is on the relations between central players and the interactions between them as personal. This focus is highlighted by the denunciation by Carrington’s mother, and the limited use of resources to advance the claim, namely Carrington’s friend. The persecutors are not identified in the early reports about the case and as such, remain unidentified here. The claim made by Carrington’s mother about this event emphasises the personal focus of the events during the onset phase. ‘Fraternity brothers videotaped pledges dressed up like prostitutes walking down the street in Southern California, she said. "But recently I could tell something changed, and he didn't want to talk to me about the rush activities anymore," she said’ (Vega, 2005, p. A.1). If Matthew Carrington had not been killed as a result of his hazing, this affair may have been contained at the onset phase. As such, the events may have continued with new claims emerging, a condition of psychological affairs described by Boltanski (1996). Examination of the public
documents surrounding the Chico case shows that this is in fact what had happened, with prior hazing cases being identified ("CSU', Chico fraternity settles hazing lawsuit ", 2002; McManis, 2002) including earlier claims that involved the Chi Tau fraternity (May, 2005).

Table 2
Phase one: Onset – Key event

<table>
<thead>
<tr>
<th>ONSET PROCESS</th>
<th>California State University, Chico (4.6.05) (Vega, 2005)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denouncer</td>
<td>mother Debbie Smith</td>
</tr>
<tr>
<td>Target</td>
<td>Matthew Carrington</td>
</tr>
<tr>
<td>Persecutor/s</td>
<td>Members Chi Tau fraternity</td>
</tr>
<tr>
<td>Main claim</td>
<td>The hazing began in October and ‘Hell Week’ began late January</td>
</tr>
<tr>
<td>Resources for target</td>
<td>Mike Quintana (friend)</td>
</tr>
<tr>
<td>Resources for persecutor</td>
<td></td>
</tr>
<tr>
<td>Judge</td>
<td></td>
</tr>
<tr>
<td>Outcome</td>
<td>New claim</td>
</tr>
</tbody>
</table>

**PHASE TWO: BREACH OF CONTAINMENT (A)**

The next example, Table 3, highlights, that despite the breach of containment, the focus continues to remain on the central players and the events as personal. Debbie Smith (mother) denounces the issue of Carrington’s hazing, once more. However, as the affair has breached containment, as a result of Matthew Carrington’s death, there are a number of changes to be noted. As a public issue, the central players are now identified. This has serious implications for those accused in the matter of Carrington’s death, particularly impacting on their reputations. For the organisation or institution, a spotlight is shone on their part in the affair, making damage control important. The resources utilised here are still largely personalised, but the judge agency has moved towards a more institutionalised setting. The affair could have been be recontained at this stage through a settlement in the courts. However, this would have created a risk that the events would re-emerge. While the key events in Table 1 demonstrate that this was the direction the affair was taking during this phase, it was the next event highlighted in this analysis, which began the transformation of the affair.
Table 3
Phase two: Breach of containment part (a) – Key event

<table>
<thead>
<tr>
<th>BREACH OF CONTAINMENT PROCESS (A)</th>
<th>California State University, Chico 3.2.05 (May, 2005)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denouncer</td>
<td>Debbie Smith (mother)/ media</td>
</tr>
<tr>
<td>Target</td>
<td>Matthew Carrington-student</td>
</tr>
<tr>
<td>Persecutor/s</td>
<td>Chi Tau fraternity members:</td>
</tr>
<tr>
<td></td>
<td>Jerry Ming Lim, 25;</td>
</tr>
<tr>
<td></td>
<td>Gabriel John Maestretti, 22;</td>
</tr>
<tr>
<td></td>
<td>Carlos Abrille, 22;</td>
</tr>
<tr>
<td></td>
<td>John Paul Fickes, 19;</td>
</tr>
<tr>
<td></td>
<td>Richard Joseph Hirth, 22;</td>
</tr>
<tr>
<td></td>
<td>Michael Fernandez, 19;</td>
</tr>
<tr>
<td></td>
<td>Rex Edward Garnett, 20;</td>
</tr>
<tr>
<td></td>
<td>Trent Stiefvater, 20</td>
</tr>
<tr>
<td>Main claim</td>
<td>Members of Chi Tau were responsible for the hazing death of her son, Matthew Carrington</td>
</tr>
<tr>
<td>Resources for target</td>
<td>Mike Quintana- Carrington's friend;</td>
</tr>
<tr>
<td></td>
<td>Debbie Smith</td>
</tr>
<tr>
<td></td>
<td>medics</td>
</tr>
<tr>
<td></td>
<td>Angie Birdwell-aunt;</td>
</tr>
<tr>
<td></td>
<td>Counsellors</td>
</tr>
<tr>
<td>Resources for persecutor</td>
<td>Chico police Sgt Robert</td>
</tr>
<tr>
<td></td>
<td>Merrifield</td>
</tr>
<tr>
<td>Judge</td>
<td>Chico police Sgt Robert</td>
</tr>
<tr>
<td></td>
<td>Merrifield</td>
</tr>
<tr>
<td>Outcome</td>
<td>New claim</td>
</tr>
</tbody>
</table>

**PHASE TWO: BREACH OF CONTAINMENT (B)**

To effect changes that would prevent the events from arising as a new claim, the affair had to begin the process of transformation. During the breach of containment phase (see Table 4), Michael Carrington, Matthew Carrington’s father began the transformation process by depersonalising the issue through the establishment of a trust fund to ‘promote the end of hazing across the country’ ("Packed memorial for hazing victim," 2005, p. B.5). Reference to Table 4 reveals that there while the focus continues to remain on the central characters, there was a slight shift in the resources for the target. While the resources for the target continue to remain largely personal, the trust fund and support of police and officials from the university (Table 4), shift the affair towards depersonalisation and generalisation of the issue, as these players represent collective groups and had the potential to expand the affair.

As the events in this phase proceeded, closer attention was paid to the organisation or institution’s part in the affair. For example, the media investigated and revealed prior histories of all players, including earlier events at the University and during this phase, pressure increased on the California State University, Chico officials to act when it was revealed that ‘Chi Tau House had been expelled from the university in 2002, for repeated violence and alcohol violations’ ("Packed memorial for hazing victim," 2005, p. B.5). By aligning themselves with the target group, the organisation can be seen to be doing the right thing and can mitigate damage.
Table 4
Phase two: Breach of containment part (b) – Key event

| BREACH OF CONTAINMENT PROCESS (B)   | California State University, Chico 10.2.05  

| Denouncer                  | Michael Carrington (father) |
| Target                     | Matthew Carrington          |
| Persecutor/s               | Members of Chi Tau fraternity |
| Main claim                 | Establishment of the Matt Carrington fund, which will promote an end to hazing across the country |
| Resources for target       | Debbie Smith, and stepfather, Greg Smith; Michael Carrington; friends; family; Police and officials at California State University Chico; Matt Carrington Fund |
| Resources for persecutor   |                             |
| Judge                      |                             |
| Outcome                    |                             |

PHASE FOUR: SOCIAL AFFAIR (A)

The pressure caused by media exposing potential flaws in the University’s systems, led to the University President, as a representative of a collective, denouncing hazing at the university and taking action to investigate the issue further, with a view to making systemic changes (see Slater, 2005). This resulted in the transformation of the affair from psychological to social (see Table 5, Denouncer). The agencies of denouncer, target, persecutor and judge in this event are now general (see Table 5). This event resulted in systemic changes at the university level but the affair continued to expand further beyond this point. The systemic changes led to tighter containment of the issues. However, hazing problems persisted and new claims soon emerged (see Table 1, Events 10, 19). The final event in this analysis tightened the containment of the affair further and highlights the key differences between the phases of the psychological and social affairs.
Table 5
Phase four: Social affair (a) – Key event

SOCIAL AFFAIR PROCESS (A)  
Chico University 29.3.05
(Slater, 2005)

| Denouncer | Chico University President Paul Zingg |
| Target   | Hazing victims |
| Persecutor/s | Students who haze |
| Main claim | Greek system must be investigated and if necessary, shut down |
| Resources for target | University President Paul Zingg; University officials; Hank Nuwer (scholar) |

PHASE FOUR: SOCIAL AFFAIR (B)

Final changes arose out of the trial of the Chi Tau members and their charges as felons (Korry, 2005). There was a concerted effort by the prosecution team and senators to have the legislation changed so that the penalties for hazing were increased (Korry, 2005; Senator Torlakson, Senator Aanestad, & Assembly Member Wolk, 2006). Reference to Table 6 reveals that once more the agencies are general, filled by representatives of collectives. However, of key importance here, are the resources identified for the target, namely the senators who moved to change hazing legislation from the Education Code to the Penal Code (Senator Torlakson et al., 2006). This ended the affair by making the rules more explicit and the penalties harsher, deterring others from engaging in the practice of hazing.

Table 6
Phase four: Social affair (b) – Key event

SOCIAL AFFAIR PROCESS (B)  
California State University, Chico 30.8.06
(Senator Torlakson et al., 2006)

| Denouncer | Media |
| Target   | Victims of hazing |
| Persecutor/s | People who haze |
| Main claim | Hazing now a felony |
| Resources for target | law- amended from Education code to penal code 
Senator Torlakson, 
Senator Aanestad, 
Assembly Member Wolk |

Resources for persecutor 
Judge | Senate |
Outcome | Introduction of Matt’s law - law changed from Education code to Penal code |
CONCLUSION

To this point, many differences between a psychological affair and a social affair can be readily identified. The psychological affair can simply be understood as a personal dispute focused on central players and the social affair, as one that that is a collective concern that must be depersonalised and generalised (Boltanski, 1996). However, by exploring the phases of an affair using the Chico case as an example, some finer details emerge, highlighting aspects of both affair types that can have significant implications for all players. Table 7 outlines the four phases of the affair, the key features of each and some key outcomes associated with each phase. The psychological affair is made up of three phases and, as such, the focus on central players and the issues as psychological is extremely important to the containment of the issues. However, breaches of containment during this phase cause significant problems as attention is directed to all players, including the organisation, once the disputes become public. Effects include damage to reputations and financial losses associated with legal costs (Fox & Stallworth, 2009) as indicated in the earlier synopsis of historical workplace changes (see Table 7, Breach of containment, Outcomes). While the Chico case was not recontained, the effects of recontainment are as for onset, in that the affair is effectively privatised once more. However, the impacts from a breach must still be dealt with. Usually the changes associated with psychological affairs are restricted to aspects such as to staffing or policy. As a social affair, the impacts are more significant, as highlighted by the two final events in the Chico analysis, and in Table 7 (Social affair, Outcomes). Systemic cultural or legislative changes can occur as a result of a social affair and they have a substantial impact on the organisation or institution and individuals.
Table 7
Comparison psychological and social affairs: Outcomes and implications across all phases

<table>
<thead>
<tr>
<th>Phase</th>
<th>Features of psychological affair</th>
<th>Features of social affair</th>
<th>Outcomes and implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onset</td>
<td>• Focus on individuals • Personal aspects • Limited detail • Few resources • Players led to believe the problem situated with them – personal, psychological</td>
<td>• Private – players anonymous • The issue is unresolved • Can re-emerge as new claim</td>
<td></td>
</tr>
<tr>
<td>Breach of containment</td>
<td>• Public • Players access more resources • Remains personal but can begin the process of transformation</td>
<td>• Players involved are identified • Reputations may be damaged (including the organisation/institution) • Associated costs – staffing, legal etc. • Changes superficial</td>
<td></td>
</tr>
<tr>
<td>Recontainment</td>
<td>• Issue is settled • Made private once more • Personalised and refocused on individuals</td>
<td></td>
<td>• As for onset and breach of containment</td>
</tr>
<tr>
<td>Social</td>
<td></td>
<td>• Public trial • Issue depersonalised and generalised • Other factors are implicated • Agencies represented by a collective</td>
<td>• Issue is unable to be recontained at this point • Costs – legal, reputation etc. • Changes systemic, legislative or cultural • Settlement ends the affair</td>
</tr>
</tbody>
</table>

The Chico case has allowed for a view of the affair process that highlights, not only the features and differences of psychological and social affairs, but also the transitory phases of these affairs and the particular outcomes associated with each phase. While this very tragic case escalated to become a social affair, effecting changes at two levels, both university and state wide, the personal impacts upon those central to the case are not necessarily diminished because of the wider outcomes. The affair process provides a means for exploring conflicts such as the Chico case, gaining a better understanding of how and why some cases advance and others fail, and what the implications are of disputes at each phase of an affair.

REFERENCES
ETHICAL ISSUES IN INDIA AND THEIR RAMIFICATIONS ON ECONOMIC DEVELOPMENT

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ABSTRACT

Purpose: The purpose of this article is to explain why India has experienced obstacles in regards to ethical trade. These obstacles lead to failures in trade with the West. This article explains how ethics are connected to culture, just as in laws and regulations.

Design/Methodology/Approach: Based on literature reviews which show that India did indeed desire to trade with the West, but this lack of business ethics stunted its economic growth.

Originality/Value: Ethical guidance that is in accordance to standards of global trade is imperative in India. This must be addressed not only in the academic sphere but also to the masses, the producers, and the importers. India has a magnificent tradition, which must be renewed in areas of ethics concerning business trade and should be reformed in accordance with the West.

Keywords: India; Globalization; Ethics; Tradition; Business; Economic development

INTRODUCTION

The establishment and application of ethical regulations and laws can both contribute to and repair a nation’s economy and business systems, and conversely – corruption and ethical violations can bring about economic tragedy and diminish a nation’s economic prosperity.

This article will present India as a nation whose economic acceleration has been substantial, but whose inability to implement ethical laws and regulations simultaneously with its economic development detracts from its economic success. The main point of weakness in India’s economy today is its lack of a mature ethical approach. Indeed, although the country recently implemented reforms regarding principles of business, there remains more to be done in order for India to reach its full potential as a nation capable of trading and managing successful business negotiations in the modern world.

The exposure of corruption in Indian manufacturing and design provides additional difficult details regarding the exploitation of employees, child labor, management’s humiliating treatment of workers, and a refusal to honor basic human rights in India. These issues do not shed a positive light on the potential business
opportunities in India. (Peisakhim & Pinto, 2010; Francis et al., 2005; Wade, 1985; Baradan, 2006).

India has a great economic advantage today as the global economy has become more oriented toward high-tech. It is at the forefront of the high-tech industry, and this is likely to become more pronounced in the future as India adopts ethical and economic regulations.

**ADVANTAGES AND DISADVANTAGES OF INDIA'S ECONOMY**

It is predicted that India will achieve China’s rate of growth by 2013. Some economists believe that within the next 25 years India will achieve the fastest in the world. Such growth among 1.2 billion people will likely change the face of the world. This prediction is made using two parameters -- India’s democratic government and the enormous growth of its young population (contributing to cheap manpower).

As a result, there has been an increase in government projects geared toward eliminating illiteracy, poor health facilities, and the corruption that is endemic. There is no doubt that an acute need for reform exists in India (Bussell, among high-level officials in public institutions. It should be noted that the infrastructural problems are related to this corruption, in terms of the squandering money and the disappearance of funds.

It should be noted that according to data provided by the Indian Office of Trade, India’s annual growth was approximately 7% for 10 years (until 2009) (GDP).

Due to the corruption, many foreigners avoid investing in India. In general, there is a great fear of countries where corruption among high-level officials and bribes and financial favors are rampant, thus preventing the growth of entrepreneurship and leading many to avoid becoming involved in economic negotiations with India (Manjunathy & Nagesha, 2012). Therefore, India’s economic future is tied to its future ethical rehabilitation. Widespread change in this respect is required to empower the country, and the sooner the leaders understand the power of ethics, the sooner its economy will flourish.

Today, India negotiates economically with many countries in the world. Nevertheless, India still does not meet the global economy’s ethical standards, as demonstrated by the many articles in the media regarding the corruption of economic conduct are flooding the market. Indeed, researchers emphasize that corruption in Indian organizations are occasionally revealed and there is no doubt that this greatly damages the Indian economy (Baradan, 2006; Francis et al., 2005; Peisakhim & Pinto, 2010; Wade, 1985). India's government put forth a lot of effort to make new laws concerning business ethics.

**AN ETHICAL-BUSINESS EVALUATION IN INDIA**

Today, there is a call for India to change its business perspective in the field of ethics in order to become a strong partner in the global business market. There are three aspects of Indian corruption: excessive rights, bribery, and criminal negligence.

Excessive rights refer to the senior managers’ “acceptance” of perks, such as tips, discounts, exemption from payment, receipt of monetary rewards, protection, gifts and compensation under the table - in other words, taking advantage of one’s senior standing in order to create comprehensive personal profit. These excessive rights are also sometimes expressed through financial bribery – compensation under the table, giving
and receiving bribes - and, of course, through criminal negligence, which relates to the corruption of the ruling economic office.

It is important to note that in India, like the rest of the East, it is a custom to do business by presenting gifts to partners. This custom in the East (In China and Japan) is called Guanxi. A number of researchers have discussed the custom of Guanxi, in Caina including: Davis, 1995; Pearce Yeung & Tung, 1996; Abramson & Ai, 1997, 1999; Steidlmeier, 1999; Robinson, 2005; Wolf, 2008; and others. It should be noted that this custom is not always understood correctly in the West and can be mistakenly referred to as a bribe. Indeed, various researchers have already given a wide range of explanations for the concept of Guanxi that exist in the East (Su, et al. 2003; Abramson & Ai, 1999; Yeung & Tung, 1996). It is an act that indicates generosity and harmony, and the nature of the custom is not perceived correctly in the West because of misinterpretations of the socio-cultural difference between the two societies. In the East (for example, in Japan and China), this custom is seen as an act of proper social conduct and negative judgment of Guanxi actually demonstrates shortcomings in cultural understanding and traditional business management.

One must, therefore, separate between Guanxi (gift-giving) and bribery. It should be emphasized that Guanxi stems from an experience related to mutual relationships. Gift giving is a tool for business advancement in India Literally, the concept means creation of interpersonal ties and was influenced by the Indian concept of values, which ranks foremost the importance of social ties, reciprocity and fraternity between people. This custom to give gift shows gratitude for received assistance and developing relationships, and the failure to give a gift can be interpreted as poor treatment and ingratitude. It should be noted that this tradition of giving gifts in India and in the rest of the East is very accepted in society and has nothing to do with bribery, as I have explained and as has been noted by some researchers (Stiedlmeier, 1999; Snell & Tseng, 2001; Chan, et al. 2003; Chen & Chen, 2004; Chen & Pang, 2008; Kiong & Kee, 1998; Wolf, 2006, 2008). On the contrary, this outlook stems from business practice, which maintains that there is a hierarchy in relationships and, therefore, gives an advantage to different authorities and emphasizes gratitude in relationships. This is especially true in a company in which friendship and trust are basic foundations of the work culture.

Indian managers are reconciled to giving these gifts as part of an ancient Eastern economic tradition. The frequent business contacts between India and the West today require an understanding of the Indian business culture, which is fundamentally different from the West. It would be beneficial, therefore, for Western merchants to study Indian culture.

However, India’s commercial progress with the West requires flexibility with Western laws as well – for instance, in regards to the wording of the ‘Sarbanes Oxley Act’. As an example, at a forum for business ethics in Hong Kong’s Christian University, and in the University of Macau in 2006, the participants referred to the influence of the ‘Sarbanes Oxley Act’, which was passed in the United States in 2002 regarding the global economy.

This conference was on the need to pay attention to the excellence and quality of materials and products, as well as the need to change the bad management in select economies. They discussed the need to honor economic agreements, such as enforcing
standards in patent issues, preventing forgery, and hindering the distribution of counterfeit goods.

DIFFERENT MANAGEMENT STRUCTURES AND THEIR EFFECTS ON ECONOMIC VIEWPOINT

It should be noted that the management structure of organizations and companies in the East is different from management structures in the West, and this also determines the nature of management and its perception of ethics. For example, western management generally utilizes division of roles, including a chairman and CEO who usually manage the project alongside independent directors. However, in Indian companies, companies are often found in which there is ownership with limited partnership - occasionally family partnership – and a small group of independent directors at its side.

The familial nature of Indian companies demands a different approach to management in which there is not always a clear ethical critique. In practice, there is continuous mutual cover-up and bailing out of one another. There is no significant critique between managers and the senior ranking is managed like a pyramid. It was found that, in general, there is a dominant and leading member of the family who pulls the strings and the others generally listen to and obey him. Of course, even familial interests require economic ethical procedures and it is not always possible to establish ethical insights and customs with this management structure in the same way that organizations and enterprises can.

In these management structures, preferential treatment and preservation of family interests are important principles that also draw from tradition, which emphasizes the added value of relationships with others, especially the value of family. It seems to me that such a familial structure is concerned with preventing outsiders from taking control of the firms, and that in many instances there is incentive to utilize the company’s resources for the sake of the controlling family so that outsiders will not become interested in the company and will not attempt to assert control over it.

ECONOMIC VISION REGARDING CSR

There is also a widespread difficulty in perceptions related to Corporate Social Responsibility (CSR) toward the community in India. This perception is common in the West but not in the East. Watsi (2003) highlights the importance of organizations’ and companies’ contribution to the community. And, indeed, the article by Shafer, Fukukawa and Lee (2006) emphasizes the idea of social responsibility in the United States and compares the development of community assistance in the two countries – the United States and Chain. The above-mentioned authors note that the society in some countries views CSR differently than American society. In India, for example a more conservative society, personal ties are cultivated and invested in while responsibility to society at large is diminished. It is important to note that the idea of social responsibility in the United States and Europe was developed along with general economic factors.

THE PATH TO ETHICAL IMPROVEMENTS IN INDIAN TRADE AND INDUSTRY

Today, the Indian government is trying to develop provisions of law and ethics in the field of economics. Indeed, the economic development that hastened the acquisition
of wealth by people in India certainly served as a model for jealousy and as an example for many manufacturers.

Responsible management is supposed to enable the employee to utilize his rights as a worker and as a human being, while simultaneously selling consumers a safe and high quality product. There is diverse legislation regarding economics in India today, but the problem lies in the laws’ application. Both legislation and law enforcement need to be achieved in order to eradicate the phenomena of bribery and corruption among senior officials, which are still widespread in India’s economic realm (Baradan, 2006; Francis et al. 2005; Himanshu & Stern, 2011).

It is important to say that India has not yet met standards relating to the enforcement of laws and norms, and it is clear that this is not only due to a lack of legislation but also to a lack of proper law enforcement among the broad manufacturing population – especially small manufacturers. Likewise, it should be noted that manufacturers still have not internalized the idea of personal responsibility on the part of a manager or enterprise owner for all of the processes that take place under his supervision. This concept of responsibility is well expressed in the American ‘Sarbanes-Oxley Act (2002), which emphasizes the manager’s personal responsibility over everything that happens in his factory. Therefore, it becomes clear that proper education of this economic outlook can foster optimal responsibility and prevent the shifting of accountability to other sources.

India is indeed adopting economic models but has not yet succeeded in incorporating them into appropriate ethical legislation. My suggestion is that without the religious traditions, such as Buddhism, Hinduism or Islamic approach, which were honored traditions accepted in India for many generations, and without modern ethical legislation, the greed of a few enterprises and companies have caused an economic deterioration whose spirit carries on.

RELIGIOUS AND TRADITIONAL APPROACHES AS AN EXAMPLE OF ETHICAL BUSINESS GUIDANCE IN INDIA

Modernization has distanced the common Indian citizen from Indian tradition while simultaneously advancing the economy, a process that has not improved the ethical understanding with the Indian nation. I want to note that as long as the traditional view such as Buddhist, Hindu or Islamic outlook ruled in India it served the masses in terms of religion.

In other words, aside from openness, tolerance, patience and flexibility in understanding things or in maintaining them for generations, an enthusiasm for learning is most essential. No belief stays the same forever, and the ability to be open to new ways of thinking, to suitable ethical policy and to understanding, is an important product of learning. Therefore, an integration of the old and new is presently needed. India needs to return to its old glorious roots, which incorporated values into work and management, in order to allow for the openness and understanding of the Western ethical outlook. It is necessary to teach the workers and the managers in India to behave in an honest way in the business realm.

It is possible to envision economic systems operating more fairly in order to find a natural approach towards commerce and business in India. Today in India, people want to
become rich quickly, to profit at any price, etc. – however this situation has not seemed to improve the Indian economy.

Higher education and international commerce contribute greatly to economic development in India. There is no doubt that this development can expand if ethical studies were to be incorporated into higher education in India. Such lessons should be delivered in group classes, universities and the technical colleges that teach subjects in economics and finance (accounting, economics, business administration, etc.) It was not in vain that former U.S. President Bush (in 2002) was called to teach ethics in universities and colleges as part of the higher education system following the severe economic crises that occurred at the start of the decade.

Therefore, ethical instruction is presently needed in India’s economic field as well as in the accounting and industrial disciplines, not only in academia. It is obvious that the masses need to be educated – the small manufacturers, craftsmen, the common manufacturing worker, the consumer citizen and, of course, the managers of those responsible for product distribution (Wolf, 2008). Indeed, ethical instruction has already existed for a decade in Indian universities and colleges that train students in management and engineering, but this is not enough. Today’s focus should be education for the small manufacturers and the general population, and should cover the transportation of goods and economics related to a wide range of professional positions.

Such mass education, which will integrate known concepts from Indian tradition, Buddhism, Hinduism and Islam, for example, is the way to progress forward and to dispose of rotten apples, so that the healthy ones will not rot along with them.

Now, as the Indian government seriously struggles with corruption that can ultimately jeopardize the reputation of the entire population and especially endanger India’s good name, the country should learn to embrace their ancient traditional values that has been passed for generations.

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TEACHING BUSINESS ETHICS AND MAKING IT REAL

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ABSTRACT

No agreement exists among business schools and their faculties regarding what should be the content and pedagogy of a course in business ethics. Most courses in ethics often miss the mark by focusing on high level corporate dilemmas that the majority of students will never encounter. The most effective exercise for students to heighten their moral reasoning is to ask them to reflect on ethical decisions from their own experiences, to analyze those experiences using multiple perspectives, and to present them to class in the form of a written paper and in some cases, an oral presentation. This student developed case study prepares the student for the challenges they will face in the future by requiring them to write about an ethical problem that they have had to deal with in the past.

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I. PROBLEMS WITH TEACHING BUSINESS ETHICS

Ethical dilemmas exist in every environment. Circumstances may differ and solutions may vary, but individuals always play the central role. An ethical dilemma is when a person is faced with two or more conflicting choices. The clear, correct path or resolution to an ethical dilemma is often unknown. Ethics reflect one’s own beliefs and thought processes, having been shaped by upbringing and one’s life experiences. Every individual has his own viewpoint of ethics and the outcomes of ethical dilemmas vary greatly based on how the individual perceives the situation. Teaching business ethics to students who have not yet entered the workforce poses much difficulty, as there is often not a clear path as how to deal with an unethical situation. The work environment creates challenges for even the most ethical person.

Surveys of business schools show a wide range of pedagogical approaches to teaching business ethics. Many institutions rely upon structured lectures. The courses survey the development of western ethical thinking, emphasizing ethical principles that have evolved. Generally with this approach the emphasis is on imparting information and little time is devoted to discussion.

Teaching ethics in the classroom has always been a challenging enterprise. Despite the ongoing debate on methods for teaching business ethics, there will continue to be the matter of what should be taught in ethics courses. Most courses in ethics often “miss the mark” by focusing on high level corporate dilemmas that the majority of students will never encounter. If they do face one of the high level corporate dilemmas that are often discussed in textbooks, they will not face these types of dilemmas in the early stages of their careers. However, the majority of students will have to deal with issues such as employee theft and time stealing. They will have to hire, manage, assess performance, discipline, fire, and deal with employment issues. They will have to market quality products and services. They will have to deal fairly with customers, employees, stockholders, vendors and the community.

Another major hindrance to teaching business ethics is that a substantial majority of professors who teach business ethics have not had to confront these issues in the work place and cannot attest from their personal experiences the best method of handling a given situation.

How can we prepare the student for the ethical situations that they will have to face? Most importantly, any discussion of business ethics has to begin where the students are; that is, their own experiences and what they have faced. While it is important that students have exposure to philosophical and theoretical concepts of ethics, this must be supplemented by practical application.
The kind of cases that are discussed in class should address the kind of issues that go on every day in offices and businesses across the country.

II. HOW ONE’S OWN EXPERIENCES SHAPE HOW ETHICS ARE TAUGHT IN THE CLASSROOM

My teaching of business ethics has been heavily influenced by my experience as general counsel for a large corporation and dealing with ethical issues in the workplace for over thirty years. When faced with a serious ethical problem, time was often a critical factor. On many issues, one simply did not have time to research ethical theories when confronted or asked about an ethical problem.

Some of the common ethical issues I had to confront and deal with in the workplace were as follows:

1. Bribes
2. Serious conflict of interest problems
3. Favors to company personnel
4. Corporate opportunity issues
5. Serious sales issues when products were misrepresented
6. Many personnel issues, including harassment
7. Employee theft and pilfering
8. Nepotism
9. Favoritism
10. Discrimination

The point that needs to be emphasized is that it helps to find allies to support your viewpoint instead of being a lone voice, especially if you’re bucking the system. When confronted with an ethical problem that might be quite sensitive in the workplace, it is quite useful to point out good business reasons to do the right thing rather than making a moral judgment on a decision that someone else was about to make. Of course, some situations demand that the right ethical decision be made even if there were no good business reasons for doing so. The importance of documentation and the need to prove an ethical violation has actually occurred should be emphasized in any ethics course.

Thinking about ethical issues long before they are actually confronted gives managers a kind of head start in the moral courage department. Since many ethical issues are somewhat predictable, one has a better chance of dealing appropriately with ethical problems if it has been thought about before it occurs and one has the tools, at the time, to make a better decision.

Simple models for resolution of ethical dilemmas can be quite helpful and are often the most effective. Several prominent scholars in the field of business ethics have developed simple models for use as guides in difficult situations. The late Dr. Norman Vincent Peale and management expert Kenneth Blanchard offer three questions that managers should ponder in resolving ethical dilemmas: “Is it legal?” “Is it balanced?” “How does it make me feel?” If the answer to the first question, “Is it legal?” is no, for business ethics purposes, your ethical analysis is done. Answering the second question, “Is it balanced?” requires a manager to step back and view a problem from other perspectives – those of other parties, owners, shareholders, or the community. Answering “How does it make me feel?” requires a manager to do a self-examination of the comfort level of a decision. The Front-Page-of-the-Newspaper Test – another simple ethical model - requires only that a decision maker envision how a reporter would describe a decision on the front page of a local or national newspaper. Contemplating any business act, an employee should ask himself whether he would be willing to see it immediately described by an informed and critical reporter on the front page of his local paper, there to be read by his spouse, children and friends. Business ethicist Laura Nash has developed a series of questions that business managers should ask themselves as they evaluate their ethical dilemmas. One of the questions is, “How would I view the issue if I stood on the other side of the fence?” Other questions in the Nash model include, “Am I able to discuss my decision with my family, friends, and those closest to me?” “What am I trying to accomplish with my decision?” “Will I feel as comfortable about my decision over time as I do today?” The Wall Street Journal model for resolution of ethical dilemmas consists of compliance,
contribution and consequences. Like the Blanchard-Peale model, any proposed conduct must first be in compliance with the law. The next step requires an evaluation of a decision’s contributions to the shareholders, employees, the community, and the customers. Finally, managers are asked to envision the consequences of a decision, such as whether headlines that are unfavorable to the firm may result. Of course, much simpler models for making ethical business decisions are available. One stems from Immanuel Kant’s categorical imperative, loosely similar to the Golden Rule: “Do unto others as you have them do unto you.”

In light of my own experience in the workplace in dealing with ethical issues, the question arose as to how my thirty years’ experience in the workplace could be translated in such a way to help the students deal with issues that they would confront. The use of personal examples from my own experience in the workplace was very helpful in explaining basic ethical concepts and principles. The difficulty in resolving these issues was something that the students could relate to, understand and appreciate. It was also helpful for them to understand that everyone, sooner or later, is confronted with a serious ethical issue in the workplace. I provide students with a framework to promote a thorough analysis of ethical situations from various perspectives.

III. MAKING TEACHING ETHICS REAL – A STUDENT DEVELOPED LIVE CASE STUDY

Recognizing that there are individual and group differences in students, one of the first tasks in teaching ethics is to understand the students. This involves knowing their backgrounds, the shaping experiences, and the exposure to the world of work, the college majors, and other data that influence and shape their values.

The most effective exercise for students to heighten their moral reasoning abilities is to ask them to reflect on ethical decisions from their own experiences, to analyze those experiences using multiple perspectives, and to present them to the class in the form of a written paper and in some cases, an oral presentation. The main objective is that the students must live ethics rather than simply learn ethics. By selecting a case based on their own experiences, writing about it, justifying the evaluation of their situation, the students become personally involved in an ethical situation.

The live case assignment requires students to develop individual case studies in ethics drawing on their workplace experiences to illustrate ethical principles. The case study closely follows a student development case study of ethical situations in the workplace that were developed by Dr. Sarah D. Laditka and Dr. Margaret Houck.

Students are interested in real life experiences in which managers are encountering tough ethical situations that demand action. As students explore ethical situations found in the workplace they come face to face with their own values. Over time they are able from these managerial situations to broaden their perspectives on ethical issues and to formulate guidelines to govern their ethical behaviors.

This method requires students to develop individual case studies in ethics drawing on their workplace experiences to illustrate ethical principles and to consider how their experiences at the time of the situation might influence analogous decision making today. The assignment requires students to describe an ethical situation they encountered in the workplace, their relevant value systems, course of information consulted their role in the organization and how they resolved the ethical situation.

Researchers suggest that the focus of teaching ethics should be increasing students’ awareness of their attitudes about ethical situations and moral values (Brinkmann and Sim, 2001; Sims and Sims, 1991). Experimental learning can help students understand ethical situations they are likely to encounter in the workplace (Brinkmann and Sims 2001; Sanyal, 2000).

The Live Case Study has several goals. The first goal is to increase students’ awareness of issues related to ethics within the context of a business. The second goal is to provide students with an in depth understanding of the facts of the case they select. The third goal is to provide an emotional connection to the case and to engage students in it. This is achieved by requiring students to thoroughly investigate the actual and potential consequences of unethical behaviors for the firms, the participants and the various stakeholders and by taking a position in the case. The fourth goal of the live case is to hold students accountable for their analysis and judgment. The fifth goal of using live cases is to provide students with an opportunity to apply the ethical concepts they have learned. Live
cases allow the development of critical thinking. Through research, analysis, synthesis of information, taking and defending a position in their paper and in class presentations, and through the debates students must think critically about the ethical concepts, their applications and implications.

The student developed case study is used at both the undergraduate and graduate levels. Based on research and my own and other colleagues’ experiences graduate and undergraduate students are, indeed, different, especially in the areas of maturity and work experience and each deserve a curriculum designed for their specific situation. Graduate students are required to organize their case study to describe: (1) an ethical conflict or situation the student encountered in the workplace; this could be a situation in which the student make an ethical judgment; (2) the sources of information the student consulted regarding the situation; (3) the value systems the student used in making his or her judgment; (4) the roles of value systems that influenced the student’s judgment; (5) how the student’s position in the organization may have influenced his or her judgment; and (6) how the student resolved the ethical situation, considering how his or her experiences since the time of the situation might influence analogous decision making today. A copy of a model ethical paper dealing with conflicts of interest is handed out to the students to use as a guide in writing their papers. (Exhibit A)

IV. CLASSROOM EXPERIENCES AND OUTCOMES

At Mississippi College, ethics is taught as a part of a legal environment of business course in the graduate school. Some students sit in business ethics classes and say ethics is common sense, black and white. They sometimes look at ethical issues in business and fail to see the gray. However, this seems to happen less to those students coming back to school after gaining several years of work experience. When discussing business ethics in classes, these students usually have personal experiences and want to provide their perspectives. The overwhelming majority of the graduate students have been in the workplace for at least five years. Topics covered in the Live Case studies differ materially from the type of cases that are usually covered in ethics courses.

A sampling and survey of ethics papers written by the graduate students was done from 2001 to 2008. In that survey, the number one topic was “Employee Theft.” The number two issue was “Time Stealing.” The number three issue was “Fudging on Expense Accounts.” A subsequent comprehensive survey was done on graduate papers written from 2008 to 2011. The number one issue in those papers was “Time Stealing.” The number two issue was “Employee Theft” and the number three issue was “Lying to Customers.” Both surveys and the issues written about cover a wide variety of ethical issues that the graduate students had confronted. There were forty-five different issues written about from 2001 to 2008. The survey from 2008-2011 covered forty-eight different issues. Some of these issues were favoritism, social responsibility of companies, confidentiality issues, truth in advertising questions, over charging and billing issues, abuse of internet privileges, nepotism, sexual harassment, drugs in the workplace, bribes, discrimination issues, violence at work, illegal use of software, embezzlement, moonlighting for a competitor, price discrimination, price gouging, product safety issues, workplace safety issues and ‘resume’ fraud. Prior to writing their papers, the students were asked what they felt like was the number one ethical issue that had been written about over the last ten-year period. Very few of them were able to name the primary issues that their fellow graduate students had written about. So the students themselves did not recognize the issues that they and their contemporaries will have to face or have had to face in the workplace. Not surprisingly, the majority of issues that were commonly written about in textbooks were not written about by the graduate students themselves.

By use of the student developed case studies, business students learn how to act on their values to confront unethical behavior. Simply saying, “No,” to a request to behave unethically and reporting such conduct may not be enough. These actions may prove to be personally risky; also, they may be ineffective sometimes in generating a change. It is therefore essential for the student to learn how to use his or her voice effectively. Learning how to name and locate the problem, analyze and navigate the power structure and politics and to influence the problem, build allies and mentors, and apply effective persuasion skills help equip the student with the skills he or she needs to put their values to work in the corporate world. Acquiring knowledge and experience in business ethics is just as necessary as in other areas of business, such as marketing, accounting, management and finance.
V. CONCLUSION

The student developed case study prepares the student for the challenges they will face by requiring them to write about and analyze a problem that they have had to deal with in the past. The classroom is a good place for the student to think about how to handle a future ethical issue. Thinking about these situations in advance can greatly help the student when the time comes – as it surely will. The manager must be prepared to deal with ethical issues with the same confidence that he or she deals with the marketing, operational, and financial dimensions of business decisions. Managers, during the course of a day, have to make many decisions, often under time pressures and without all the information that might be desirable. Generally, they do not have the luxury to postpone a decision until they have had an opportunity to vet the ethical dimensions. Each individual manager needs to know his or her values and that the values need to be sufficiently well-developed that they influence behavior and decisions as a matter of course without great conscious effort. Helping the student who is going into management to acquire this capability is the core task and challenge of teaching business ethics.

REFERENCES

AN ASSESSMENT OF EXPERIMENTS RUN ON AMAZON’S MECHANICAL TURK

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ABSTRACT

In this paper we examine the results of conducting classic experiments from the behavioral economics literature on the online web service, Amazon Mechanical Turk. The platform offers an alternative source of subjects for experimental research that may provide significant benefits to the researcher. We detail the steps necessary to conduct experimental research on the site and analyze the costs and benefits of the medium. Using Mechanical Turk subjects, we compare the empirical results to those from noted experiments examining: anchoring, prospect theory, loss aversion and the endowment effect.

I. INTRODUCTION

Amazon’s Mechanical Turk (AMT) is an example of a web based platform designed to facilitate online outsourcing as well as crowdsourcing. AMT is an interactive online marketplace where Requesters (businesses, researchers) publish Human Intelligence Tasks (“HITS”) and human workers known as “Turkers” perform them. AMT gives the Requester access to an instant, on-demand labor force. Through the site a Requester can publish a HIT, review the finished product and pay workers. As of this writing, there are over 88,000 HITs published on AMT (www.mturk.com). The site is commonly used for catalog and data management, search optimization, database management and website content management, as well as research in the social sciences. For examples in behavioral finance see Horton, Rand and Zeckhauser (2011); Paolacci, Chandler and Ipeirotis (2010) and Christin, Engleman, Vidas and Grossklags (2011). In psychology see Buhrmeister, Kwang and Gosling (2011) and Berinsky, Huber and Lenz (2010) in political science.

For the most part HITs include tasks that are relatively easy to perform and workers are paid rewards that vary upwards from $.01. Researchers from various disciplines are drawn to the site for experimental research because of its relative ease and access to affordable subjects. Our initial interest lies in replicating classic experiments in the heuristics and biases literature.

Previous surveys (Ipeirotis, 2009; Ross et al., 2010) find that 70%-80% of workers are from the U.S. and are representative of U.S. internet users. Paolacci et al. (2010) report as Amazon increased the ability of international workers to get paid in their
own currency, mainly Indian rupees; recent surveys find 47% of Turkers are from the U.S. with 34% from India. Focusing on the United States, they find more females than males (64.85% to 35.15%) and an average age of 36 years old. Self reported educational attainment levels are higher than the general population and the income distribution matches that of the general population albeit at lower income levels. While few workers report AMT as their primary income source (13.8%) a majority of them (64.15%) indicate that money is an important factor in their decision to participate. While they estimate most workers earn less than $20 per week there are some reporting earnings of $1,000 a month.

Mechanical Turk was established in 2005 and early research began in the computer science field. As a type of “artificial” artificial intelligence researchers focused on using AMT to collect data for creating machine learning algorithms (Sheng et al., 2008; Kittur et al., 2008; and Sorokin and Forsyth, 2008). As an online labor market AMT’s attractiveness for economic experiments in the fields of labor economics and behavioral finance are compelling. Mason and Watts (2009) find that Turkers respond to financial as well as non-pecuniary incentives. Interestingly, wages appear to affect the quantity not the quality of work. Chen and Horton (2010) report a similar relationship between wage cuts and the quantity of work, however they find when wage cuts are justified, Turkers increase their output in response. Horton et al., (2011) give an overall exposition of conducting research using AMT and replicate studies related to social preferences in relation to quantitative priming, qualitative priming, framing and labor supply. There is a strong online community currently sharing information and ideas about the use of AMT as an experimental research tool. Gabriele Paolacci’s blog, “Experimental Turk,” (http://experimentalturk.wordpress.com/) is one such example. Interested parties are invited to post and share experimental results with an emphasis placed on replicating classic experimental outcomes.

The rest of the paper proceeds as follows: We discuss the process of setting up a HIT and gathering results in Section II. Section III discusses the prior research in experimental economics/finance that we have attempted to replicate and our results. A concluding section follows.

II. MECHANICAL TURK FRAMEWORK

Setting up a typical laboratory experiment can take months of preparation, particularly for the researcher’s initial trial run. While there are some not insignificant start-up costs to overcome with mTurk, it is possible to have an experiment up and running in less than a day. Programming experience is beneficial, though not required as Amazon has sample HIT templates available with standard survey demographic questions pre-loaded into the template. Anything beyond the simple options that Amazon has available in this design mode (or Requester User Interface – RUI) would entail some programming skills as well as creating another free account with Amazon Web Services (AWS). One quick guide to using scripts can be found by accessing Winter Mason’s (2011) blog.¹

A major drawback to relying on the Requester User Interface is that it is much more difficult to design the experiment to appropriately screen workers (Turkers) for effort or to determine how much Turkers are paying attention to the stimuli. One option for those that lack the necessary programming skills is to use third party software to host the experiment off the mTurk site. Programs are available that allow for more efficient experimental design, as well as validation tools and superior aesthetics. Alternatively, there are also numerous online consultants that can be contracted to design and implement experiments.

Once an experiment is designed, the next step is to publish the HIT and monitor the results. Amazon has a separate site available to test the experiment for any problems (typos, broken hyperlinks, etc.), the Amazon Mechanical Turk sandbox, though it is possible to preview the HIT before publishing without going to the alternate site. Once published, workers that meet pre-determined qualifications will be able to see the HIT and decide whether or not they would like to accept the assignment at the advertised level of compensation (ranging from $.10 to $.30 per HIT in our experiments, each lasting about 2 minutes on average.) Results can be downloaded in .csv format for analysis and then uploaded with payment information (the researcher can reject any work deemed inferior.) Alternatively, workers can be paid directly through the mTurk site. It is also possible to give workers a bonus, with or without feedback to the worker.

III. PRIOR EXPERIMENTAL RESEARCH & RESULTS

A. Endowment Effect:

Kahneman, Knetsch and Thaler (1986) ran several experiments examining anomalies related to the loss aversion effect. We attempted to replicate two of the experiments that were looking at perceptions of fairness, as a test of the idea that “foregone gains are less painful than perceived losses.” The two experiments consider how subjects interpret the actions of hypothetical business owners; the first a car dealer and the decision to raise prices on a popular model, and the second a business owner’s decision to cut real wages during a recession. Both issues were presented to subjects with perceptions of fairness highly dependent upon how the questions were framed.

Car dealer:

Q1a. A shortage has developed for a popular model of automobile, and customers must now wait two months for delivery. A dealer has been selling these cars at list price. Now the dealer prices this model at $200 above list price.

A: Acceptable B: Unfair

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v. 5, Mustang Journal of Business and Ethics, 2013
Q1b. A shortage has developed for a popular model of automobile, and customers must now wait two months for delivery. A dealer has been selling these cars at a discount of $200 below list price. Now the dealer sells this model only at list price.

A: Acceptable  B: Unfair

\(N = 123\) [58%]* [42%]

Thus, imposing a surcharge is considered more unfair than eliminating a discount.

Business Owner:

Q2a. A company is making a small profit. It is located in a community experiencing a recession with substantial unemployment but no inflation. The company decides to decrease wages and salaries 7 percent this year.

A: Acceptable  B: Unfair

\(N = 125\) [37%] [63%]*

Q2b. A company is making a small profit. It is located in a community experiencing a recession with substantial unemployment and inflation of 12 percent. The company decides to increase salaries only 5 percent this year.

A: Acceptable  B: Unfair

\(N = 129\) [78%]* [22%]

Likewise, imposing a nominal wage cut is considered more unfair than the exact same 7% cut in real wages when framed as a nominal wage increase. In both experiments subjects consider a loss to be more unfair than a lost opportunity for gain.

Results:

Our first attempt at running an experiment was successful:

Q1a. A shortage has developed for a popular model of automobile, and customers must now wait two months for delivery. A dealer has been selling these cars at list price. Now the dealer prices this model at $200 above list price.

A: Acceptable  B: Unfair

\(N = 74\) [47%] [53%]*
Q1b. A shortage has developed for a popular model of automobile, and customers must now wait two months for delivery. A dealer has been selling these cars at a discount of $200 below list price. Now the dealer sells this model only at list price.

A: Acceptable    B: Unfair

\[ N = 87 \quad [85\%]^* \quad [15\%] \]

The results were significantly different dependent upon the framing of the information given to Turkers, in the same direction as the original results from Kahneman et al. (though not the same levels as in their study.) Turkers that were presented with the negative framing (imposing a surcharge) were far more likely to view the action as unfair than those Turkers that were exposed to the positive stimuli (removing the discount.)

Our results from the real wage experiment were even more salient when compared to Kahneman et al.

Q2a. A company is making a small profit. It is located in a community experiencing a recession with substantial unemployment but no inflation. The company decides to decrease wages and salaries 7 percent this year.

A: Acceptable    B: Unfair

\[ N = 125 \quad [36\%] \quad [64\%]^* \]

Q2b. A company is making a small profit. It is located in a community experiencing a recession with substantial unemployment and inflation of 12 percent. The company decides to increase salaries only 5 percent this year.

A: Acceptable    B: Unfair

\[ N = 129 \quad [86\%]^* \quad [14\%] \]

Once again, the results were significantly different dependent upon the framing of the information given to Turkers, and in the same direction as the original results from Kahneman et al. (with results that are very similar.) Turkers that were presented with the negative framing (imposing a nominal wage cut) were far more likely to view the action as unfair than those Turkers that were exposed to the positive stimuli (imposing a modest nominal wage increase in the presence of high inflation.)

B. Prospect Theory
Kahneman and Tversky (1979) provide the basis for much of the behavioral finance literature that has followed. In this paper, the authors establish an alternative to the standard expected utility theory for decision making under risk. Amongst other experiments, Kahneman and Tversky pose the following questions to two different groups of subjects:

Q11. In addition to whatever you own, you have been given 1,000. You are now asked to choose between

A: (1000,.50) and B: (500)

\[ N = 70 \quad [16] \quad [84]^* \]

Q12. In addition to whatever you own, you have been given 2,000. You are now asked to choose between

C: (-1000,.50) and D: (-500)

\[ N = 68 \quad [69]^* \quad [31] \]

The fact that more subjects chose the certain gain of an additional $500 when presented as such, while more subjects chose the gamble when faced with the possibility of loss, supports evidence presented earlier in that paper for risk aversion for positive prospects and risk seeking for negative. As Kahneman and Tversky point out, these results are clearly inconsistent with utility theory since the two questions are effectively asking subjects the same thing. (Note that A = C, and B = D in the above two problems.) Assuming risk aversion, people should not have different preferences for arriving at the final sum of $1,500 from a starting point of $1,000 vs. $2,000. Without assuming risk aversion, this is still a violation of utility theory. There should be no difference between the preference for a certain $1,500 or a fifty-fifty gamble for $1,000 vs. $2,000, whether one starts with $1,000 or $2,000.

Kahneman and Tversky build upon these and other results to establish an entirely different model for understanding how people make decisions under risk. The implications of the above experiment are that people tend to ignore their starting point and the driving force underlying changes in utility are “changes in wealth, rather than final asset positions that include current wealth.”

Results:

We were also successful in replicating the results of this early Kahneman and Tversky (KT) prospect theory experiment:

Q11. In addition to whatever you own, you have been given 1,000. You are now asked to choose between
Q12. In addition to whatever you own, you have been given 2,000. You are now asked to choose between

C: (-1000,.50) and D: (-500)

Much like our first experiment, the results matched the KT results in direction (Turkers that saw the information presented as a positive prospect were risk averse, while in the negative prospect treatment Turkers were relatively risk seeking) and significance. Turkers exposed to the negative prospect were not as risk seeking as in the original study.

C. Anchoring

We turn now to more recent research in the behavioral finance literature, specifically looking at the anchoring effect originally described in Tversky and Kahneman’s 1974 *Science* article: “Judgement under uncertainty: Heuristics and biases.” Anchoring refers to the fact that people have a tendency to make judgements based upon arbitrary information. Ariely, Loewenstein and Prelec (2003) extend the idea to examine the anchoring effects on perceptions of value.

Amongst other items (with an average value of $70) they presented subjects with bottles of wine (one “average”, one “rare”), asked subjects to write down the last two digits of their social security number, and then asked if the subjects would be willing to buy the wine for that amount. The follow-up question asked subjects to state the maximum they would be willing to pay for each of the objects that they had displayed. Subjects were grouped by quintile with the results showing a significantly higher stated willingness-to-pay for all six items from those subjects with arbitrarily higher social security numbers. Subjects in the top quintile were willing to pay more than three times as much for both the bottle of average wine as well as the rare wine.

This experiment proved much more difficult to replicate using the mechanical turk. We isolated the experiment to just looking at willingness-to-pay for a bottle of wine. We used a photo sourced from a google image search for “bottle of wine” of what appears to be an average to above-average bottle.
We showed the image of the bottle adjacent to an image of red wine being poured into a glass, along with a brief, fabricated and somewhat generic description of the wine. We asked Turkers to type in their last two digits of their social security number and then if they would pay that much for the wine. Our follow-up matched that of Ariely et al. We also asked participants if they drank wine (yes, no, no but have in the past) and if they had previously done a study that dealt with willingness-to-pay.

This was the only experiment that we ran on the mechanical turk that did not yield similar results to the original study. A number of reasons could have been the cause:

A. Turkers may not have taken the experiment seriously.
B. The experiment relies upon subjects seeing an actual bottle of wine, rather than an image.
C. The experiment relies upon having multiple items.
D. The fabricated wine description may have been transparently fabricated and/or it was a poor description of wine.
E. The image of the bottle of wine did not appear for some subset of Turkers.

There is limited evidence for A and E did occur. One Turker submitted a social security number of “00,” which is not a valid last two digits. Another submitted a willingness-to-pay of $100 with income in the $12,500 - $24,999 bracket. It is unknown how many Turkers did not see the image, but one informed us that they couldn’t see the image and another said that they had to click on the image to see it (redirecting the Turker to the image-hosting site photobucket.com.) Whatever the cause of this failed experiment, a conclusion can be reached that it is significantly easier to replicate studies that involve simple survey questions.

Despite the failed attempt at the ‘wine’ experiment, we had some success replicating another experiment designed to test the anchoring effect that did not involve a simple survey question. Stewart (2009) considered the effect of anchoring with credit card minimum payments. In this experiment subjects were presented with a mock credit card
statement with a balance of £435.76 and then asked to imagine that the bill had arrived that day. They were then asked to consider how much they could afford to pay, and then how much they would pay. Some participants were shown a statement with a minimum payment of £5.42, others were shown otherwise identical statements with no minimum payment indicated.

Subjects shown the minimum payment were just as likely to pay off the entire balance, but otherwise made significantly lower payments. Those not shown the minimum paid on average almost double those that were shown the minimum. The evidence suggests that people arbitrarily anchor on the minimum payment if given the choice.

Recent legislation signed into law in the summer of 2010 requires that lenders include information detailing 1) the amount of interest that will be paid on credit card balances if only the minimum payment is made and 2) how long it will take to pay off the balance. We decided to attempt to replicate the Stewart experiment and also to look for the impact, if any, of including another treatment including the information that will be required by law in the U.S. beginning sometime this year. This information has been voluntarily provided by at least one credit card issuer and we used an altered version of a recent statement for the experiment.

Results:

Similar to the results of Stewart’s experiment, we found a similar percentage of Turkers paid the balance in full regardless of the version of the credit card statement they were shown. We also replicated Stewart’s results regarding the difference in average payments depending upon whether or not Turkers saw the minimum payment. The results are even more striking when looking at medians:

<table>
<thead>
<tr>
<th>Credit Card Statement with Payoff Information</th>
<th>Credit Card Statement with Minimum Payment</th>
<th>Credit Card Statement with No Minimum Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>40</td>
<td>44</td>
</tr>
<tr>
<td>Paid-in-full</td>
<td>18%</td>
<td>20%</td>
</tr>
<tr>
<td>Mean</td>
<td>$342.14</td>
<td>$325.46</td>
</tr>
<tr>
<td>Median</td>
<td>$116.00</td>
<td>$100.00</td>
</tr>
</tbody>
</table>

When Turkers were presented with a credit card statement with no minimum payment listed, the median payment was more than double those that saw a conventional statement with the minimum payment due. Perhaps more striking, those Turkers that were presented with a statement that included the minimum payment of $30 along with the added information regarding how long it would take to pay off the balance with only the minimum payment or the higher payment of $118, paid an insignificantly greater amount on average as well as when looking at the median payment. This should give
pause to those that envision better personal financial decisions after the legislation takes
effect mandating credit card issuers to supply that information.

IV. CONCLUSION

Our experience with Amazon’s Mechanical Turk web service was not unlike that
of other researchers’ that have recently made attempts to use the service to conduct
experimental research. We were able to successfully replicate several experiments, with
only one failed attempt, as well as finding some interesting results concerning the recent
financial services regulatory reform. Overall it appears that the Mechanical Turk may be
a low-cost option for those that are interested in pursuing experimental economics
research. At a minimum, the platform provides a relatively easy introduction to
conducting experimental research in general.
References:


ORGANIZATIONAL CULTURE DIMENSIONS IN EDUCATIONAL INSTITUTIONS – CASE STUDY OF PRIVATE ENGINEERING COLLEGES IN KURNOOL DISTRICT, ANDHRA PRADESH

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Abstract

To respond effectively to the challenges posed by dynamic environment the organizations has to depend on the wisdom and handful of committed human resources and their adequate involvement to outperform the competitors and achieve organizational goals. One of the important organizational factors that influence organizational success is organizational culture. The present research is carried out to identify the dimensions of organizational culture in educational institutions. 4 engineering colleges have been selected randomly in Kurnool district. Learning environment, standard environment, knowledge sharing environment, team culture, self motivating spirit, career and rewards, performance standards, employee orientation, system & technology approach, industry readiness, management support and strategic planning are revealed as the organizational culture dimensions.

Introduction:

In the wake of increasing liberalization, globalization, deregulation and powerful technological revolution of the economic environment, Indian organizations are facing unprecedented challenges.

To respond effectively to the challenges posed by dynamic environment the organizations has to depend on the wisdom and handful of committed human resources and their adequate involvement to outperform the competitors and achieve organizational goals.

One of the most important building blocks for a highly successful organization is "organizational culture." Organizational culture influences all aspects of the organization (Hallett, 2003). Organizational culture has an impact on organizational outcomes such as productivity, performance, commitment, self-confidence, and ethical behavior (Buchanan and Huczynski, 2004; Shani and Lau, 2005; and Ojo, 2009). Organizations can be categorized into 3
groups. They are Low knowledge intensive, medium knowledge intensive and high knowledge intensive organizations.

The organizational culture has become more important concept for high knowledge intensive organizations, such as educational institutions, as individual knowledge compared to other assets now constitute the main source of firm’s effectiveness. Maximizing the value of employees as intellectual assets requires a culture that promotes their intellectual participation and facilitates both individual and organizational learning, new knowledge creation and application, and the willingness to share knowledge with others.

Review of Literature:

Various studies of organizational culture have highlighted that the formation and maintenance of culture requires interpersonal interaction within subgroups. Some researchers demonstrated the benefits of subgroup interaction to newcomers "learning the ropes" of the jobs. Meryl Louis, Posner, and Powell, (1983) study revealed the three most important socialization aids as Interaction with peers, Interaction with their supervisor, Interaction with senior co-workers. These interpersonal interactions are necessary to sustain the culture and to maintain it.

Linda Smirich, (1983) opined Organizational Culture as a process of enactment, and It is a mental state, which is reproduced by all members through sharing of meanings.

Denison, (1990) found empirical support for the participation/involvement view of culture – emphasized that the higher levels of employee participation were correlated with better organizational performance.

Cohen, (1997) & Bartell, (2003) also expressed their views that the higher educational institutions requiring far-reaching institutional adaptations involving “significant transformation in the organization of research, training, and administration to respond to the changing environment.

Deal and Kennedy, (1999) also identified four key dimensions of culture: Values, Heroes, Rites and rituals and the culture network.

Dr.P.K.KoteswaraRao, Dr.P.T.Srinivasan and S.George.J.P, (2002) have revealed that Organizational culture has a significant effect on how employees view their organizational responsibilities.

Ms.Vijila Kennedy, (2003) emphasized that employee efficiency as a key factor for the success of organizations and it is influenced by several organizational factors. He examined the organization culture using Seven Dimensions in the study, those are: Innovation, Stability, Employee Orientation, Customer Orientation, Outcome Orientation, Learning Environment, Team Orientation.

Jones, Chine and Ryan, (2006) said that seven dimensions could be used to compare culture across organizations such as Innovation and risk taking, Attention to detail, Outcome orientation, People orientation, Individual vs. Team orientation, Aggressiveness and Stability.

Barbara Fralinger & Valerie Olson, (2007) conducted a study to explore the concept of culture at the university level. The Organizational Culture Assessment Instrument (OCAI) was utilized to determine how departmental culture affects the perceptions, thoughts, and feelings of students.

Bhumija Chouhan, (2011) carried out a critical study of the impact of organizational Culture on faculties’ performance and their satisfaction in engineering and management institutions of Rajasthan. The researcher emphasized that healthy organizational culture is important for the organizational effectiveness and efficiency.

Reena George & Dr. C.Jayan, (2012), Emphasized that the organizational culture and quality of work life are the predictors of Job attitude of engineering college teaching staff and revealed that the cultural factors such as Organizational Glue and Organizational Leadership were having positive impact on the job attitude of the individuals.
Muya James Ng’ang’a, Wesonga Justus Nyongesa, (2012) made an extensive literature review and found that the performance of educational institutions is influenced by their organizational culture.

Need For the Study:
The purpose of all productivity related endeavours is to bring about lasting improvements in the performance of an education institution (Shrestha, 2005). And all educational institutions strive for good Performance regardless of their size. Institutions have to develop at least a bit every year in order to accommodate the increased education needs that emerge over time. From the literature review it is identified many studies have been carried out on organizational culture in the business organizations but less concentration is made on educational sector. The present research paper attempts to study the organizational culture in educational institutions.

Research Methodology:
Research Design:
A descriptive research has been adopted to measure the factors determining the culture of private education institutions which contributes for interacting behaviour of faculty. The present study focuses on teaching staff of engineering colleges and considers the dimensions such as Social factors, Working environment, Reward system, Strategic planning, organizational factors and technological factors for describing organizational culture and their individual interactions in educational institutions.

Objectives of the study:
• To analyse the organizational culture of engineering educational institutions.

Data sources:
Primary data has been collected by the researcher through a survey from respondents. Secondary data is collected through various sources like libraries, internet.

Sampling design -
Simple random sampling method is used to select the private engineering colleges under Kurnool strata, out of 20 colleges 4 colleges has been selected randomly. The research instrument has been distributed to the entire faculty of sampled colleges in Kurnool district (243). The response is received from 116 respondents. The response rate is 48%.

Research instrument:
A well structured questionnaire is designed based on the factors revealed by extensive literature review. Research instrument consists of 61 items on Organizational Culture.

Statistical tools:
Exploratory factor analysis is used to identify the factors of organizational culture. Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett’s Test of Sphericity (KMO) is applied to determine the appropriateness of data set and to proceed for the factor analysis.

Limitations:
The present study is confined to Kurnool district only. And it cannot be generalized to the entire Royalseema region in Andhra Pradesh.

Analysis & Findings:
Literature review revealed that the organizational culture is not a single dimensional concept to influence the individual behaviour as per the requirement of an organization and lead to the success of an organization. Hence in the present research the organizational culture is considered as a multidimensional study. For this reason, exploratory principal component factor analysis is applied to identify the significant variables which contribute for the study of organizational culture in the educational institutions.

In the present research paper four dimensions of organizational culture are subjected to factor analysis to categorize the variables into different factors.

Table: 1.0 KMO And Bartlett's Test For Organizational Culture Dimensions
Table 1.0 explains that the KMO static for all the Organizational Culture dimensions is above 0.5. And also Bartlett’s Test of Sphericity shows the observed significance level for all the dimensions in the present study is 0.000, indicates that there exists a strong relation among variables. Thus the factor analysis is an appropriate statistical technique for analysing the data.

Working Environment:

The factor loadings formed by the principal component analysis and varimax rotation resulted in 2 dimensions as shown in Table 2.0. Table 2.0 reveals that 12 items in the dimension are extracted into two components.

Table: 2.0 Working Environment Factors

<table>
<thead>
<tr>
<th>S.no</th>
<th>Factors</th>
<th>Loadings</th>
<th>Mean+-std.dev</th>
<th>Grand mean</th>
<th>Chronobach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Friendly atmosphere</td>
<td>.770</td>
<td>4.11+.852</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Helping nature</td>
<td>.723</td>
<td>4.04+.806</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Individual interpersonal relations</td>
<td>.649</td>
<td>4.08+.759</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Techno Visual aids</td>
<td>.549</td>
<td>3.82+.938</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Internet facilities</td>
<td>.594</td>
<td>4.12+.771</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Library facilities</td>
<td>.770</td>
<td>4.05+.657</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Departmental learning</td>
<td>.911</td>
<td>3.84+.787</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Institution level learning</td>
<td>.863</td>
<td>3.90+.715</td>
<td>3.752</td>
<td>.823</td>
</tr>
<tr>
<td>2</td>
<td>Standard facilities</td>
<td>.663</td>
<td>3.99+1</td>
<td>4.112</td>
<td>.832</td>
</tr>
<tr>
<td></td>
<td>Student developmental programs</td>
<td>.676</td>
<td>4.27+.715</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Individual abide ment to rules</td>
<td>.883</td>
<td>4.16+.757</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Institution abide rules</td>
<td>.752</td>
<td>4.03+.796</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Table 2.0 the first working environment dimension is learning environment with variance of 57.066%. This factor is explaining that learning can be enhanced with friendly atmosphere (4.11), helping nature (4.04), individual interpersonal relations (4.08), adequate library facilities (4.05), internet facilities (4.12) focusing on individual, departmental (3.84) and institutional learning (3.90). The second factor standard environment is explaining the code of conduct followed by the individuals (4.16) and the institution (4.03) showing 10.057% of variance and is at acceptable level with a mean of 4.112. Using Chronobach’s Alpha reliability test the reliability of the data is found to be good for the two factors.

Social Factors

The factor loadings and resulted dimensions formed by the principal component analysis and varimax rotation is shown in Table 3.0. Table 3.0 reveals that 9 items in the social dimension are extracted into 3 components.

Table: 3.0 Social Factors
The Table 3.0 shows that the first factor Knowledge sharing environment with variance 39.954% is moderately (3.553) facilitating employees to be open minded (3.58) and coordinating with each other (3.76) share the information across all levels in the organization. But the free flow of information with mean of 3.11 explaining less satisfaction. The second factor is named as Team culture includes the opinion of employees with respect to team spirit (3.11), and the value provided to organization as a teamwork is moderate (3.70). Team culture is explaining 12.754% of variance and contributing to the organizational success with a mean of 3.40. The self motivating spirit is making the employees with affiliation need as they believe they can perform better in teams (4.24) is helping them to motivate themselves where existing politics and power otherwise may de-motivate the employee (4.3). The third factor motivating environment is explaining 15.272% of variance. The internal consistency of variables for the factors is found to be good for knowledge sharing environment (.817), motivating environment (.722) but poor for team culture (.526).

Reward System:

The factor Loadings revealed by the principal component analysis and varimax rotation are expressed in Table 4.0. It shows that 18 items in the Reward System dimension are extracted into 3 factors.

Table: 4.0 Reward Systems

<table>
<thead>
<tr>
<th>S.no.</th>
<th>Factors</th>
<th>Loadings</th>
<th>Mean+std.dev</th>
<th>Grand mean</th>
<th>Chronobach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Knowledge Sharing Environment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Openness</td>
<td>.836</td>
<td>3.58+.979</td>
<td></td>
<td>.817</td>
</tr>
<tr>
<td></td>
<td>Free flow of information</td>
<td>.673</td>
<td>3.11+.985</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mentoring</td>
<td>.726</td>
<td>3.84+.791</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coordination</td>
<td>.801</td>
<td>3.76+.900</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social networks</td>
<td>.600</td>
<td>3.48+.880</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Team culture</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Collective nature</td>
<td>.869</td>
<td>3.11+1.178</td>
<td></td>
<td>.526</td>
</tr>
<tr>
<td></td>
<td>Valued Team work</td>
<td>.817</td>
<td>3.70+.897</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Self Motivating spirit:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Individual Contribution</td>
<td>.888</td>
<td>4.24+.693</td>
<td></td>
<td>.722</td>
</tr>
<tr>
<td></td>
<td>Power &amp; politics</td>
<td>.672</td>
<td>4.37+.679</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Table 3.0 shows that the first factor Knowledge sharing environment with variance 39.954% is moderately (3.553) facilitating employees to be open minded (3.58) and coordinating with each other (3.76) share the information across all levels in the organization. But the free flow of information with mean of 3.11 explaining less satisfaction. The second factor is named as Team culture includes the opinion of employees with respect to team spirit (3.11), and the value provided to organization as a teamwork is moderate (3.70). Team culture is explaining 12.754% of variance and contributing to the organizational success with a mean of 3.40. The self motivating spirit is making the employees with affiliation need as they believe they can perform better in teams (4.24) is helping them to motivate themselves where existing politics and power otherwise may de-motivate the employee (4.3). The third factor motivating environment is explaining 15.272% of variance. The internal consistency of variables for the factors is found to be good for knowledge sharing environment (.817), motivating environment (.722) but poor for team culture (.526).

Reward System:

The factor Loadings revealed by the principal component analysis and varimax rotation are expressed in Table 4.0. It shows that 18 items in the Reward System dimension are extracted into 3 factors.

Table: 4.0 Reward Systems

<table>
<thead>
<tr>
<th>S.no.</th>
<th>Factors</th>
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<th>Mean+std.dev</th>
<th>Grand mean</th>
<th>Chronobach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Career and Rewards:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employee recognition by HOD, Mgt</td>
<td>.493</td>
<td>3.97+.879</td>
<td>3.780</td>
<td>.913</td>
</tr>
<tr>
<td></td>
<td>Good Career Advancement</td>
<td>.606</td>
<td>3.84+.812</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>On-par Compensation</td>
<td>.818</td>
<td>3.56+.858</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Right Compensation</td>
<td>.842</td>
<td>3.73+.817</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Performance linked pay</td>
<td>.799</td>
<td>3.82+.871</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Opportunities to challenging tasks</td>
<td>.683</td>
<td>3.69+.849</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Good career opportunities</td>
<td>.654</td>
<td>3.86+.847</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Performance Standards:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Promotions as per UGC</td>
<td>.840</td>
<td>3.82+.1.06</td>
<td>3.849</td>
<td>.887</td>
</tr>
<tr>
<td></td>
<td>Transparent faculty evaluation</td>
<td>.693</td>
<td>3.72+.938</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Individual Feedback by HOD</td>
<td>.634</td>
<td>3.98+.894</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4.0 shows that the first factor of Reward system dimension which is named as career and rewards moderately (3.780) influencing the behaviour of individuals is explaining 46.789% of variance. This includes the variables such as employee recognition by HOD and management (3.97), Good Career Advancement (3.84), compensation on-par (3.56), right (3.73) performance linked pay (3.82), opportunities for getting challenging tasks (3.69) and opportunities for good career (3.86). The second factor is performance standards showing 8.974% of variance and is maintained by the institution moderately (3.849). This includes employee promotions and compensation is according to UGC norms (3.82), (4.10) respectively. Faculty evaluation is performed as per standard norms (3.72). The third factor in this dimension is named as employee orientation which includes faculty feedback given by students (4.10), challenging work (3.66), interesting work (3.97), institution’s interest in the continuous skill development of faculty (3.58) and treatment of employees as a source of competitiveness (3.85). The internal consistency among the variables for three factors is found to be at acceptable level.

Organizational Dimension:

The factors extracted along with Loadings resulted by the principal component analysis and varimax rotation are shown in Table 5.0.

<table>
<thead>
<tr>
<th>S.no.</th>
<th>Factors</th>
<th>Loadings</th>
<th>Mean+-std.dev</th>
<th>Grand mean</th>
<th>Chronobach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>System &amp; Technology approach:</td>
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The data is tested for its validity with the Chronbach’s alpha reliability test and is found reliable for three factors.

Strategic Planning:

The factor extracted by the principal component analysis and varimax rotation is shown in Table 6.0. Only one factor is extracted with 3 items and one item that is short term thinking in congruent with the vision is found to be insignificant with least loading (.322).

Table 6.0 Strategic Planning Factors

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<tr>
<th>S.no.</th>
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<th>Mean+</th>
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Future Research Implications:

The dimensions revealed by the present study can be applied to other professional courses in other private institutions of other geographical regions. This framework can be tested for its viability in universities. In depth analysis can be conducted with respect to each dimension.

Conclusions:

The organizational culture plays prominent role in increasing the organizational efficiency and effectiveness through enhanced individual interactions. According to the exploratory factor analysis different factors have been identified from employee perspective. These factors are learning environment, standard environment, knowledge sharing environment, team culture, self motivating spirit, career and rewards, performance standards, employee orientation, system & technology approach, industry readiness, management support and strategic planning. The findings of this study are also supported by Ms.Vijila Kennedy (2003) who found learning environment, employee orientation and team orientation as important dimensions of organizational culture in organizations. Jones, Chine and Ryan (2006) also
identified the employee orientation and team orientation is significant factors which determine the culture of organizations.

REFERENCES:
Dr.P.K.Koteswararao, Dr.P.T.Srinivasan and S.George, J.P (2002). A Study on Organizational Culture and Its Relationship with Job Satisfaction in Manufacturing and Information Technology Sectors. Xavier Institute of Management.