The Journal of Business Leadership

Editorial Staff

THE JOURNAL OF BUSINESS LEADERSHIP

Published by the
American National Business Hall of Fame
Austin Peay State University
Clarksville, TN 37044

TABLE OF CONTENTS

TABLE OF CONTENTS (CONT)

Editor's Preface

The Journal of Business Leadership [JBL] is the official journal of the American National Business Hall of Fame [ANBHF]. The ANBHF conducts an active research program with three primary objectives. The first objective is to collect and analyze information regarding the leadership skills of Hall of Fame members. The Hall believes that business success stories are an important part of American history and strives to document and preserve these stories.

The second objective of the research program is to support the research objectives of the associated academic journal, *JBL*, through support of certain areas of business leadership, ethical practices and management academic research.

The third objective is to evaluate the effectiveness of Hall of Fame classroom presentations. Evaluation instruments are developed and administered in classes following Hall of Fame presentations.

In support of the ANBHF mission, *The Journal of Business Leadership* is a multidisciplinary journal of interest to scholars, professionals, students, and practitioners in a broad range of management thinking. The purpose of the journal is to encourage the publication of case studies of business leadership. In keeping with the Hall's longitudinal study, The Ethical Views of Business Leaders, University Faculty and Students in the United States, submissions highlighting ethical leadership practices are encouraged.

JBL offers both peer-reviewed and non-peer-reviewed articles. All peer-reviewed articles must meet the highest and most rigorous standards and are anonymously reviewed by at least two scholars in the field. Non-peer-reviewed materials can be essay, research-in-progress, pilot studies, or commentary on some topic relevant to the field of business leadership. All non-peer-reviewed materials will be reviewed by the Editorial Board for quality and appropriateness, but are not guaranteed publication.

Welcome to this issue of *The Journal of Business Leadership.*

Robyn Hulsart, Ed.D., Journal Editor

Social Responsibility and Business Ethics Education: Changing Views of Business

Faculty and Students

Vikkie McCarthy, Austin Peay State University

Abstract

*Corporate Social Responsibility (CSR) and business ethics education discourse remain at the forefront of management research and literature (Lau, 2010; Devinney, 2009; Peng & Lin, 2009; Podolny, 2009). The American National Business Hall of Fame (ANBHF) longitudinal ethics survey of business education has attempted to track business faculty and student opinions related to social responsibility and ethics since 1983. The findings from the 2009 ANBHF are presented in this articl*e.

Introduction

The purpose of this article is to present findings from the most recent American National Business Hall of Fame (ANBHF) Ethics Survey of business school faculty and students. These findings are discussed in relation to the future of corporate social responsibility (CSR). Attitudes of CSR range from a narrow view where a corporation's only obligation to society is in the creation of monetary returns for stakeholders to a wide view where a corporation is obligated to serve as "an instrument of public policy," (Devinney, 2009, p. 44). In between these two extremes are other views of CSR that support sustainability and financial justice.

Business educators should be, and many are, taking responsibility for the lack of business integrity that led to the most recent financial crisis, (Podolny, 2009). Business ethics courses have been debated now for many years. It continues to be a conversation because there is evidence that education plays a mediating role in developing ethics and values such as social responsibility, (Peng & Lin, 2009).

Social responsibility is an example of ethical behavior. Businesses are expected to have good ethical values and act socially responsible. Corporate Social Responsibility (CSR) has been discussed as early as 1970. Milton Freidman (1970) argued that it was limited to increasing the bottom line for shareholders (Bartkowiak, G., 2006). Over the past three decades CSR has evolved to encompass much more than just increasing the bottom line, such as enhancing society by creating and delivering desired products, providing employment, developing markets, and paying taxes. To greater ends CSR has become a more holistic term to include economic, social and environmental returns as well as acting on the behalf of the disadvantaged and serving as an instrument of public policy (Devinney, 2009; Aguilera *et. al*., 2007).

Because businesses are a mixture of individual sets of ethics (Borgatti & Molina, 2003), it is important for the organization to have good individuals as employees. It is also important that employees feel like they share the values of with those with whom they work (Johnson & Jackson, 2009; Amos & Weatherspoon, 2008). The role that business schools play in this relationship appears to be significant (Lau, 2010; Hooker, 2004). Educational opportunities that give students the chance to engage in role plays and simulations are becoming increasingly common in business classes (Monippallil et. al., 1999). There is evidence that business education has an impact on moral efficacy, moral meaningfulness, and moral courage (May et. al., 2009; Nicholson & DeMoss, 2009).

The Survey Instrument

The Illinois Hall of Fame began an intensive study of ethics in 1983 with a mail survey of randomly selected business leaders, business college faculty and business students. Other studies of university faculty and students were conducted in 1988, 1989 and 1995. In order to obtain the views of these groups in 2003, follow-up studies were commissioned by the Board of Directors of the American National Business Hall of Fame. The 2009 survey was undertaken by the authors as a continuation of this longitudinal study.

Methodology

In 2009 the survey was sent out through an online provider to business leaders, business school faculty and business school students. Although multiple mediums (business list serves, class lists, faculty lists and rotary contacts) were used to distribute the survey, the number of completed surveys was low. The number of responses from business leaders, faculty and students were n=11, n=115, n=115 respectively. Due to the low number of responses from business leaders, only results for faculty and students are presented in this paper.

Faculty

In both 1989 and 2003, university faculty members were contacted by sending a letter to the Dean of a college of business and asking him or her to complete the survey and also ask three other faculty members to respond (Sutor et. al., 2004). All of the faculty members contacted s in 2003 taught in AACSB business schools. In 2009, faculty members were contacted directly through email and professional and academic list serves. These business school faculty members were asked to complete the survey by clicking on a link for surveymonkey.com. The response rate for the 2009 survey is unknown because it is not known how many faculty members were eventually contacted to take the survey.

TABLE 1. RESPONSE RATES FOR THE THREE FACULTY STUDIES

	1989*	2003	2009
Number Sent Out	637 x 4	634 X 4	UNKNOWN
Number Good Responses	445	269	115
Response Rate	17%	11%	NA

Source: 2003 Study of Ethics;

*Monippallil, Matthew, Yunus Kathawala, Richard Hattwick, Larry Wall and Bong-Gon P. Shin, (1999). Business Ethics in America: A View From the Classroom, *The Journal of Behavioral Economics* 19(1), 125-140.

Students

Students in the 2009 study were business and professional studies majors. The Professional Studies degree program offers many business-type classes to include management, information technology, strategic planning and marketing. The number of responses collected for the 2009 study was n=115. The response rate is unknown because it is uncertain how many students were contacted to take the survey. Table 2 below presents the number of responses from student surveys in 1995, 2003, and 2009.

TABLE 2. NUMBER OF RESPONSES FOR STUDENT STUDIES

	1995 *	2003	2009
Population of Interest	College of Business students	Students taking classes in the College of Business.	Business and Professional Studies Students
Number Good Responses	191	1009	115

Source: 2003 Study of Ethics;

* Prasad, Jyoti, Nancy Marlow and Richard Hattwick (1998).Gender-Based Differences in Perception of a Just Society, ***Journal of Business Ethics**, 17*, 219-228.

Survey Instrument

The studies from 1983 to 1995 did not include the same questions for all studies nor was the wording of the same question exactly the same. Some of the differences were unintentional. For example, the wording of the questions in the report for the 1983 study had slightly different wording for some of the questions that had been on the questionnaire. The 2003 and 2009 surveys included the same 47 attitudinal and 4 demographic questions as the 1995 surveys.

Table 3 gives the number of questions asked of each group for each survey.

TABLE 3 . NUMBER OF QUESTIONS ASKED IN EACH SURVEY

Year of the Study	Group Surveyed	Number of Questions	
		Attitudinal	**Demographic**
1983	Faculty	48	5
1983	Students	51	4
1995	Faculty	47	7
1995	Students	47	5
2003	Faculty	47	4
2003	Students	47	4
2009	Faculty	47	4
2009	Students	47	4

Source: 2003 Study of Ethics

One of the major goals for the 2003 study was to keep the survey to no more than two pages, plus a cover letter. Also, the same attitudinal questions were to be asked of all three groups in 2003. Consequently, a review of the questions that had been asked of all three groups from 1983 to 1995 revealed that only 29 had been asked of business faculty and students. These became the first 29 questions on the 2003 survey. The 2009 survey included the same 51 questions from the 2003 survey.

Method of Analysis

Below are the results from the faculty 2009 survey. Table 4 presents a summary version of the information for each of the 47 attitudinal questions. For each question, the percent that agreed with each statement is given. In addition, the average response (low is positive) and the standard deviation for each question are provided. The number of responses completes the information for each group for each question. Questions 30 to 38 are given at the end of the table since their answers should have reflected to what extent instead of a SA to SD perspective.

Questions 48 through 51 were demographic questions asked of faculty. These are presented below:

Q 48. Did you ever take a formal course in ethics or moral philosophy?
Yes 63%
No 37%

Q 49. What is your present title or position?
Dean 0%
Associate Dean 1%
Faculty 90%
Other %

Q 51. What is you gender
Male 69%
Female 31%

Q 51. What is the general nature of your university?
Regional University (undergraduate only) 10%
Regional University (undergraduate and masters) 42%
Doctoral Granting University 48%

In order for CSR to have a future, the value of it must become inculcated in younger generations of business leaders. There appears to be some evidence that this may be the case. In the longitudinal study of business students in the US, there appears to be a change in attitudes toward corporate social responsibility. In 2003, 77% of business students respondents agreed that corporations must take the lead in solving major social problems such as pollution, discrimination and safety; whereas, in 2009, over 91% of business students agreed to this same question. The tables below, present the results from surveys of US business faculty and students on their attitudes toward business ethics and CSR.

Questions one through ten on the ethics survey ask respondents if they agree or disagree with questions related to corporate responsibility. The survey instrument included a five point Likert scale where one equaled "strongly agree", two equaled "agree", three equaled "no opinion", four equaled "disagree" and five equaled "strongly disagree". The results below present the combined percent of respondents that "strongly agreed" and "agreed" with each question.

TABLE 4: % Faculty in 2009 Agreeing with each Statement (1 = SA, 5=SD)

Q#	QUESTION	Year	% Agree	n=
1	The corporation has a responsibility to take the lead in solving major social problems such as pollution, discrimination, and safety.	2009	73%	113
2	The corporation has a responsibility to not become involved in solving social problems unless doing so becomes a cost of doing business or the opportunity to earn a profit.	2009	22%	112
3	The corporation has the responsibility to get involved in social responsibility projects because outside pressures make such an involvement a cost of doing business.	2009	65%	111
4	The corporation has a responsibility to promote equal opportunity in hiring and promotion.	2009	94%	112
5	The corporation has a responsibility to promote conservation of energy even if doing so means a reduction in profits.	2009	75%	110
6	The corporation has a responsibility to conserve natural resources, even if doing so means a reduction in profits.	2009	77%	109
7	The corporation has a responsibility to clean up or avoid causing air, noise, and water pollution even if doing so means a reduction in profits.	2009	88%	112
8	The corporation has a responsibility to contribute money and management time to civic activities in communities where the firm has plants or offices.	2009	79%	112

Q#	QUESTION	Year	% Agree	n=
9	The corporation has a responsibility to help minority owned businesses.	2009	40%	112
10	The corporation has a responsibility to be truthful in advertising.	2009	99%	112

Questions 11 through 29 and questions 39 through 47 address business ethics in general. Responses for these items were measured on a five point Likert scale where one equaled "strongly agree", two equaled "agree", three equaled "no opinion", four equaled "disagree" and five equaled "strongly disagree". The results below present the combined percent of respondents that "strongly agreed" and "agreed" with each question.

Table 5: Percent of the Faculty in 2009 Agreeing with each Statement (1 = sa, 5=sd)

Q#	QUESTION	Year	% Agree	n=
11	The typical business executive has two sets of ethical standards, one which he/she applies to business activities and another which is applied to his/her private life.	2009	45%	108
12	Ethical standards in business are lower than in government.	2009	21%	108
13	Ethical standards in business are lower than in most religious organizations.	2009	47%	108

Q#	QUESTION	Year	% Agree	n=
14	Ethical standards in business are lower than in the typical American family.	2009	43%	107
15	The ethical standards used in business are as high as those practiced with family and friends.	2009	29%	107
16	Occasionally, business people make decisions that are right for business but which are inconsistent with their personal ethical principles.	2009	93%	108
17	Much advertising done by business is misleading to the consumer.	2009	68%	108
18	Effective advertising may have to be somewhat misleading.	2009	9%	108
19	It is in the long run self-interest of business to protect the customer.	2009	NA	NA
20	The average customer is less ethical in dealing with business than the business is in dealing with that customer.	2009	16%	108
21	No employee should be required to engage in business practices that employee considers unethical.	2009	87%	108
22	In accepting an employment offer each employee implicitly agrees to abide by the ethical standards of the employer, even if the company standards differ from those of the employee.	2009	51%	108
23	Wages and salaries should vary according to an employee's productivity.	2009	90%	106

Q#	QUESTION	Year	% Agree	n=
24	Wages and salaries should vary according to both the employee's productivity and years of service with the firm.	2009	50%	107
25	Wages and salaries should vary primarily with the employee's years of service with the firm.	2009	5%	106
26	Labor unions serve a useful purpose by prodding a particular management into fulfilling its responsibilities to labor.	2009	55%	105
27	The corporation should seek to maximize short run profits.	2009	9%	107
28	The corporation should seek to earn a satisfactory rate of return for stockholders.	2009	87%	107
29	The ethical standards in competition are determined by the least ethical competitor. If one firm engages in unethical conduct, the others will have to follow to survive.	2009	8%	107
39	All institutions in our society should seek to protect and promote the interests of individuals.	2009	30%	104
40	Individual freedom may have to be partly restricted in order for organizations to effectively function.	2009	67%	104
41	Government should redistribute income in order to assure a minimum standard of living for all citizens.	2009	33%	105
42	Government should provide incentives for business to get involved in solving social problems.	2009	70%	105

Q#	QUESTION	Year	% Agree	n=
43	Truth in lending regulations are needed to protect the customer.	2009	96%	105
44	Antitrust laws prohibiting price fixing benefit the customer.	2009	87%	105
45	Lazy or incompetent employees should be fired.	2009	90%	105
46	A company should have formal policies to guarantee that every employee has an equal opportunity for promotion, pay increases, and other rewards provided by the firm.	2009	92%	105
47	The corporation should seek to maximize long run profits.	2009	95%	104

Questions 30 through 38 ask respondents "to what extent ethical standards were influenced by" a particular source. Responses for these questions were measured on a 5 point Likert scale where 1= a great extent, 2=some extent, 3=no opinion, 4=very little, 5=not at all. The percent of respondents that answered to a great or some extent are listed in the table as %Agree meaning that they agreed that these sources influenced ethical standards.

Q#	QUESTION	Year	% Agree	n=
30	To what extent are ethical standards influenced by peer group pressures?	2009	96%	105
31	To what extent are ethical standards influenced by prevailing industry practice?	2009	88%	106

Q#	QUESTION	Year	% Agree	n=
32	To what extent are ethical standards influenced by perceived preference of top executives?	2009	96%	106
33	To what extent are ethical standards influenced by family experiences?	2009	75%	104
34	To what extent are ethical standards influenced by church experiences?	2009	57%	103
35	To what extent are ethical standards influenced by your educational experiences?	2009	73%	104
36	To what extent are ethical standards influenced by company's ethical code or policy?	2009	73%	105
37	To what extent are ethical standards influenced by professional ethical code?	2009	73%	105
38	To what extent are ethical standards influenced by society's moral climate?	2009	81%	106

Most notable are the rates of agreement that peer group pressures and top executives were the same – 96%. This is compared to 57% of respondents agreed that church experiences influence ethical standards.

In this section, the focus is only on the students for the 2009 study. Table 5 presents a summary for the students for each of the 47 attitudinal questions in the 2009 survey. For each question, the percent that agreed with each statement is given. The number of responses completes the information for each group for each question. Questions 30 to 38 are given at the end of the table since their answers should have reflected "to what extent" instead of a SA to SD perspective. Questions 48 through 52 on the survey collected student demographic information. Questions 48 through 50 are included below. Questions 51 and 52 asked students about their major and minor studies. Results of these latter two questions were not included but can be obtained from the author upon request.

2009 Student Questionnaire

Q 48. Did you ever take a formal course in ethics or moral philosophy?		
Answer Options	**Response Percent**	**Response Count**
Yes	60.7%	65
No	39.3%	42
	answered question	**107**

Q 49. What is your gender?		
Answer Options	**Response Percent**	**Response Count**
Male	44.3%	47
Female	55.7%	59
	answered question	**106**

Q. 50 What is your year in school?		
Answer Options	**Response Percent**	**Response Count**
Freshman	8.4%	9
Sophomore	15.9%	17

Junior	21.5%	23
Senior	43.9%	47
Graduate	10.3%	11
	answered question	**107**

Questions one through ten on the ethics survey ask respondents if they agree or disagree with questions related to corporate responsibility. The survey instrument included a five point Likert scale where one equaled "strongly agree", two equaled "agree", three equaled "no opinion", four equaled "disagree" and five equaled "strongly disagree". The results below present the combined percent of respondents that "strongly agreed" and "agreed" with each question.

Q#	**QUESTION**	**Year**	**% Agree**	**n=**
1	The corporation has a responsibility to take the lead in solving major social problems such as pollution, discrimination, and safety.	2009	90%	115
2	The corporation has a responsibility to not become involved in solving social problems unless doing so becomes a cost of doing business or the opportunity to earn a profit.	2009	17%	115

Q#	QUESTION	Year	% Agree	n=
3	The corporation has the responsibility to get involved in social responsibility projects because outside pressures make such an involvement a cost of doing business.	2009	53%	114
4	The corporation has a responsibility to promote equal opportunity in hiring and promotion.	2009	94%	114
5	The corporation has a responsibility to promote conservation of energy even if doing so means a reduction in profits.	2009	76%	114
6	The corporation has a responsibility to conserve natural resources, even if doing so means a reduction in profits.	2009	83%	113
7	The corporation has a responsibility to clean up or avoid causing air, noise, and water pollution even if doing so means a reduction in profits.	2009	85%	115
8	The corporation has a responsibility to contribute money and management time to civic activities in communities where the firm has plants or offices.	2009	73%	113
9	The corporation has a responsibility to help minority owned businesses.	2009	36%	113
10	The corporation has a responsibility to be truthful in advertising.	2009	94%	113

Questions 11 through 29 and questions 39 through 47 deal with business ethics in general. Responses for these items were measured on a five point Likert scale where one equaled "strongly agree", two equaled "agree", three equaled "no opinion", four equaled "disagree" and five equaled "strongly disagree". The results below present the combined percent of respondents that "strongly agreed" and "agreed" with each question.

QUESTION			**% Agree**	**n=**
11	The typical business executive has two sets of ethical standards, one which he/she applies to business activities and another which is applied to his/her private life.	2009	62%	114
12	Ethical standards in business are lower than in government.	2009	20%	110
13	Ethical standards in business are lower than in most religious organizations.	2009	52%	111
14	Ethical standards in business are lower than in the typical American family.	2009	49%	110
15	The ethical standards used in business are as high as those practiced with family and friends.	2009	26%	111
16	Occasionally, business people make decisions that are right for business but which are inconsistent with their personal ethical principles.	2009	86%	110
17	Much advertising done by business is misleading to the consumer.	2009	72%	111

QUESTION			% Agree	n=
18	Effective advertising may have to be somewhat misleading.	2009	26%	111
19	It is in the long run self-interest of business to protect the customer.	2009	NI	NI
20	The average customer is less ethical in dealing with business than the business is in dealing with that customer.	2009	24%	110
21	No employee should be required to engage in business practices that employee considers unethical.	2009	84%	111
22	In accepting an employment offer each employee implicitly agrees to abide by the ethical standards of the employer, even if the company standards differ from those of the employee.	2009	57%	109
23	Wages and salaries should vary according to an employee's productivity.	2009	79%	111
24	Wages and salaries should vary according to both the employee's productivity and years of service with the firm.	2009	79%	109
25	Wages and salaries should vary primarily with the employee's years of service with the firm.	2009	29%	110
26	Labor unions serve a useful purpose by prodding a particular management into fulfilling its responsibilities to labor.	2009	51%	109

QUESTION			% Agree	n=
27	The corporation should seek to maximize short run profits.	2009	71%	110
28	The corporation should seek to earn a satisfactory rate of return for stockholders.	2009	88%	111
29	The ethical standards in competition are determined by the least ethical competitor. If one firm engages in unethical conduct, the others will have to follow to survive.	2009	20%	111
39	All institutions in our society should seek to protect and promote the interests of individuals.	2009	54%	110
40	Individual freedom may have to be partly restricted in order for organizations to effectively function.	2009	50%	110
41	Government should redistribute income in order to assure a minimum standard of living for all citizens.	2009	24%	109
42	Government should provide incentives for business to get involved in solving social problems.	2009	69%	110
43	Truth in lending regulations are needed to protect the customer.	2009	76%	109

QUESTION			% Agree	n=
44	Antitrust laws prohibiting price fixing benefit the customer.	2009	65%	109
45	Lazy or incompetent employees should be fired.	2009	81%	110
46	A company should have formal policies to guarantee that every employee has an equal opportunity for promotion, pay increases, and other rewards provided by the firm.	2009	90%	109
47	The corporation should seek to maximize long run profits.	2009	88%	108

Questions 30 through 38 ask respondents "to what extent ethical standards were influenced by" a particular source. Responses for these questions were measured on a 5 point Likert scale where 1= a great extent, 2=some extent, 3=no opinion, 4=very little, 5=not at all. The percent of respondents that answered to a great or some extent are listed in the table as %Agree meaning that they agreed that these sources influenced ethical standards.

Q#	QUESTION	Year	% Agree	n=
30	* Ethical standards are influenced by peer group pressures.	2009	89%	111
31	* Ethical standards are influenced by prevailing industry practice.	2009	87%	110

Q#	QUESTION	Year	% Agree	n=
32	* Ethical standards are influenced by the perceived preference of top executives.	2009	75%	110
33	* Ethical standards are influenced by family experiences.	2009	67%	110
34	* Ethical standards are influenced by church experiences.	2009	53%	108
35	* Ethical standards are influenced by your educational experiences.	2009	87%	110
36	* Ethical standards are influenced by company's ethical code or policy.	2009	86%	109
37	* Ethical standards are influenced by professional ethical code.	2009	85%	110
38	* Ethical standards are influenced by society's moral climate.	2009	75%	110

* The actual question on the questionnaire was "To what extent are ethical standards influenced by"

Most notable are the rate of agreement that peer group pressures was 89% and top executives influence ethical standards was only 75% compared to the faculty rate (96%) for this question. The influence of educational experiences was higher for students (87%) compared to faculty (73%).

Table 6 below compares frequency responses of faculty for three years – 1989, 2003, 2009.

Table 6: Faculty Survey 1989, 2003, 2009

Q	Questions	Year	% Agree	N=
1	The corporation has a responsibility to take the lead in solving major social problems such as pollution, discrimination, and safety.	2009	73%	113
		2003	67%	269
		1989	62%	439
2	The corporation has a responsibility to not become involved in solving social problems unless doing so becomes a cost of doing business or the opportunity to earn a profit.	2009	22%	112
		2003	19%	269
		1989	18%	438
3	The corporation has the responsibility to get involved in social responsibility projects because outside pressures make such an involvement a cost of doing business.	2009	65%	111
		2003	58%	269
		1989	73%	439
4	. The corporation has a responsibility to promote equal opportunity in hiring and promotion	2009	94%	112
		2003	95%	269
		1989	94%	440

Source 2003 & 2009 Studies of Ethics

Almost all of the responses on survey items throughout the three surveys have remained fairly consistent. Two items standout in terms of rates of agreement. The most dramatic change in frequency responses across the three surveys for faculty is on item 16, " Occasionally, business people make decisions that are right for business but which are inconsistent with their personal ethical principles." In 1989 only 18% of respondents agreed with this statement. This rate jumped to 34% in 2003, and to 93% in 2009. The second survey item, "to what extent are ethical standards influenced by church experiences?" has seen a study decline in rates of agreement by faculty respondents. This decline has been from 70% agree in 1989, to 59% in 2003 and 57% in 2009.

Table 7 presents a summary version of the information for each of the 47 attitudinal questions for student respondents from the 1989, 2003, and 2009 surveys. For each question, the percent that agreed with each statement is given. Questions 30 to 38 are given at the end of the table since their answers should have reflected "to what extent" instead of a SA to SD perspective. See Table for a clearer understanding of these questions. NA in the results columns indicates that this question was not included in the student survey for a given year.

Table 7: Student Surveys 1989, 2003 & 2009

Q#	QUESTION	Year	% Agree	N=
		2009	90%	115
1	The corporation has a responsibility to take the lead in solving major social problems such as pollution, discrimination, and safety.	2003	77%	1009
		1989	NA	NA
		2009	17%	115
2	The corporation has a responsibility to not become involved in solving social problems unless doing so becomes a cost of doing business or the opportunity to earn a profit.	2003	25%	1009
		1989	NA	NA
3		2009	52%	114
	The corporation has the responsibility to get involved in social responsibility projects because outside pressures make such an involvement a cost of doing business.	2003	60%	1009
		1989	NA	NA
	.	2009	94%	114
4	The corporation has a responsibility to promote equal opportunity in hiring and promotion	2003	93%	1009
		1989	NA	NA

Source: 2003 & 2009 Studies of Ethics

Table 7 Cont.

6	The corporation has a responsibility to conserve natural resources, even if doing so means a reduction in profits.	2003	72%	1009
		1989	NA	NA
		2009	85%	115
7	The corporation has a responsibility to clean up or avoid causing air, noise, and water pollution even if doing so means a reduction in profits.	2003	83%	1009
		1989	NA	NA
		2009	73%	113
8	The corporation has a responsibility to contribute money and management time to civic activities in communities where the firm has plants or offices.	2003	73%	1009
		1989	NA	NA
		2009	36%	113
9	The corporation has a responsibility to help minority owned businesses.	2003	30%	1009
		1989	NA	NA
		2009	95%	114
10	The corporation has a responsibility to be truthful in advertising.	2003	94%	1009
		1989	NA	NA
		2009	62%	110
11	The typical business executive has two sets of ethical standards, one which he/she applies to business activities and another which is applied to his/her private life.	2003	60%	1009
		1989	NA	NA
		2009	20%	111
12	Ethical standards in business are lower than in government.	2003	20%	1009
		1989	NA	NA

13	Ethical standards in business are lower than in most religious organizations.	2009 2003 1989	48% 55% NA	110 1009 NA
14	Ethical standards in business are lower than in the typical American family.	2009 2003 1989	48% 46% NA	110 1009 NA
15	The ethical standards used in business are as high as those practiced with family and friends.	2009 2003 1989	26% 24% NA	111 1009 NA
16	Occasionally, business people make decisions that are right for business but which are inconsistent with their personal ethical principles.	2009 2003 1989	86% 24% NA	110 1009 NA
17	Much advertising done by business is misleading to the consumer.	2009 2003 1989	72% 60% NA	111 1009 NA
18	Effective advertising may have to be somewhat misleading.	2009 2003 1989	26% 36% NA	111 1009 NA
19	It is in the long run self-interest of business to protect the customer.	2009 2003 1989	NA 76% NA	NA 1009 NA
20	The average customer is less ethical in dealing with business than the business is in dealing with that customer.	2003 1989	31% NA	1009 NA
21	No employee should be required to engage in business practices that employee considers unethical.	2009 2003 1989	85% 84% NA	111 1009 NA

43	Truth in lending regulations are needed to protect the customer.	2009	76%	109
		2003	75%	1009
		1989	NA	NA
44	Antitrust laws prohibiting price fixing benefit the customer.	2009	65%	109
		2003	67%	1009
		1989	NA	NA
45	Lazy or incompetent employees should be fired.	2009	81%	110
		2003	82%	1009
		1989	NA	NA
46	A company should have formal policies to guarantee that every employee has an equal opportunity for promotion, pay increases, and other rewards provided by the firm.	2009	90%	109
		2003	88%	1009
		1989	NA	NA
47	The corporation should seek to maximize long run profits.	2009	79%	108
		2003	88%	1009
		1989	NA	NA
30	To what extent are ethical standards influenced by peer group pressures?	2009	89%	109
		2003	75%	1009
		1989	NA	NA
31	To what extent are ethical standards influenced by prevailing industry practice?	2009	87%	110
		2003	87%	1009
		1989	NA	NA
32	To what extent are ethical standards influenced by perceived preference of top executives?	2009	85%	110
		2003	86%	1004
		1989	NA	NA
33	To what extent are ethical standards influenced by family experiences?	2009	67%	110
		2003	58%	1004
		1989	NA	NA

Table 7 Cont.

34	To what extent are ethical standards influenced by church experiences?	2009	53%	108
		2003	43%	1004
		1989	NA	NA
35	To what extent are ethical standards influenced by your educational experiences?	2009	84%	110
		2003	78%	1004
		1989	NA	NA
36	To what extent are ethical standards influenced by company's ethical code or policy?	2009	84%	109
		2003	80%	1004
		1989	NA	NA
37	To what extent are ethical standards influenced by professional ethical code?	2009	85%	110
		2003	84%	1004
		1989	NA	NA
38	To what extent are ethical standards influenced by society's moral climate?	2009	75%	110
		2003	71%	1004
		1989	NA	NA

Source 2003 & 2009 Ethics Surveys

Conclusion

The purpose of this article has been to present the findings from the latest ANBHF ethics survey. There are some limitations to this study that prevent one from making broad generalizations about the results. However, over the three studies despite varying response rates, varying respondents, changing scope of respondents and a convenience sample, there is a considerable amount of consistency among response rates of agree in the 1989, 2003, and 2009 surveys. These results and the raw data from the surveys provide a jumping off point for future studies of ethical views related to social responsibility and business ethics.

References

Amos, E., & Weathington, B. (2008). An Analysis of the Relation Between Employee-Organization Value Congruence and Employee Attitudes. *Journal of Psychology*, *142*(6), 615-632. Retrieved from Business Source Premier database.

Aguilera, R.V., Rupp, D.E., Williams, C.A., & Granapathi, J. (2007). Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations. Academy of Management Review, 32(3), 836-863.

Bartkowiak, G. (2006). Practical Aspects of a Social Responsibility in Business. Dialogue & Universalism, 16(5/6), 133-140. Retrieved April 2010, from Academic Search Complete database.

Borgatti, S.P. & Molina, J.L. (2003), Ethical and Strategic Issues in Organizational Social Network Analysis. *The Journal Of Applied Behavioral Science*, Vol. 39 No. 3, September 2003 337-349

Carroll, A.B. (1999). Corporate Social Responsibility Evolution of a Definitional Construct. *Business Society* 38(3) 268-295

Devinney, T. M. (2009). Is the Socially Responsible Corporation a Myth? The Good, the Bad and the Ugly of Corporate Social Responsibility. The Academy of Management Perspectives, 23(2) pp. 44-56.

Hooker, J. (2004). The case against business education ethics: A study in bad arguments. *Journal of Business Ethics Education* 1(1): 75-88.

Johnson, R., & Jackson, E. (2009). Appeal of organizational values is in the eye of the beholder: The moderating role of employee identity. *Journal of Occupational & Organizational Psychology*, *82*(4), 915-933. Retrieved from Business Source Premier database.

Lau, C. L. L. (2010). A Step Forward: Ethics Education Matters! *Journal of Business Ethics*. *92*(4), 565-584.

May, D., Luth, M., & Schwoerer, c. (2009). The effects of business ethics education on moral efficacy, moral meaningfulness, and moral courage: a quasi-experimental study. *Academy of Management Proceedings*, 1-6. Retrieved from Business Source Premier database http://web.ebscohost.com.ezproxy.lib.apsu.edu/ehost/pdfviewer/pdfviewer?vid=8&hid=110&sid=d9926176-2102-4488-97ae-eb4906aaf371%40sessionmgr110.

Monippallil, M., Kathawala, Y., Hattwick, R., Wall, L & Shin, B.P., (1999). Business Ethics in America: A View from the Classroom, *The Journal of Behavioral Economics*, 19(1), 125-140.

Nicholson, C., & DeMoss, M. (2009). Teaching Ethics and Social Responsibility: An Evaluation of Undergraduate Business Education at the Discipline Level. *Journal of Education for Business*, *84*(4), 213-218. Retrieved from Business Source Premier database http://web.ebscohost.com.ezproxy.lib.apsu.edu/ehost/pdfviewer/pdfviewer?vid=10&hid=110&sid=d9926176-2102-4488-97ae-eb4906aaf371%40sessionmgr110.

Painter-Morland, M. (2008). *Business Ethics as Practice: Ethics as the Everyday Business of Business.* Cambridge University Press.

Peng, Y. and Lin, S. (2009). National culture, economic development, population growth and environmental performance: The mediating role of education. *Journal of Business Ethics,* 90*,* 203-219.

Podolny, J. (2009). The Buck Stops (and Starts) at Business School. *Harvard Business Review*, *87*(6), 62-67. Retrieved from Business Source Premier database.

Prasad, J., Marlow, N. & Hattwick, R. (1998).Gender-Based Differences in Perception of a Just Society, *Journal of Business Ethics*, v17, 219-228.

Socially Responsible Investments (SRI) Timeline. www.socialfunds.com/media/timeline.cgi.

Egyptian Business Students' Perceptions of Ethics: The Effectiveness of a Formal Course in Business Ethics

Iman Seoudi, American University in Cairo, Egypt

Noha El-Bassiouny, The German University in Cairo

Abstract

International interest in the benefits of formal business ethics instruction has been and still is debated. The current study is a descriptive one that surveys business school students' perceptions of business ethics. A sample of Egyptian college students are surveyed, some of whom have successfully completed a university course in business ethics. The survey instrument used in the current research has been developed by the American National Business Hall of Fame and used to survey American college students' perceptions of ethics in business over the past three decades. In the Egyptian context, it is the first survey of its kind and therefore offers a baseline to gauge changes in student perceptions of ethics in the future as well as an opportunity for cross-cultural comparison. In addition, the results offer insights on differences in students' perceptions of ethics that are attributable to having received formal instruction through a university course in business ethics. The results generally support the effectiveness of the ethics course in influencing student perceptions of ethics. The test group (students who have completed the business ethics course) shows significantly stronger agreement on the ethical and social responsibilities of business than the control group. The findings imply that including an ethics course in business school curricula is effective in influencing

business students' perceptions of their future social and ethical responsibilities as future business executives.

Introduction

Concern over ethical standards in business has been on the rise for several decades now, and more so in the last decade, after the colossal failings associated with the ethical downfall of Enron, Worldcom and others. There seems to be agreement that the problem of low ethical standards in business is systematic rather than isolated incidents resulting from individual weakness. Scholars and thinkers have reflected on the causes of ethically questionable conduct in business. Some studies have proposed that the causes lie in the general level of ethical standards in society while others find that business education is the culprit. Many have voiced their belief that business schools have an important role to play not only in causing but also in preventing further future ethical shortfalls in business. As such, many business schools have added ethics instruction to their curricula, which has in turn stimulated a significant stream of research on the effectiveness of ethics instruction in both the management and pedagogy literature.

The current study describes the attitudes of business students toward several issues related to business ethics and social responsibility of business organizations, and compares the attitudes and perceptions of students who have completed a formal college course in business ethics with students who have not, so as to examine the effectiveness of ethics instruction in influencing student attitudes. The descriptive part also serves as a baseline to gauge Egyptian business students' attitudes and perceptions toward ethics at the present time and to be used in longitudinal comparisons to measure changes in attitudes in the future.

After this introduction, the literature on role of business education in shaping ethics in business is reviewed and well as previous literature testing the effectiveness of ethics instruction in business schools. Then, the test instrument is introduced followed by an analysis of its content. The research methodology is subsequently explained followed by the findings and conclusion, including recommendations for further research.

Business Education and Morality In Business Practice

The relation between business education and the level of morality in business practice has been under intense scrutiny. Scholars lament the moral failures that have had disastrous consequences for business, and blame has been partly allocated to business education. The obvious diagnosis of the moral problem in business is that business schools teach students the functional aspects of business, such as marketing, finance and accounting without paying enough attention to the moral aspects of these practices. Thus, business students learn in undergraduate or MBA programs how to be successful in business, without embedding the functional disciplines within a framework of ethics that both guides and limits practice (Halbesleben et al, 2005; Stevens et al, 1993).

A few scholars have put forth an alternative diagnosis that seems to be more radical, but also very interesting, which cites the moral problem in the very theories that are being taught in business schools (Ghoshal, 2005; Huehn, 2008). Ghoshal (2005) argues that the moral problem in business is less in the way management is taught and more in the very theories that dominate scholarship in business schools. By attempting to make management theories scientific and impartial, students have absorbed amoral management theory, which at the end of the day resulted in immoral practice.

Changing the major paradigms on which management theories are based is a more daunting task that may take much more time, and is an area of the scholarship terrain where few dare to venture. The more obvious, and certainly less controversial track, was to increase the dose of ethical training and formal instruction in business schools. In this realm, the Association for Advancement of Collegiate Schools of Business (AACSB) has played a major role in encouraging business schools to include ethics instruction in their curricula. A study by Schoenfeldt et al (1991) carried on AACSB member schools found seventy-three percent of the schools have a course that is dedicated exclusively or primarily for teaching ethics. Later in 2003, after the huge corporate scandals in the U.S., AACSB revised their standards, making the teaching of ethics a high priority for business schools.

In general, business schools have enhanced ethics instruction in college curricula through two main approaches. The first approach involves offering a full semester course in business ethics (and schools differ as to whether this ethics course is made a requirement or optional). The other approach involves the infusion of ethics discussions into the regular coursework of students (Sims and Felton, 2006). There has been and still is a lot of debate on the goals and expected benefits of ethics instruction for college students, as well as the efficacy of such instruction. The authors next review the main arguments advanced in support of teaching ethics to college students as a way to potentially improve the morality of business practice.

Formal Ethics Instruction: Why Bother?

The formal instruction of ethics in the classroom relates to the literature on moral cognitions and moral development in the realm of educational and developmental psychology (Messick and Bazerman, 1996). According to Mussen et al. (1990), Piaget's premise is that "*the quality of children's interpersonal behavior is not only a function of self-control*" as Freud had suggested but also of moral development. Piaget thus examined children's "cognitions about moral issues", and identified that the pre-schooler develops from setting his own rules to a stage of "moral realism" starting age five where the child realizes the concept of authority, punishment, and consequences, and then to a stage of "moral relativism" at ages ten-eleven where the child understands that "*many social rules are statements of conventions and can be changed by agreement/consensus*". The development from moral realism to moral relativism is a "*function of child's cognitive abilities and social experiences*" (Mussen et al., 1990 pp. 445-453).

Closely intertwined with Piaget's ideas is Kohlberg's concept of "moral reasoning". Kohlberg had continued on Piaget's cognitive moral development theory and had highlighted three levels of moral judgments that were divided among six stages. In the pre-conventional level, the child judges by "consequences of action" and there is the concept of "moral reciprocity". The conventional level follows where there is emphasis on "interpersonal relationships and social values", "conformity to stereotyped images", "conformity to social order", and "justifying the social order". The last level is the post-conventional, which could start at late adolescence, and where "*moral judgments are based on broad abstract principles… that are accepted because they are believed to be inherently right rather than because society considers them right*". The peak of the six stages is "*characterized by rational moral perspective and involves the application of universal, absolute principles of justice, equality, and respect for human life and human rights*" (Mussen et al., 1990 pp. 446-453). The peak is also distinguished by a "*major thrust toward abstract moral principles which are universally applicable* *and not tied to any particular social group*" (Kohlberg & Gilligan, 1972 p.159 as cited in Mussen et al., 1990).

Formal instruction in ethics for college students can be justified based on Kohlberg's theory of cognitive moral development. Ethics instruction generally aims to influence awareness and knowledge of students about ethical issues and to influence or form their attitudes towards ethically questionable practices in business (Ritta 2006). The study by Gautschi and Jones (1998) shows reasonable support for the effectiveness of a business ethics course in improving students' recognition of ethical issues. Besides knowledge and awareness, ethics instruction aims at developing students' ability to reason and reflect in order to form some kind of judgment on the morality of certain decisions or courses of action. This is mainly achieved by teaching students different frameworks or theories on which to base their evaluation in moral reasoning (Rossouw 2002). Further, "*Some ethical instruction might make them see more ethically viable alternatives to some of their usual courses of action."* (Duska 1991) This ability to reason and encouragement to reflect on the morality of their choices may very well influence their actual behavior as behavior is not only the product of training, but also of knowledge and reflection (Duska 1991). Further, according to Lau (2010) moral attitude is very likely to influence moral behavior.

Inevitably, skeptics of ethics instruction ask the question: does change in cognition necessarily lead to a change in behavior? This is a longstanding question and apparently the answer is that sometimes it does and sometimes it doesn't. The relationship between moral beliefs/perceptions and moral behavior is "…at best tenuous)" (Stevens et al, 1993). A thorough discussion of this issue is beyond the scope of the current paper. However, suffice it to say that despite the latter, , scholars still have good reason to believe that if we hope to change the way people behave, we need to change the way they think. In other words, "moral attitude" is expected to influence "moral action" (Lau 2010).

The Effectiveness of Ethics Instruction In Business Schools

There is a significant body of literature testing the effectiveness of various forms of business ethics teaching, ranging from a full blown course in ethics, to a module within a course, to ethics teaching embedded in the business curricula. Most of the studies adopt either a before/after (pre-test/post-test) design or compare groups of students who have received ethics instruction with groups of students who have not. Other studies follow the moral development of college students by testing their attitudes toward ethics at various stages in their college life, especially in the freshman year, senior year and for graduates in the course of their MBA studies (Stevens, et al, 1993). In general, most studies test for students' perceptions of and attitudes toward ethical issues, as well as their awareness and sensitivity toward ethically questionable actions/situations.

Results of these studies are mixed, with some studies finding significant differences in attitudes of students who have received ethics instruction versus those who have not (Lau, 2010; Stevens et al, 1993). Lau (2010) surveyed the relevant literature on the effectiveness of business ethics education and showed clear significant differences in terms of "ethical awareness" and "moral reasoning" between students who had taken a course in business ethics and those who had not. This relationship was influenced by students' "readiness", which as defined by Lau refers to the students' willingness and interest in learning about ethics. Jewe (2008) and Peppas and Deskin (2001) find no significant difference in ethics awareness as a result of having taken a course in ethics. Gammie and Gammie (2009: 48) "employed a Kantian approach to ethics" and also noted no significant difference between accounting students who had "ethical intervention" and business students who hadn't. despite noting some gender differences in ethical awareness.

Stevens et al (1993) have found potential evidence that as students move through college, they mature in terms of moral development, as their pilot study shows significant increases in ethical awareness of senior students as a group over freshmen. The students in latter study had received their ethics training as part if the regular business curriculum. However, there is also evidence in the literature that the effects of a course in ethics are short-lived and thus need to be complemented with ethics training later on the job. Arlow and Ulrich (1985) find that ethical awareness heightens after students have completed an ethics course and wears off after four years.

Studies have found some moderating factors in the relationship between ethics educational intervention and moral attitude. Lau (2010) finds that student 'readiness' influences the results of ethics instruction. Several studies indicate that gender is also a moderator, noting that in general women tend to be more concerned about ethical issues, have stronger moral attitudes than men, and tend to be more supportive of the role of business in solving social problems (Jones and Gautschi, 1988; Stevens et al, 1993; Gammi and Gammi, 2009). Conroy and Emerson (2004) find religiosity to be a significant predictor of ethical awareness among students who have received a course in ethics.

The current research extends the above line of research in assessing the effectiveness of an ethics course in business schools, as it compares business students who have successfully completed a course in business ethics to others who have not. The research is the first of its kind to be carried out in Egypt and as such forms a baseline, which facilitates future comparisons that gauge changes in Egyptian students moral attitudes, as well as in intercultural comparisons. The results are important in assessing the effectiveness of teaching ethics and devoting a course in the business curriculum to that end.

The Test Instrument and Its Validation

The current instrument is an adaptation of the American National Business Hall of Fame (ANBHF) instrument, which has been administered to gauge the ethical views of American business leaders, faculty and students. The ANBHF study has been carried out three times, in the years 1983, 2003 and 2009 on American students. The authors have made minor modifications to the ANBHF instrument to suit the Egyptian context. The results of the 1983 and 2003 studies were reported in (2003), while the results of the 2009 study are forthcoming in the Journal of Business Leadership, 2010 volume.

The survey attempts to measure the views of business students regarding several aspects of business ethics, including the different facets of social responsibility that corporations are expected to carry, the students' perceptions about the extent to which business people hold themselves to lower standards of ethics in business as compared to other areas of life. It also explores the question of regulating behavior and the extent to which the burden falls primarily on the government or the individual. Finally, the survey enquires about the determinants of business people's ethical standards in business. All items are measure on a 5-point likert scale, going from strongly agree, agree, no opinion to disagree then strongly disagree. The aim is to compare the responses of business students who have received formal instruction in business ethics with those students who have not.

Question 1: Corporate Social Responsibility

The first question inquires about respondents' views toward corporate social responsibility, through ten items. The first three items measure respondents' overall view regarding social responsibility of corporations, and the reasons that motivate corporate involvement in solving social problems. Respondents may be convinced that corporations have a responsibility to help solve society's major problems. The alternative view is that CSR is only justified if it is good for business, an argument based on Milton Friedman's well-known stand on the issue (Friedman, 1962). The third view is that CSR is necessary cost of doing business, which corporations are forced to bear due to pressures from society. The remaining seven items in Question 1 ask respondents to state their views on various facets of corporate social responsibility such as conservation of energy and resources, reducing pollution, contributing to civic activities in their communities, promoting equal opportunity and honesty in advertising.

Question 2: Ethical Standards in Business

The second question explores the respondents' opinions on the level of ethical standards in business in general, and in the Egyptian context in specific. It is composed of 12 items measured on the same five-point likert scale as the preceding question. The first six items ask about the extent to which ethical standards in business are less than the ethical standards observed in other aspects of society, such as in private life, family, friends, government and religious institutions. One item asks about the extent to which ethical standards in competition are set by the least ethical competitor. This item examines the idea that some managers perceive unethical behavior as a necessary evil because their competitors act that way and if they don't follow suit, they would not survive. The rest of the items in this question explore respondents' perceptions about the extent to which businesses observe ethical standards in several relevant business practices, such as honesty in advertising (2 items), employee behavior (2 items) and customer behavior (1 item).

Question 3: Formation of Ethical Standards

This question explores respondents' views about the factors that influence the ethical standards of business executives. The same five point likert scale is used, running from strongly agree to strongly disagree. The respondents state their degree of agreement regarding the influence of the following nine factors:

- Peer group pressures
- Prevailing industry practice
- Perceived preference of top management
- Family experiences
- Religious experiences
- Educational experiences
- Company's ethical code or policy
- Professional ethical code
- Society's moral climate

Question 4: Role of the Government

The fourth question examines the extent to which respondents believe in individual freedom (2 items) versus the role of the government in regulating business behavior (3 items).

Question 5: Demographics

The last question in the survey asks for information about the respondent. The first item asks whether the respondent has taken a course in business ethics or moral philosophy. Other items ask about the university in which the respondent is enrolled, the year of study, the major and gender of the respondent.

Research Design

The populations targeted in the study are business students in private universities in Egypt. Business students are looked upon as the business leaders of tomorrow, and are therefore the locus of any positive change in ethical practices in the future. Samples have been drawn from two prominent private universities in Egypt, one of which is a member of AACSB and offers a full semester course in business ethics as a core requirement of all business students. Students who have successfully completed the required business ethics course are compared to students from the other university, in which no such course is offered. The surveys were administered in class; thus, the sample is a convenience sample.

Composites (mean) were calculated for each of the main constructs described above and independent sample t-tests were used to analyze whether significant differences exist between the group of students who took the ethics course and the group who did not.

Findings & Results

The sample totalled187 respondents, of which 104 didn't take a class on business ethics and 83 did. Most of the sample were senior students who had majored in either marketing, finance, accounting or information systems. Also, most of the respondents were females.

When asked about their opinions as to whether businesses should take the lead in solving major societal problems, the majority of students reported a mean of 2 (Agree). Yet when asked about the same issue when it becomes imposed on the business from outside pressures or as a necessary cost, the results showed a mean of 3 (neutral/no opinion stance). Also, when asked about agreement on businesses' responsibility toward specific societal issues, including fair hiring, conservation of energy and natural resources, donations, pollution, and minorities, most students agreed more on businesses' responsibility toward issues related to pollution and fair hiring. This suggests that Egyptian students are not well-educated/aware of minority and environmental awareness issues (refer to Exhibit 1 below).

Exhibit 1: Student Survey

	University	N	Mean	Std. Deviation	Std. Error Mean
1.Take the lead in solving major social problems such as pollution, discrimination, and safety	No Ethics	104	1.93	.862	.085
	Ethics	83	1.94	.967	.106
2. Not become involved in solving social problems unless doing so becomes a cost of doing business or the opportunity to earn a profit.	No Ethics	104	2.76	1.211	.119
	Ethics	83	2.65	1.204	.132
3. Get involved in social responsibility projects because outside pressures make such an involvement a cost of doing business.	No Ethics	104	2.48	.965	.095
	Ethics	83	2.29	1.065	.117
4. Promote equal opportunity in hiring and promotion	No Ethics	104	1.84	.967	.095
	Ethics	83	1.31	.623	.068
5. Promote conservation of energy, even if doing so means a reduction in profits	No Ethics	104	2.55	1.069	.105
	Ethics	83	2.19	1.109	.122

6. Conserve natural resources, even if doing so means a reduction in profits	No Ethics	104	2.52	1.149	.113
	Ethics	83	2.16	1.110	.122
7. Conserve natural resources, even if doing so means a reduction in profits	No Ethics	104	2.46	1.033	.101
	Ethics	83	2.30	1.112	.122
8. Clean up or avoid causing air, noise, and water pollution, even if doing so means a reduction in profits	No Ethics	104	1.92	.832	.082
	Ethics	83	1.86	1.061	.116

	University	N	Mean	Std. Deviation	Std. Error Mean
9. Contribute money and management time to civic activities in communities where the firm has plants or offices.	No Ethics	104	2.02	.763	.075
	Ethics	83	2.01	.890	.098
10. Help minority-owned businesses	No Ethics	104	2.56	1.003	.098
	Ethics	83	2.60	1.104	.121

When asked about whether the business executive had two sets of ethical standards; one for his personal and one for his professional life, most students reported a mean of 4 (i.e. Disagree). Further, when asked about whether ethical standards in business were lower than in government, most students had no relevant opinion. This applied also to religious institutions. When asked whether the ethical standards in business are as high as those in the typical Egyptian family, most students disagreed, however. Also, overall, students were perplexed and had no relevant opinion when it came to two statements: "The Corporation should seek to maximize short-run profits" and "The ethical standards in competition are determined by the least ethical competitor. If one firm engages in unethical conduct, the other will have to follow to survive" (see Exhibit 2 below).

Exhibit (2): Student Perceptions on Ethical Standards in Businesses Compared to Other Institutions

	N	Min	Max	Mean	Std. Deviation
12. The typical business executive has two sets of ethical standards, on which he/she applies to business activities and another which is applied to his/her private life.	187	1	5	3.46	1.262
13. Ethical standards in business are lower than in government	187	1	5	3.11	1.200
14. Ethical standards in business are lower than in most religious organizations	187	1	5	2.51	1.184

15. Ethical standards in business are lower than in the typical Egyptian family.	187	1	5	2.69	1.102
16. The ethical standards used in business are as high as those practiced with family and friends.	187	1	5	3.07	1.155
27. The corporation should seek to maximize short-run profits	184	1	5	2.83	1.154
29. The ethical standards in competition are determined by the least ethical competitor. If one firm engages in unethical conduct, the other will have	184	1	5	2.92	1.334
Valid N (listwise)	184				

Regarding students' perceptions of external influences on business executives' ethicality, the highest rated item (most agreeable) was "perceived preference of top executives" followed by "prevailing industry practice", then "educational experiences", then "peer group pressure", then the "company's ethical code" and "society's moral climate" together, then "professional ethical code". This is followed by "religious experiences" and "family experiences" (see Exhibit 3 below).

Exhibit (3): Students' Perceptions of Influences on Business Executives' Ethics

	N	Min	Max	Mean	Std. Deviation
30.Peer group pressures	185	1	4	2.10	.927
31.Prevailing industry practice	185	1	5	1.96	.779
32.Perceived preference of top executives.	185	1	4	1.91	.792
33.Family Experiences	185	1	5	2.36	1.034
34.Religious experiences	185	1	5	2.17	1.049
35Educational experiences	185	1	5	2.08	.958
36. Company's ethical code or policy	185	1	5	2.13	.935
37. Professional ethical code	185	1	5	2.16	.998
38. Society's moral climate.	185	1	5	2.13	1.019
Valid N (listwise)	185				

Factor Analysis and Composite Descriptives

As noted previously, content analysis done by the researchers identified six factors; the *first* related to student perceptions of Corporate Social Responsibility (CSR) and comprised questions 1 to 10 on the instrument. The *second* included questions 12 to 17 (which had to do with student perceptions of business ethics in Egypt in general) in addition to items 18 and 19 (which related to the ethicality of businesses' advertising in Egypt) and items 20 to 22 (which had to do with customer and employee behavior) and then item 29 (which had to do with perceptions of competitor ethics). The *third* item had to do with student perceptions of employee compliance with the ethical standards of the employer and this included items 21 and 22 on the instrument. The *forth* factor included the ethicality of advertising questions and included items 18 and 19. The *fifth* factor had to do with the perceptions of individual ethical responsibility and included items 39 and 40. Finally, the *sixth* factor had to do with the perceptions of the importance given to the role of government in regulating CSR and ethical business practice in general. Factor Analysis using Principal Component Analysis (PCA) was conducted to assess/confirm the researchers' insight. The Kaiser-Meyer-Olkin measure was adequate and Bartlett's test showed significance. Together with the large sample size, this confirmed the factorability of the correlation matrix for the present data set. The result confirmed that six factors covered more than 35% of the variability in the data (also shown on Scree Plot), which is adequate given the complexity of the subject and the presence of many external influences that could affect student opinions in both samples alike (see Exhibits 4 and 5 below).

Exhibit (4): KMO, Bartlett's Test of Sphericity, and Scree Plot

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.593
Bartlett's Test of Sphericity	Approx. Chi-Square	2281.576
	Df	1081
	Sig.	.000

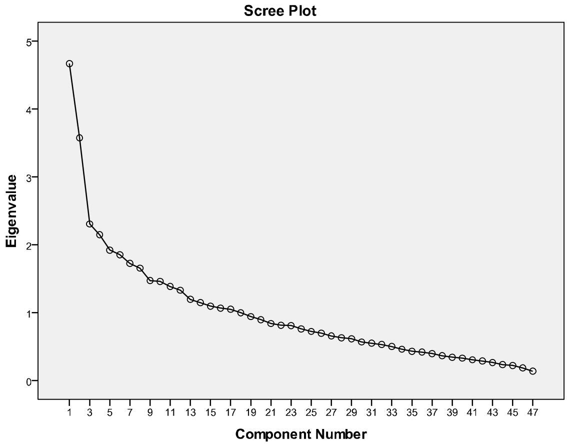


Exhibit (5): Variance Using PCA Method

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.668	9.931	9.931	4.668	9.931	9.931	3.552	7.558	7.558
2	3.574	7.604	17.535	3.574	7.604	17.535	3.422	7.280	14.838
3	2.307	4.908	22.443	2.307	4.908	22.443	2.711	5.768	20.606
4	2.148	4.570	27.013	2.148	4.570	27.013	2.440	5.191	25.798
5	1.921	4.087	31.100	1.921	4.087	31.100	2.335	4.968	30.766
6	1.853	3.944	35.044	1.853	3.944	35.044	2.010	4.277	35.044
7	1.726	3.671	38.715						
8	1.656	3.523	42.238						
9	1.473	3.135	45.373						
10	1.461	3.108	48.481						
11	1.387	2.950	51.431						
12	1.331	2.832	54.263						
13	1.197	2.547	56.810						
14	1.148	2.442	59.252						
15	1.097	2.333	61.586						
16	1.068	2.272	63.857						
17	1.050	2.235	66.092						
18	1.000	2.127	68.219						
19	.943	2.005	70.225						
20	.897	1.908	72.132						
21	.841	1.789	73.921						
22	.815	1.733	75.655						
23	.810	1.723	77.378						
24	.761	1.618	78.996						
25	.724	1.540	80.536						
26	.698	1.485	82.021						
27	.657	1.399	83.420						
28	.631	1.342	84.762						
29	.616	1.311	86.073						
30	.569	1.211	87.284						
31	.550	1.170	88.454						
32	.532	1.132	89.586						
33	.502	1.068	90.654						
34	.461	.982	91.636						
35	.432	.919	92.555						
36	.420	.894	93.450						
37	.397	.845	94.295						
38	.366	.778	95.073						
39	.344	.731	95.805						
40	.331	.704	96.508						
41	.306	.651	97.160						
42	.288	.612	97.772						
43	.266	.565	98.337						
44	.234	.499	98.836						
45	.222	.472	99.308						
46	.186	.396	99.704						
47	.139	.296	100.000						

Extraction Method: Principal Component Analysis.

Following, the composites were developed for the six factors and factor analysis using Principal Component Analysis was re-conducted for the six developed factors (as opposed to the overall scale earlier). KMO and Bartlett's test showed factorability (see Exhibit 6) and, after rotation was conducted, each factor clearly loaded on one of the six components without confusion (see Exhibit 7 below). It is thus recommended that the scale be reduced in the future to the items chosen by the researchers since unnecessary questions were omitted. Question three on the instrument had to do with ranking the different factors that affect the ethical views of the business executive and therefore it was analyzed as is and a composite was not developed for it.

Exhibit (6): KMO and Bartlett's Test for Factorability of Six Factors

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.552
Bartlett's Test of Sphericity	Approx. Chi-Square	100.142
	Df	15
	Sig.	.000

Exhibit (7): Rotated Component Matrix for the Six Composite Factors using PCA[a]

	Component					
	1	2	3	4	5	6
CSR				.992		
EmployeeCompliance	.976					
IndividResp					.998	
GovRole		.991				
Advertising			.962			
BusEthics						.945

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

At this point, Chronbach Alpha was also conducted to identify the overall internal consistency of the instrument. The result showed an alpha of 0.65 which shows good overall reliability (see Exhibit 8 below).

Exhibit (8): Chronbach Alpha for Overall Internal Consistency Reliability Statistics

Cronbach's Alpha	N of Items
.650	47

Following, descriptive statistics were done for the six factors. The round-up mean for the all factors was almost 3 (i.e. between agree and neutral), with the exception of the role of government, which had a mean of 2 (i.e. agree). This shows that Egyptian students encourage a strong role for government in CSR implementation (see Exhibit 9 below).

Exhibit (9): Composite Factor Descriptives

	N	Min	Max	Mean	Std. Deviation
CSR	187	1	4	2.23	.529
EmployeeCompliance	184	1	5	2.80	.751
IndividResp	185	1	5	2.72	.759
GovRole	184	1	4	2.01	.677
Advertising	186	1	5	2.55	.773
BusEthics	184	2	4	2.79	.319
Valid N (listwise)	183				

Two-Independent Samples T-Tests

Two independent samples t-tests were also conducted to test for differences across the six factors between both samples (see Exhibit 10 below). The results showed clear significance between both groups for the perceptions of CSR composite (at the 0.05 alpha level), perceptions of employee compliance (at the 0.1 alpha level), perceptions of the role of government (at the 0.01

alpha level), and perceptions of advertising ethics (at the 0.05 alpha level).

Exhibit (10): Two-Independent Samples T-tests for Test and Control Groups across the Six Composite Factors

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
CSR	Equal variances assumed	2.052	.154	2.240	185	.026	.173	.077	.021	.324
	Equal variances not assumed			2.191	157.651	.030	.173	.079	.017	.328
EmployeeCompliance	Equal variances assumed	.131	.718	.591	182	.555	.066	.112	-.154	.286
	Equal variances not assumed			.588	168.981	.557	.066	.112	-.155	.287
IndividResp	Equal variances assumed	1.891	.171	1.107	183	.270	.124	.112	-.097	.346
	Equal variances not assumed			1.098	167.807	.274	.124	.113	-.099	.348
GovRole	Equal variances assumed	2.414	.122	3.183	182	.002	.312	.098	.119	.506
	Equal variances not assumed			3.251	181.876	.001	.312	.096	.123	.502
Advertising	Equal variances assumed	1.455	.229	2.005	184	.046	.227	.113	.004	.450
	Equal variances not assumed			2.038	182.018	.043	.227	.111	.007	.447
BusEthics	Equal variances assumed	.553	.458	.789	182	.431	.037	.047	-.056	.131
	Equal variances not assumed			.782	165.324	.436	.037	.048	-.057	.132

An examination of the means across both groups shows that with regards to perceptions of corporate social responsibility duties of companies, higher agreement prevailed for the test group (i.e. the ones that had formal business ethics instruction). This shows that ethics education does matter. This applied as well to perceptions of the role of government and the ethicality of advertising practices (specifically the perceptions of advertising as being somewhat misleading in Egypt). As mentioned previously, with regards to the employee compliance factor, the result showed weak significance (only at the 0.1 alpha level), with both groups having means close to 3 (i.e. a neutral stance related to employees standing up for their ethical views versus complying with the employer ethics). This shows that the issue is hazy to both groups. Students' perceptions of current business ethics/practices in the Egyptian environment, however, were expectantly the same across both groups; the test and the control (refer to Exhibit 11 below).

Exhibit (11): Composite Means for Test and Control Groups

	University	N	Mean
CSR	No Ethics	104	2.30
	Ethics	83	2.13
EmployeeCompliance	No Ethics	103	2.83
	Ethics	81	2.76
IndividResp	No Ethics	103	2.78
	Ethics	82	2.65
GovRole	No Ethics	102	2.15
	Ethics	82	1.84

Advertising	No Ethics	104	2.65
	Ethics	82	2.43
BusEthics	No Ethics	103	2.81
	Ethics	81	2.77

Conclusion

The current study is the first to gauge the moral attitudes of Egyptian business school students based on a sample of students from the top private universities in Egypt. The study shows Egyptian college students to generally support the proposition that corporations have a social responsibility and that the government has an important role to play in regulating business behavior. Consistent with Lau (2010) research, a college course in business ethics has positively influenced student attitudes. Students who had completed the business ethics course showed significantly stronger agreement with the corporate social responsibility duties of business, including the responsibility to be honest in advertising and the role of the government in ensuring that companies do not get away with unethical behavior.

On the policy level, more awareness campaigns are needed on work ethics and the importance of employees' voicing their ethical stance when it comes to unethical business practice. Furthermore, our results show that there is need for more education and awareness on issues related to minority rights and environmental awareness. Pollution and fair hiring were shown as the most agreed-upon issues amongst the students surveyed. On the theoretical level, the current study presents a strong support to the literature on the effectiveness of business ethics courses, especially in developing countries. Such research was not conducted before in Egypt. The modifications done to the adapted American National Business Hall of Fame (ANBHF) instrument showed good factor loadings and thus present a strong addition to the literature.

The results of the study, however, should be interpreted with caution. There is a possibility that respondents answer according to what they perceive is socially acceptable rather than according to their real attitudes. Therefore, it is safer to interpret the result as presenting some kind of balance between the real attitudes of the students and what they think is socially acceptable (Grunbaum, 1997). Furthermore, the current sample is covering A class students in the two best private universities in Egypt. More research is needed to extend this sample, both laterally amongst other universities in Egypt, and longitudinally across other segments and sectors of the Egyptian population.

References

Arlow, P. and Ulrich, T.A. (1985) “Business Ethics and Business School Graduates: A Longitudinal Study”. *Akron Business and Economic Review,* vol. 6, pp.13-17.

Conroy, S. and Emerson, T. (2004) “Business Ethics and Religion: Religiosity as a Predictor of Ethical Awareness Among Students.” *Journal of Business Ethics,* vol. 50, pp. 383-396.

Duska, R. (1991) “What’s the Point of a Business Ethics Course?” *Business Ethics Quarterly,* vol.1(4), pp. 335-354

Friedman, M. (1962) *Capitalism and Freedom*. Chicago: University of Chicago Press.

Gammie, E. and Gammie, B. (2009). "The Moral Awareness of Future Accounting and Business Professionals: The Implications of a Gender Divide". *Pacific Accounting Review*, vol. 21 (1), pp. 48-73.

Gautschi, F. and Jones, T. (1998) "Enhancing the Ability of Business Students to Recognize Ethical Issues: An Empirical Assessment of the Effectiveness of a Course in Business Ethics." *Journal of Business Ethics,* vol. 17, pp. 205-216.

Ghoshal, S. (2005). "Bad Management Theories Are Destroying Good Management Practices." *Academy of Management Learning and Education,* vol. 4, pp. 75-91.

Grunbaum, L. (1997) "Attitudes of Future Managers Towards Business Ethics: A Comparison of Finnish and American Business Students." *Journal of Business Ethics,* vol. 16, pp. 451-463.

Halbesleben, J, Wheeler, A. and Busckley, M.R. "Everybody Else is Doing it, So Why Can't We? Pluralistic Ignorance and Business Ethics Education." *Journal of Business Ethics,* vol. 56, pp. 385-398.

Huehn, M. (2008). “Unenlightened Economism: The Antecedents of Bad Corporate Governance and Ethical Decline.” *Journal of Business Ethics,* vol. 81, pp. 823-835.

Jewe, R. (2008) “Do Business Ethics Courses Work? The Effectiveness of Business Ethics Education: An Empirical Study.” *The Journal of Global Business Issues* – Conference edition.

Jones, T. and Gautschi, F. (1988) “Will the Ethics of Business Change?” *Journal of Business Ethics,* vol. 7, pp. 231-248.

Kohlberg, L., and Gilligan, C. (1972). “The Adolescent as a Philosopher: The Discovery of the Self in a Postconventional World”. In J. Kagan & R. Coles (Eds.), 12 to 16: *Early Adolescence*. New York: Norton.

Lau, C.; Hulpke, J.; Kelly, A.; and To, M. (2007). “Can Ethical Decision Making be Taught? The JUSTICE Approach”, *Social Responsibility Journal*, vol. 3 (2), pp. 3-10.

Lau, C. (2010). “A Step Forward: Ethics Education Matters”. *Journal of Business Ethics*, vol. 92, pp. 565-584.

Messick, D. and Bazerman (1996). “Ethical Leadership and the Psychology of Decision Making”, *Sloan Management Review*, Winter 1996.

Mussen, P. H., Conger, J. J., Kagan, J., and Huston, A. C. (1990). *Child Development and Personality*. New York: Harper Collins Publishers.

Peppas, S. and Diskin, B. (2001). "College Courses in Ethics: Do They Really Make a Difference?" *International Journal of Educational Management*, vol. 15 (7), pp. 347-353.

Ritta, B. A. (2006) "Can Business Ethics Be Trained? A Study of the Ethical Decision Making Process in Business Students." *Journal of Business Ethics,* vol. 68, pp. 153-164.

Rossouw, G. J. (2002). "Three Approaches to Teaching Business Ethics." *Teaching Busines Ethics,* vol. 6, pp. 411-433

Schoenfeldt, L.F., McDonald, D.M. and Youngblood, S.A. (1991) "The Teaching of Business Ethics: A Survey of AACSB Member Schools." *Journal of Business Ethics,* vol. 10, pp. 465-469.

Sims, R. and Felton, E. (2006). "Designing and Delivering Business Ethics Teaching and Learning." *Journal of Business Ethics,* vol. 63, pp. 297-312.

Stevens, R., Harris, O. J. and Williamson, S. (1993) "A Comparison of Ethical Evaluations of Business School Faculty and Students: A Pilot Study." *Journal of Business Ethics,* vol. 12, pp. 611-619.

Wynd, W.R. and Mager, J. (1989) "The Business and Society Course: Does It Change Student Attitudes?" *Journal of Business Ethics,* vol. 8, pp. 487-491.

Appendix (1)

Survey Instrument Items

Q. 1 Please Express your Degree of Agreement or Disagreement with the Following Statements

The Corporation has a responsibility to:	**Strongly Agree (1)**	**Agree (2)**	**No Opinion (3)**	**Disagree (4)**	**Strongly Disagree (5)**
1. Take the lead in solving major social problems such as pollution, discrimination, and safety					
2. Not become involved in solving social problems unless doing so becomes a cost of doing business or the opportunity to earn a profit.					
3. Get involved in social responsibility projects because					

outside pressures make such an involvement a cost of doing business.					
4. Promote equal opportunity in hiring and promotion.					
5. Promote conservation of energy, even if doing so means a reduction in profits					
6. Conserve natural resources, even if doing so means a reduction in profits					
7. Conserve natural resources, even if doing so means a reduction in profits.					
8. Clean up or avoid causing air, noise, and water pollution,					

even if doing so means a reduction in profits.					
9. Contribute money and management time to civic activities in communities where the firm has plants or offices.					
10. Help minority-owned businesses					
11. Be truthful in advertising					

Q. 2 Please Express your Degree of Agreement or Disagreement with the Following Statements

Statement	Strongly Agree (1)	Agree (2)	No Opinion (3)	Disagree (4)	Strongly Disagree (5)
12. The typical business executive has two sets of ethical standards, on which he/she applies to					

business activities and another which is applied to his/her private life.					
13. Ethical standards in business are lower than in government.					
14. Ethical standards in business are lower than in most religious organizations.					
15. Ethical standards in business are lower than in the typical Egyptian family.					
16. The ethical standards used in business are as high as those practiced with family and friends.					
17. Occasionally, business people make decisions					

that are right for business but which are inconsistent with their personal ethical principles.					
18. Much advertising done by business is misleading to the consumer.					
19. Effective advertising may have to be somewhat misleading.					
20. The average customer is less ethical in dealing with business than the business is in dealing with that customer.					
21. No employee should be required to engage in business practices that the employee considers unethical.					

22. In accepting an employment offer, each employee implicitly agrees to abide by the ethical standards of the employer, even if the company standards differ from those of the employee.					
23. Wages and salaries should vary according to an employee's productivity.					
24. Wages and salaries should vary according to both the employee's productivity and years of service with the firm.					
25. Wages and salaries should vary primarily with the employee's					

years of service with the firm					
26. Labor unions/Synidactes serve a useful purpose by prodding a particular management into fulfilling its responsibilities to labor.					
27. The corporation should seek to maximize short-run profits.					
28. The corporation should seek to earn a satisfactory rate of return for stockholders.					
29. The ethical standards in competition are determined by the least ethical competitor. If one firm engages in unethical conduct, the other will					

have to follow to survive.					

Q. 3 Please Express your Degree of Agreement or Disagreement with the Following Statements

To What Extent are Ethical Standards of Business Executives Influenced By:	Strongly Agree (1)	Agree (2)	No Opinion (3)	Disagree (4)	Strongly Disagree (5)
30. Peer group pressures.					
31. Prevailing industry practice.					
32. Perceived preference of top executives.					
33. Family Experiences.					
34. Religious experiences.					
35. Educational experiences					
36. Company's ethical code or policy.					
37. Professional ethical code					
38. Society's moral climate.					

Q. 4 Please Express your Degree of Agreement or Disagreement with the Following Statements

Statement	Strongly Agree (1)	Agree (2)	No Opinion (3)	Disagree (4)	Strongly Disagree (5)
39. All institutions in our society should seek to promote the interests of individuals.					
40. Individual freedom may have to be partly restricted in order for organizations to effectively function.					
41. The government should redistribute income in order to assure a minimum standard of living for all citizens.					
42. Government should provide incentives for business to get involved					

in solving social problems.					
43. Truth in Lending regulations are needed to protect the customer.					
44. Antitrust/Anti-Monopoly laws prohibiting price fixing benefit the customer.					
45. Lazy or incompetent employees should be fired.					
46. A company should have formal policies to guarantee that every employee has an equal opportunity for promotion, pay increases, and other rewards provided by the firm.					
47. The corporation should seek to maximize					

long run profits.					

Q. 5 Demographics

1. Did you ever take a formal course in ethics or moral philosophy?

a) Yes

b) No

2. What is your gender?

a) Male

b) Female

3. What is your year in school?

a) Freshman/First Year Student

b) Sophomore/Second Year Student

c) Junior/Third Year Student

d) Senior/Forth Year Student (Major Level)

e) Graduate

4. What is your Major?

5. What is your Minor/Second Major?

Trammell Crow: An Unconventional but Charismatic Leader in Real Estate Development

John Farlin, Ohio Dominican University

ABSTRACT

Trammell Crow spent over four decades becoming the nation's largest real estate developer. The company was founded in 1946 by Trammell Crow. It has long had a reputation for creating scores of young millionaire developers who began by earning small salaries in hope of working their way to partner so that they could be given equity in the company's projects. He saw his company through some very rough times in the 1970's. Trammell Crow was once the country's top real estate developer with a $15 billion empire and scores of partners who shared ownership of hundreds of buildings. But in the 1980's everything he had achieved was imperiled by what arguably could be called the worst real estate crash of modern times. As he did in the 1970's, he struggled back from the brink of disaster but this time as a vastly different company with far fewer partners and a vastly different strategy. Trammell Crow was privately held until it went public in 1997. He died on January 14, 2009.

HIS ADOLESCENCE YEARS

Trammell Crow was born in 1914 in Dallas, Texas fifteen years before the depression. The son of Mary Simonton Crow and Jefferson Crow he was one of a family of seven boys and one girl (Ewald 2005a). His father was a devout Christian with high standards of integrity which Trammell acknowledged seem to have been passed on to him (Huey 1986a; Ewald 2005a). Steady employment for his father disappeared in 1927 with the death of Collett Munger, his father's longtime employer. Trammell took on a greater and greater role in generating the family's income. In 1932 he earned enough money plucking chickens, cleaning used bricks to be reused in new houses and unloading rail boxcars to provide half the income necessary to run the family household (Sobel 1989). Years later Trammell Crow remained surprisingly philosophical about his upbringing: "We didn't suffer any lasting personal, emotional, or educational injury from our circumstances" (Ewald 2005a, p. 7).

He was an indifferent student with a great deal of potential that remained largely untapped unless he enjoyed the subject. He did poorly in writing and art but did well in mathematics. His adolescence was largely a happy one in spite of the financial hardships he encountered and the somewhat overcrowded living conditions he endured. But growing up during the depression, his circumstances were probably not much different than thousands of other adolescents during that time period.

Crow attended two different high schools. He first attended Bryan High School for a year and then transferred to Woodrow

Wilson from which he graduated in 1932. Although larger than his father, he still was not more than average in stature nor was he particularly athletically gifted. But that did not hold him back from lettering in football his senior year (Ewald 2005a). He made several attempts at entering college but was largely unsuccessful in obtaining the funds necessary to attend. He did get an offer from the Presbyterian Church to pay his way if he agreed to become a minister after graduation. However, he declined the offer. Religion was not what interested him (Ewald 2005a). Unable to attend college, Crow got a job as a runner for the Mercantile Bank (Sobel 1989). He rose rapidly at the bank. He was extremely eager to please and seemed to overly compensate for his poor upbringing and lack of a college education. Eventually the executive vice president of the bank gave him a copy of Dale Carnegie's How to Win Friends and Influence People. Others might have been offended by this gesture, but not Trammell. He read it so many times that he memorized several passages of the book. It has also been reported that he read it several times to his children while they were growing up (Ewald 2005a).

Crow took advantage of other opportunities to educate himself. He started going to night school five nights a week to take banking classes at the American Institute of Banking. He also took accounting courses at Southern Methodist University's downtown branch. In 1938 he passed the CPA exam on his first attempt. At the time, he was the youngest person in Texas to qualify as a CPA (Sobel 1989).

Crow's Military Service

Crow joined the United States Navy in April 1941 several months before Pearl Harbor. He was assigned to Washington

D.C. In December of that same year Crow asked Margaret Doggett, the daughter of a wealthy grain operator in Dallas, Texas to marry him. They were married in August 1942. His first son Robert was born in 1943. The Navy assigned Crow to the Cost Inspection Division (Ewald 2005a). He was responsible for auditing government contracts. Although Crow's job was rather mundane and certainly not as glamorous or dangerous as many of his contemporaries on the front lines, he believed that "…his naval experience gave him the equivalent of an MBA. At 30, he had duties equivalent to those of leading and running a small company" (Ewald 2005a, p.16). By 1946, the year he was discharged, Crow has achieved the rank of Commander. He attempted to reconnect with his former employer, but both realized that the fit was no longer there. In March 1946 his second son Howard was born.

CROW'S REAL ESTATE EMPIRE

Crow Begins His Real Estate Career

Trammel Crow entered the real estate industry after his wife Margaret inherited the Doggett Grain Company. One of the firm's assets included a building on the outskirts of Dallas. The building was originally built in 1918 as the headquarters for the Doggett Grain Company. Since Doggett did not require the use of the entire facility, a major portion of the building had been rented to the Goodrich Tire Company. However, they had moved out during the depression and the only remaining tenant of any significant size was the Ray-O-Vac Company which occupied 4000 square feet (Sobel 1989).

Homer Rogers was the manager of the Doggett Grain Company when Crow entered the picture as a result of his marriage to the owner's daughter. Fortunately what could have resulted in an ugly situation was largely avoided. Homer Rogers, rather than resenting the introduction of Crow into the business, took Crow under his wing and acted as his mentor (Sobel 1989). They found that their skills and personalities complemented each other. Rogers, besides being over twenty years older than Crow, was more cautious and risk averse. Crow on the other hand, was optimistic, bullish and willing to take risks. Sensing the pent up demand of the returning serviceman, Crow looked to expand the storage capacity of the grain facilities. He began a building expansion of their facilities throughout Texas. Rogers was more risk averse and less optimistic of the industry's growth potential. Over time both would prove to be correct.

Initially Crow's optimism proved quite prescient. Doggett tripled the size of its warehouses and added new buildings at several of its existing sites throughout Texas (Sobel 1989). However, Roger's caution would also later prove to be vindicated when grain prices collapsed and storage capacity became a liability for the company.

Scrambling to find a tenant for the now largely vacant building in Dallas, Crow contacted an old Navy acquaintance by the name of John McFadden. McFadden and his partner Edgar Miller owned an architectural firm. McFadden suggested that Crow contact the Dallas Chamber of Commerce. The Chamber put Crow in touch with several floor covering firms that had just been evicted by the Army from their current facility. They were scouting new facilities and in point of fact were in discussion on a ten-story building not far from the Doggett Building. However they had not yet come to a definitive agreement (Sobel 1989).

Sensing both an opportunity and a risk, Crow decided to learn something about the business of his prospective tenants. This willingness to understand his customer's needs would prove to be a longstanding maxim when dealing with clients. Whereas most landlords are afraid their tenants might ask for something, Crow would aggressively pursue tenant's problems and actively seek their opinions and concerns. In his effort to understand his customer, he made a trip north to Chicago to visit the Merchandise Mart (Sobel 1989).

The Merchandise Mart was originally opened in 1930 six months into the depression. It was built by Marshall Field and Company. In 1945 Joseph P. Kennedy bought the merchandise Mart from Marshall Field. By the time Crow visited the Merchandise Mart; it was hopelessly outdated in terms of amenities and efficiency yet remained the sine qua non for anyone in the commercial trade business that needed showrooms. This fact was not lost on Trammell Crow. This trip fostered a better understanding of his client's needs.

In order to cinch the deal, he offered several design changes to the building and tailored the lease terms and rents to the floor covering firms specifications (Sobel 1989). It worked and a deal was struck. Thus began Crow's initial venture into warehouses. Warehouses would prove to be a lasting business venture and one that proved to be quite profitable.

Warehouses

With one warehouse deal under his belt it wasn't long before Crow was looking for another. He felt the grain commodity business was not for him. It would also not be too big of a stretch to assume that he wanted to make his own mark in the world. His ego and self-confidence would not allow him to be known as the operator of the Doggett Grain Company, a firm that he inherited by virtue of marrying the owner's daughter.

Crow met John Stemmons in 1948. Stemmons and his brother Storey had inherited a large tract of undeveloped land in what was called the Trinity Basin west of Dallas. It had formerly been a floodplain. From this serendipitous meeting began a business and personal relationship that lasted several decades. Ray-O-Vac was looking for larger accommodations than could be provided in the Doggett Building but was undecided as to where to move. Undeterred by the potential loss of his biggest tenant, Crow approached Ray-O-Vac about building a facility in the Trinity Basin.

Going against prevailing wisdom in the real estate industry at the time, Crow made a strategic business decision that he would replicate many times. Although Ray-O-Vac needed only 6,750 square feet, Crow decided to build a facility almost twice that size. He purchased a 99-year lease from the Stemmons on the property. This was to be a signature characteristic of his – to build the supply and then go out and sell the heck out of it to generate sufficient demand to fill it.

With this deal completed, he was ready for his next warehouse. Crow learned that in order to succeed you had to provide for the tenant's specific requirements and that oftentimes required giving them the amenities they wanted even when they could not necessarily articulate them. These amenities included landscaping, trees and flowers. His warehouses were freestanding with the loading docks and parking lots in the rear (Sobel 1989). His next venture was to build a warehouse that combined both showroom and warehousing for his floor covering tenants who were looking for a new facility. He had obtained an adjacent tract of land under the same terms as the Ray-O-Vac warehouse. Once again Crow went to McFadden and Miller who had built the new Ray-O-Vac facility. He envisioned building four or five warehouses on this tract of land. He felt confident that his vision of warehousing was exportable to other parts of the country. Soon thereafter, other warehouses were started in different regions of the country, starting first in Denver and then Atlanta.

For many years it seemed, warehouse expansion occurred rather effortlessly. Early in the decade Crow had around 500,000 square feet of warehouse space in Houston. After the departure of his associate in Houston, Crow hired Bobby Wilson to go to Houston and be his onsite representative. Without missing a beat Crow and Wilson continued to expand in the Houston area putting up around 200,000 to 300,000 square feet a year for the rest of that decade (Sobel 1989).

By the end of the 1950s, Crow had several million square feet of warehouses in and around the United States but predominately in Texas. He was arguably the largest operator of warehouses in the United States but he knew that real estate encompassed more than warehouses and he was hell bent on being a major player in this larger arena. His next major venture would pit him against a family who would one day come to be considered as close as they come in America to royalty – the Kennedy's.

Dallas Market Center

Ever since his trip to the Merchandise Mart in Chicago, Crow had felt that something similar could be built in Dallas and be successful. The idea for the Dallas Market Center first started with the completion of the Decorative Center. The Decorative Center was a group of small one-story brick buildings built around a cross shaped plaza with trees, shrubs, lawns, parking spaces and loading docks in the rear (Ewald 2005a). The Decorative Center was relatively small at 71,000 square feet. It was the first in the world to serve both decorators and the trade design (Sobel 1989).

The Dallas Market Center consisted of four buildings built over a number of years. It covered more than 100 acres. The Home Furnishings Mart was opened inauspiciously in July 1957. It seems that when all of the lights were turned on by the exhibitors, the transformers blew shutting down the air conditioning system. The building had been designed without windows. Crow had the transformers quickly repaired and packed in dry ice to keep them cool until a permanent solution could be found (Sobel 1989).

The Trade Mart opened in 1959. It was designed for manufacturers and buyers of house wares, electric fixtures and home furnishings. It was expanded in 1976 and again in January 2007. It was designed with an atrium, a first for that type of building (Sobel 1989). In later years, atriums would become commonplace in many of Crow's projects. They were designed to offset the negative aspect of windowless buildings.

The Market Hall opened in 1960 and was last expanded in 1963. It comprised 214,000 square feet. It was erected across from the Trade Mart and Home Furnishing Mart. It is the largest privately owned exhibition hall in the United States. More than sixty shows annually are hosted there. The Market Hall was designed to capture the temporary exhibitors and conventions that did not want or need a permanent presence. Crow thought that both the Market Hall and his earlier buildings could be used to draw business that otherwise might not be attracted to the Dallas area by either hall alone (Sobel 1989).

Stemmons was a partner in the Dallas Market Center. Stemmons, being quite cautious by nature had always insisted that each building stand on its own financial footing. Therefore, each project was incorporated separately. The Dallas Market Center Company had been formed as the umbrella organization for the existing markets. Crow's penchant for separate partnerships for each individual project would eventually lead to a spider-web of hundreds of partnerships and would almost lead to the demise of his organization in the 1970s.

The Apparel Mart was constructed in 1964. It was a bold move for Trammell Crow. A symbiotic relationship existed between the apparel salesmen and manufacturers which the salesmen had exploited for years. It had the potential to be one of the most litigious of any of his projects but also one of the most profitable if Crow's judgment proved correct. The Sammons Mart had a long standing agreement with an association of apparel salespeople known as the National Fashion Exhibitors Association (NFEA). The agreement stipulated that the Sammons Mart would rent apparel exhibit space only to NFEA members. In return, the NFEA members agreed not to exhibit anywhere else in Dallas (Sobel 1989). A shortcoming of this apparent monopoly was the American Fashion Association (AFA) whose members were drawn from apparel manufacturers. They exhibited in hotels. Because of the existing agreement, Sammons refused to rent space directly to the manufacturers. The result of this refusal was that if a salesman dropped a particular apparel line, that manufacturer could not get into the Sammons Merchandise Mart. The only choice was to rent space in the hotels where the AFA exhibited (Sobel 1989). Crow intended to exploit the unusual arrangement between salesmen and apparel manufacturers. His wedge was the fact that the apparel manufacturers did not like the idea of paying for leases in a building that the salesmen's association controlled (Ewald 2005a). His goal was to move the apparel exhibitors out of their current spaces and he was quite willing to risk a lawsuit to do it.

Prior to the arrival of Crow's Apparel Mart, two facilities held the markets for apparel both on the same day. The National Fashion Exhibitors Association which held their showing in the in Sammons' Butler Brothers Merchandise Mart and the American Fashion Association placed their shows in the Baker and Adolphus Hotels. The apparel manufacturers in the Merchandise Mart held some 300-500 leases linked to a master lease that was due to expire in 1968 but this was 1963. Since the leases were with the salesmen, Sammons had no way of stopping the manufacturers from signing up with the Crow's Apparel Mart (Ewald 2005a). Breaking the near monopoly presented several potential legal hurdles. The Sammons Merchandise Mart's general manager Joe Ragland seemed to have the Dallas wholesale apparel industry sewed up through the long-standing agreements in place with the National Fashion Exhibitors Association (NFEA). This agreement had been in place for many years and had effectively given Sammons an airtight monopoly or so it seemed.

Consulting several attorneys, Crow received conflicting opinions. The first attorney, Dick Scurry representing John Stemmons' interests felt that if sued, the plaintiff had a good chance of success, and if successful, the partnership faced the potential for millions in damages. The second attorney consulted agreed with the first. However, that not good enough for Crow. It might be argued that Crow was opinion shopping and that was how it was perceived by John Stemmons. He proceeded to consult a third attorney, Eugene Locke who in concert with Joe Stalcup another partner in the law firm gave the opinion that Crow and his partners would in all likelihood prevail if sued. However, that was not good enough for the cautious Stemmons. Locke and Stalcup had to convince Dick Scurry [Stemmons' attorney] of the validity of their opinion (Sobel 1989; Ewald 2005a). Only with Scurry firmly behind the ideal would Stemmons risk a legal challenge. Both Locke and Stalcup eventually convinced Scurry. In the final analysis, Crow and his partners spent only $250,000 in settling claims out of the transfer of renters to the Apparel Mart from the Sammons Merchandise Mart in Dallas. There was never a legal challenge filed against them (Sobel 1989).

The World Trade Center was originally incorporated in 1960 but not activated (Sobel 1989). This project was noteworthy for it signaled the end of the Stemmons - Crow relationship. John Stemmons could no longer stomach the risks that Crow was willing to take. This time the risk was in the form of the interest rate that Crow was willing to accept to get the financing necessary to complete the project. Stemmons informed Crow that he was only willing to accept a 6% interest rate. Unfortunately the prevailing rates in 1972 were in the range of 9 to 10 percent. Stemmons would not budge. They both eventually realized that they had a rift that could not be bridged.

In typical Crow fashion, while Stemmons' people placed the value of their joint holdings at $14 million, Crow felt that the true value was closer to $16 million. Stemmons demanded $7 million for his share of the properties and Crow insisted on paying him $8 million (Sobel 1989; Ewald 2005a). After much good natured bickering, Crow consented to Stemmons' asking price of $7 million. The dissolution deal was inked in December 1972. Construction soon began on the World Trade Center without Stemmons. It comprised 1.5 million square feet and cost $75 million to construct. Continuing the pattern established over twenty years ago, Stemmons' Industrial Properties had leased the land to Crow for 99 years (Sobel 1989). Their partnerships may have ended but the friendship and mutual admiration would live on.

By 1979, the Dallas Market Center comprised more than 7 million square feet. It had over a half-million visitors a year and had become the world's largest single-location wholesale merchandise mart with parking for early 9,000 cars on 135 acres (Ewald 2005b).

Expanding Beyond Dallas

Crow had projects with others beside John and Storey Stemmons. One such project of note was the Hartford Building constructed in Downtown Dallas. Completed in 1959 it was the first office building constructed by the Trammell Crow Company (TCC). It was a 14-story, federal style structure. Another building, called the Stemmons Towers was a four-building $4.5

million structure designed to capitalize on and stimulate traffic in around the Trade Mart (Sobel 1989). After it was constructed, Homer Rogers and Trammell Crow moved their headquarters from the Doggett building to the Stemmons Towers. However, they kept their old furniture. It wouldn't be until they moved to 2001 Bryan in 1974 that they would yield to vanity or more likely, functionality and purchase new furnishings (Sobel 1989). However, true to his nature, no walls separated the partners from each other.

Crow piggybacked on his expertise in the warehousing segment by forming the Trammell Crow Distribution Corporation (TCDC) to capitalize on the public warehousing business (Sobel 1989). Eventually, the company became a major player in the field and had facilities in thirteen cities across the United States.

Crow partnered with John Portman of Atlanta to build the Decorative Arts Center. Portman was an architect devoting most of his time to projects owned by Ben Massell, an Atlanta developer. However, he had long desired to free himself of what he perceived as Massell's overbearing ways (Sobel 1989). The Peachtree Center and the Greenbriar Shopping Center were the fruits of their collaborative effort. Later they would venture overseas to Brussels Belgium to build a mart. However, they would part company in 1975. In the breakup Portman got all of the Peachtree Center and Crow got Portman's interest in the Brussels Trade Mart (Ewald 2005a).

TRAMMELL CROW'S MANAGEMENT STYLE

Informality largely guided his business dealings. For many years he shared an open office environment with his friend and partner Bob Glaze. Even later in life, no walls separated one partner from another. Adhering to his egalitarian beliefs when it came to office space, each partner seemed to occupy a comparable amount of square footage and a similar view of the freeway or downtown Dallas (Aldrich 1988). Despite his informality, his influence throughout the industry was unmistakable. He practically invented modern real estate development (Myerson 1996). The real estate industry is replete with alumni from the Trammell Crow organization. Crow's integrity was legendary in the industry. According to Jerry Speyer of Tishman Speyer Properties: "His handshake is better than a contract" (King 1983). He had a reputation for creating scores of millionaires, many of whom were hired right out of college. The modus operandi was to start with small a small salary in the hope of working their way up to partner where they would be offered a share in the company's projects (Hylton 1991).

They say that "all politics are local". Crow understood that applied to real estate as well. He understood that it requires local knowledge and expertise. He had essentially assembled a nationwide organization. Tom Shutt, for example was hired after a stint in the Air Force. His responsibility was to find lessees for the Stemmons Towers. He was hired at $1000 a month plus commission (Sobel 1989). Later Shutt along with Simmons and Shafer would serve on the Trammell Crow Management Board formed after the "The Crunch". Tom Simmons was a similar hire who arrived in 1970. Originally hired as an administrative assistant, within a month he was reassigned to the 2001 Bryan Tower to oversea the construction of it despite having absolutely no training or experience in the work (Ewald 2005a). Yet they all survived and even thrived in this environment despite the nontraditional vetting process used by Trammell Crow.

He made his partners millionaires and multimillionaires. By 1973 Thomas, Glaze and Shutt were worth several million dollars and a dozen more were worth at least a million (Huey 1987b; Sobel 1989). "Over the years," Crow reflected later, "I probably was more giving than I needed to be. But on the whole I wouldn't change." His belief is that real estate without the added incentive of the partnership structure would be doomed to fail. Through "selfish generosity" he believed his partners would make money, and he would make money (Ewald 2005a p. 86).

While generous with his time and real estate knowledge, he felt that many of his decisions did not need to be shared with all associates. Crow worked on a "need to know" basis and meted out information cautiously. Sometimes this made Crow hard to deal with. He had a great disdain for structure (Sobel 1989). In fact there were only two or three people who know the totality of Crow's obligations - Bob Glaze, Hope Hamilton and Barbara Collins. None had the chutzpah or position within the company to reel him in. They owed most of their wealth to his unfailing judgment. It was hard to argue with his judgment. Crow was an extremely optimistic individual whose management style and judgment had been unimpeachable for over two decades.

Personnel

Although his hiring procedures were somewhat unorthodox, there was no denying his gift for finding and keeping good people. For example, Hope Hamilton began working for Crow in 1958 when she replaced another accountant. Her task was to keep the books for 40 to 50 partnerships. This was in the day of manual recordkeeping. The strain of attempting to meet cash requirements for a boss who continued to expand operations without due regard for the financing, finally became too much and she resigned in the spring of 1963. Barbara Collins joined in 1959 as Crow's secretary. She served as his secretary for twelve years or so and then took over advertising and hiring. Gil Thomas was another early employee and the first employee to which Crow offered a partnership interest (Sobel 1989). He arrived in 1959.

He was an accounting student at Southern Methodist University when he was hired by Crow as a part-time bookkeeper at Doggett Grain. Since Crow could not afford the luxury of Thomas solely working on bookkeeping issues, he was given the additional responsibility of assisting Crow on his warehouses. Thomas' responsibilities grew with time until he was negotiating with lenders and tenants. Crow could not afford to raise his salary so he offered Thomas part ownership in any new warehouses. His usual split was 80/20 with 80 percent going to Crow and 20 percent going to Thomas (Sobel 1989).

Bob Glaze, an accountant by trade was brought in to replace Hope Hamilton who resigned in 1963 (Ewald 2005a). He was hired as Crow's chief financial officer and had power of attorney. Their desks were right next to each other in a large open area. Hired at a salary of $16,000, he was included in deal after deal and eventually became a multi-millionaire. Tom Shutt began working for Crow in 1962 and would stay with him for 18 years. Shut became Crow's first in-house leasing agent (Aldrich 1988). He was also the first of many real estate agents who partnered with Crow. Crow would find the land, provide the general outline of the deal then turn everything over to Shutt. Shutt would then manage the purchases, construction of the facility and the leasing.

Mack Pogue was asked by Crow to join his residential real estate operation in 1965. Crow had met Pogue two years earlier when Pogue had made a sales call on Crow to sell him some land on Spring Valley Road in Dallas (Sobel 1989). Pogue did not want to join Crow's organization but suggested they work together. What resulted was Lincoln Property Management. For the next thirteen years they jointly built apartment complexes across the United States. In 1968 they expanded Lincoln Properties to Houston, the year after they entered St. Louis then San Francisco. They quickly realized that each market was unique. It wasn't long before Crow broached Pogue about having regional partners. Pogue agreed that having experts in each geographical area was wise. The individuals they hired had one common denominator, they were young and ambitious (Huey 1986a; Sobel 1989). The salaries offered were far below the going price for newly minted MBAs with impressive credentials but what the offer lacked in salary was more than made up in potential income through equity kickers and the ability to operate semi-autonomously.

His expansions beyond Dallas demonstrated the need for local expertise. He quickly surmised that someone who knew the local market and had the contacts necessary to conduct business in the locale was needed. In Atlanta, Crow worked with Frank Carter, an agent who had helped find the location for the Mueller Brass warehouse that Crow constructed in Atlanta. Mueller Brass was a Dallas client that had facilities throughout the country. Crow had constructed their Atlanta warehouse in the 1950s. Crow considered Carter cautious while his partner Pope was considered gifted at property selection but given to financial risk taking well beyond the rewards (Sobel 1989).

Another business relationship that was a direct result of Crow's Atlanta connections was the one with John Portman. As mentioned earlier, Portman would go on to own the Peachtree Plaza Hotel, One Peachtree Tower and the Atlanta Market Center. Portman spent the 1970's designing one hotel after another, each one more ostentatious than the last (Goldberger 1988). He too would go on to have his share of difficulties in real estate.

Bob Kresko joined Crow in 1967. Prior to that, he has worked as a real estate broker who did occasional work for Crow in the St. Louis area. However, the occasional work soon mushroomed to 75 percent of Kresko's business before he joined Crow as a partner (Sobel 1989). He became commercial property manager in 1987 and would serve in that capacity for a period of three years (Ewald 2005a).

In June 1973, brought in Don Williams, a lawyer by training. He was a graduate of the George Washington University Law School. Soon Williams became indispensable to Crow. In June 1977, he became managing partner (Huey 1986a; Ewald 2005a). Williams added structure to the company that was lacking under Crow's leadership. Williams was far more pragmatic and less inclined to on the spot decision making. One writer described their personalities thusly: "If Crow is an optimist tempered by realism, Williams is a realist tempered by skepticism" (Aldrich 1988, p. 5). In 1990, he served as President and CEO. Williams would stay with Crow until 1994 when he stepped down as CEO to be replaced by Crow's third son Harlan (Myerson 1996). Williams continued to serve as Chairman from 1994 to 2002 and as Chairman Emeritus from 2002 to 2006.

Joel Peterson, a Harvard M.B.A., joined the firm in July 1973. Sent to France early in his career, he considered quitting after eight months but was brought back to Dallas. He assisted Leventhal in developing the partnership chart used to convince lenders and partners during the liquidity crisis. He became instrumental in the post "Crunch" efforts to resuscitate the company, but would eventually leave the firm on less than friendly terms during the meltdown and roll up of the partnerships in the 1980's.

Crow's Organizational Structure

There was little in the way of a formal organization. Oftentimes one associate recruited another associate. For example, in his warehousing operations, Crow recruited Tom Shutt, who in turn recruited Bob Kresko who in turn recruited Tom Farnsworth. Each of the disparate partners was off conducting business in their area. They were building warehouses, hotels, apartments, and office buildings. They used the Crow name and credit but largely did so with local financial institutions (Sobel 1989). Each region was largely ignorant of the activities and legal commitments of the others. This was generally not a problem in a robust economy. Crow's habit of minting new partnerships with that partner's limited knowledge about the scope and extent of the other aspects of Crow's organization was a downside to the way Crow managed his organization. An article published in Fortune in late 1973 just before the real estate depression, described Trammel Crow's organization this way, "Just as remarkable as Crow's ability to raise money is his bewilderingly complex organization – if, indeed the term organization can be accurately applied". Typical was Crow's decision to award partnership status to Tom Shutt. One day Crow walked into Shutt's office at the Stemmons Towers and announced, "You're going to be a partner" (Sobel 1989). Shutt was directed to move into Crow's office and hire someone else to lease the rest of the Stemmons Towers. Several days later a two page memorandum of their partnership agreement was drawn up by Crow. This rather nonchalant method of awarding partnerships was often very disconcerting to existing partners even though their own partnership may have been awarded in the same manner.

Trammell Crow never had a private office. Crow was not a spendthrift with regard to his corporate office which was usually furnished with used furniture or furniture from his previous offices. He maintained this informality for most of his time actively involve in the company.

The organization might have been mistaken for a pyramid but in actuality it resembled more of a web of interconnected partnerships with Crow as the nucleus (Sobel 1989). In fact, there was hardly a central office and very little controls. For example Lincoln Properties had 160 partnerships. Baker-Crow had 34 partnerships and 10 corporations. In all Crow was involved in 605 separate partnerships and 131 separate corporations plus an additional 150 "in-house" partners and numerous other institutional and individual investment partners and 47 corporations (Sobel 1989). In most of these Crow was a minority partner.

Several gut-wrenching retrenchments, the first precipitated by "The Crunch" in 1975 forced the company to modify its way of doing business. The complex web of over 1500 partnerships, the visual, which was so famously created by Leventhal and Peterson to illustrate to Crow's lenders how complex the operations had become.

The second retrenchment that occurred in the 1980s was much more drastic and vitriolic. The old system in which partners borrowed from or lent to one another to cover cash requirements of their projects and operations created an organization in which the equity was often worth less than the debt owed on the properties. So Crow and Peterson created a "roll-up" program to dig some of the junior partners out of their holes. In exchange for a partner's equity in his projects, Crow forgave the internal debt owed to the remaining partners (usually Crow and Williams). When equity was worth less than the debt, the few solvent partners, including Crow and Williams, absorbed the difference as a loss (Zellner 1992). More than 100 partners agreed to the roll-ups with a large number leaving Trammell Crow and Company. Unlike "The Crunch" when only one or two partners harbored ill feelings toward Crow, this time the resentment was much more widespread. Most famously and publicly was the rancor held by Joel Peterson the long time partner and whiz kid who, along with Don Williams orchestrated the restructuring that helped Crow survive "The Crunch."

LEADING THROUGH TUMULTUOUS TIMES

Vortex

Beginning in 1973, Crow began to receive calls from Baker-Crow and Crow, Pope & Land requesting cash infusions. The initial problems from stagflation and rampant expansion were surfacing in the residential arena first. Like most builders at the time and many today, the tradition was to acquire land well before it was actually required for building purposes. Most of these land holdings were financed with short term variable rate loans. The Crow interests had amassed over 30,000 acres of land across the United States.

Despite warnings from Glaze, Crow continued to accumulate debt. During this period of stagflation, that alone would be problematic but probably manageable. Unfortunately, a confluence of events was on the horizon that would trigger what euphemistically was called "The Crunch". First, Crow had centralized debt payment through his office so each partner sent income to Dallas and their debts were serviced through there. One partner had remitted funds to Dallas and in return expected to have his bills paid from this central account. When his bills went unpaid, he called the home office only to learn about the cash crunch and that is generally how most partners found out as well – only when a bill went unpaid. By the end of 1974, Crow and his partnerships were generating negative cash flow to the tune of $25 million a year mostly from the interest payments required to service their debt. As the market continued to sour, Crow found himself either directly or indirectly on the hook for close to $600 million in loans (King 1983).

In January 1975 Crow called a meeting of the senior people including the major partners, about twenty in all. While sectors of the organization were doing well, the residential real estate ventures were bleeding cash which, because of the interlocking nature of the partnerships with Crow as the common denominator, threatened the entire organization. Bob Glaze then proceeded to explain the plan to get through the crisis. It required each partner to offer up properties to be liquidated in order to generate sufficient cash to meet the crisis. They would be sold to the Equitable Life Insurance Company and other investors at negotiated prices. In essence, they were jeopardizing their financial welfare to rescue other parts of Crow's empire they had nothing to do with. Most owed their accumulated wealth to the good fortune of having Crow as a partner. Indeed, most went along until Bob Glaze came to Gillis Thomas. Thomas was one of Crow's oldest partners. Thomas' warehouses were doing well. He was also older than most of the other partners and perhaps felt less optimistic about regaining lost wealth. He had never really bought into Crow's philosophy of giving newcomers partnerships. He much preferred placing them on salary and commission (Sobel 1989). He believed that Crow's willingness to dispense partnership interests played a part in the overbuilding. He also felt it unfair that Trammell had not put his Dallas Market Center on the chopping block (Ewald 2005a).

Without Thomas' support, the Glaze plan was in jeopardy. Regardless of the eventual outcome of the crisis, it was apparent that Thomas would no longer be part of the organization. Eventually, they worked out an agreement where Thomas took his proportional share of the warehouses and Crow sold his percentage portion of the warehouses to the Equitable Life Insurance Company. Most other partners went along in spite of their reservations - largely due to their respect and gratitude for Crow who had made most of them multimillionaires.

However, time would demonstrate that in spite of the enormous sacrifices being made it would not be enough. That is when Ken Leventhal entered the picture. Leventhal was in Dallas to help Mack Pogue work his way out of debt. It soon became obvious that because of the interlocking nature of Crow's projects, what affected Pogue would eventually affect Crow, so in essence Leventhal was already working for Crow (Ewald 2005a). Leventhal was a workout specialist. Crow, it turned out, had borrowed from 242 banks (Ewald 2005a). Leventhal also learned that Crow had interests in more than 700 business entities in 30 U.S. cities and 8 foreign countries with liabilities of almost $2 billion (Sobel 1989). They decided to meet Crow's creditors in groups and explain their predicament. Their plan hinged on what might be called the "rational man" approach in that … "each of the major partners would deal with the creditors with whom he was most closely associated" (Sobel 1989, p. 169). If every creditor involved went along, then the possibility of repayment of the loans remained. However, if one creditor balked then they would have no choice but to seek bankruptcy protection. But once word leaked out to the press about Crow and his partners seeking bankruptcy protection, and then other parts of the empire would tumble as well (Sobel 1989). It was a desperate gambit but one they had to pursue. At times the meetings were contentious and very heated. At one reported meeting with creditors, Crow put the keys and deeds of several properties on a table and told creditors that they could either agree to his plan for rescheduling payments or they could leave with the keys and the deeds. His plan was accepted (Hylton 1991).

With Leventhal's help, Crow and his partners were able to convince their creditors that the plan was indeed workable and deserved a chance to succeed. It was a tedious process. At times Leventhal had to not only ask for time but also show the creditor that it was in their interest to loan Crow even more credit. That was a tough sell for many. Instrumental to this macabre dance between Crow and his creditors was Don Williams. He provided invaluable assistance to Crow and Leventhal during the liquidity crisis. His abiding faith in Trammell Crow would be rewarded after “the crunch”. Trammell Crow virtually turned over the entire Crow organization to the guardianship of Don Williams. Crow understood after this debacle that a formal organizational structure was necessary. The Trammell Crow Company was just too large for his style of management to work any longer.

In the aftermath of “The Crunch” Crow had borrowed $20 million for working capital from Metropolitan Life but had to put up the Dallas Market Center as collateral. He liquidated Baker-Crow, one of the original motivations for “The Crunch”. Baker walked away owing Crow money he would never be able to pay (Ewald 2005a). Crow also split with Frank Carter of Crow-Carter, but on friendly terms, and also with Ewell Pope of Crow, Pope & Land. Crow also lost his interest in the Embarcadero to David Rockefeller. He also lost other real estate in various parts of the country.

The real estate depression lasted from 1975-1978. Crow came out the other end chastened but wiser. He had lost a few friends over the crisis but he also found out who his true friends were. After the workout Ken Leventhal said, “I bet there are only three lenders-maybe not even three-who would refuse to lend to Trammell again” (Ewald 2005a, p. 129).

The Aftermath

Don Williams was the organizational man while Crow was the idea man. Both realized that structural changes were necessary after the debacle caused by the liquidity crisis in the residential side of the business. In fact, the residential business was in shambles. The commercial business would need to be structured. Williams set out to create an organizational structure that could accommodate cooperation and still encourage individual initiative. He established a board of partners to direct the new enterprise known as Trammell Crow Management Board. The 10-member management board had limited powers. It set down strategies but as before, local real estate decisions continued to be made by the local partners. Crow developed a plan to organize the holding into three loosely defined but different entities: the Trammel Crow Company (TCC) for commercial development, the Trammell Crow Residential Companies (TCRC) for apartments and residential lot development, and the various Crow family holdings which included the Dallas Market Center, hotels and eventually hospitals.

The crisis underscored the weaknesses in having so many disparate yet interconnected partnerships. The liquidity crisis underscored the need for better reporting and information flow, especially out to the partners in the various regions. The changes, while bringing discipline to the organization, did have unintended consequences for many partners used to virtual autonomy out in the field.

Williams tapped Joel Peterson to fill the responsibilities of chief financial officer. Peterson was a Harvard M.B.A. with an affinity for finance. Joel Peterson joined the Trammell Crow Company in July 1973 (Ewald 2005a). He was first given the job of leasing warehouse space. However, because of his fluency in French, he was abruptly transferred to France as Crow's representative for his projects in Paris, Lyon and the French Riviera. Unhappy with his posting to France, he was thinking of quitting the Crow organization when he (Crow) brought him back to Dallas to work with Williams on the company's finances. The Peterson-Crow-Williams relationship would last until 1986 when in a bizarre turn of events; he would sue Williams and Crow accusing them of reneging on a deal to buy out his interest for $49 million (Ewald 2005a; Myerson 1996). Peterson would focus on tactics, accounting and financial reporting standards (Sobel 1989). Williams concentrated on external affairs while Peterson would concentrate on the internal issues. Williams would be Mr. Outside to Peterson's Mr. Inside.

Behind the operating organization stood Trammell Crow Partners, the parent organization that wholly owned the Trammell Crow Company (TCC). This parent organization collected a percentage of each region's business take and made distributions to its sixteen regional partners and forty-four limited partners. The local and regional partners owned 45 to 55 percent of TCC; the Crow family, Williams and Peterson owned 35 to 45 percent and the profit sharing plan had 10 percent (Ewald 2005a). Crow emerged from the crisis unbowed but with a more solid fiscal structure, with interest accounting for a considerably smaller percentage of cash flow and with a decidedly smaller inventory of raw land (King 1983).

It Seems Like Old Times

Aided by a booming economy that created an environment of high inflation and low office vacancies, real estate enjoyed a compound annual return of 18 percent. During the decade between 1976 and 1986, the assets of Trammell Crow Company grew fourteenfold from $1 billion to $14 billion and the number of partners grew over fivefold from 40 to 220 (Aldrich 1988). After a brief recovery in the economy in 1980-81, the following year of 1982 brought one of the worst recessions since the Great Depression (Dornbusch & Fisher 1990). Congress enacted the Economic Recovery and Tax Act (ERTA) of 1981. ERTA included the Accelerated Cost Recovery Schedule (ACRS). This drastically reduced the time period over which capital asset such as real estate improvements could be depreciated. In this environment, partnerships such as ones established by Crow and his partners thrived. A direct consequence was a new wave of capital to fuel the real estate boom (Boortz 1996). Under the supervision of his local partners, Crow's ownership in real estate took off. Trammell Crow was establishing a presence in every major city in the United States. It seemed a second renaissance was taking hold for Trammell Crow and his partners.

Crow had repaid all of his partners' notes from "The Crunch". He had a professional organization and financial controls in place. One fallout from this development was the partnership agreements. The standard partnership agreement that in 1963 was, more often than not, verbal and consummated with a handshake had gradually developed into document exceeding 25 pages chock full of provisos, contingencies, escape clauses and sureties, all the usual signs of mutual distrust and skepticism (Aldrich 1988). "From a net asset value of $1 billion in 1978, the Trammell Crow Company would grow at a compound rate of 27 percent to a 1987 net asset value of $10 billion" (Ewald 2005a p. 139).

John Eulich had been an early partner. Crow met Eulich while working on the Apparel Mart. Eulich and Crow had formed a partnership in 1963 to build apartments in Houston and Dallas. The partnership lasted only until 1965 then came to an abrupt, acrimonious dénouement. Crow bought out Eulich's interest in the raw land and the apartments they had accumulated together. Eulich's interest was eventually sold to Winthrop Rockefeller (Huey 1986a; Sobel 1989). Most partnership dissolutions with Crow were amicable but Eulich, like Gil Thomas, had irrevocably severed his relationship with Crow. Partners would come and go but few partnerships would take the turn that Crow's did with these two gentlemen.

In spite of the beating Crow took in "The Crunch", he lost none of the gentlemanly qualities that endeared him as a partner. Case in point, Crow had been invited by George Klein to join the venture that was developing the $400 million merchandise mart in New York's Times Square area. When Klein was dropped by the state from the consortium because of his commitment to another Times Square project, Crow dropped out of the running as well stating, "I said I was going to dance with the girl what brung me" (King 1983). By 1983 the Trammell Crow Company had 15 general partners, 41 limited partners in 38 cities and gross assets of $4.5 billion comprising 17.8 million square feet of office space, 4.4 million square feet of shopping centers and 103.9 million square feet of distribution and service centers and multi-use industrial parks (King 1983). Later, the gross assets would balloon to $15 billion with scores of partners in the ownership of hundreds of buildings, the Trammell Crow Company would once again suffer ignominy with two thirds of the 180 partners would lose their partnership interests in all buildings and about that many would leave the company either voluntarily or involuntarily. Employment would be cut from a high of 3,500 to 2,400 and 20 of the 90 offices nationwide closed (Pinder 1993b).

Crisis Redux

A confluence of overbuilding and an industry-wide mismanagement in all facets of the real estate industry led to Crow's second crisis. An unintended consequence of ERTA was tax shelter partnerships that drove the supply of the real estate boom followed by a real estate bust when, in response to the unintended consequences of ERTA, congress passed the Tax Recovery Act of 1986. This act repealed the ACRS and instituted a longer depreciation period. It disallowed the deduction of passive losses, such as the allocations of tax losses form limited partnerships against ordinary income (Boortz 1996). "Although the new ACRS was not retroactive, the five year phase out of the deductibility of passive losses against ordinary income was applied to all real estate, and this provision cause the real estate market to become extremely illiquid" (Boortz 1996). This situation was especially acute in Dallas where the economy was already wounded by the regional recession and the oil debacle. Real estate fundamentals were not attractive and the tax advantaged investments had fueled a three year commercial building spree to unprecedented levels in 1984 and 1985 (Boortz 1996). By the mid-eighties there was a glut of office space on the market. As the economy deteriorated in the mid-1980s, average daily occupancy fell to 53 percent in 1987 (Urban Land Institute 1990). The hotel business for Crow soured because the company overbuilt and because they could not run a hotel successfully. Their expertise was in building not managing hotels. The Dallas/Fort Worth area's supply of new apartments outpaced demand each year from 1982 to 1987 (Urban Land Institute 1990). Residential real estate also floundered when the conservative leadership of Terry Golden was replaced by Denny Alberts. Golden left the organization to become Ronald Reagan's head of the General Services Administration in Washington. The Texas economy was especially hard hit. The oil industry was in the doldrums. "A barrel of west Texas intermediate crude that cost nearly $32 a barrel in November 1985 was selling for $10 a barrel by April 1986" (Ewald 2005a, p. 153). Contrary to the 1970s, real estate now was out of favor as an investment by the mid 1980s, and attractive returns were being made in the stock market (Boortz 1996). For four years between 1984 and 1988 "…the company had doubled its assets, doubles its divisions, doubled its employees, tripled its partners, and lost money" (Ewald 2005a, p. 167).

The partners again faced a new crisis that threatened to bankrupt the company (Berg 1988). Williams and Crow demanded that many of the partners surrender ownership in return for the forgiveness of their debts to the partnership (Myerson 1996). Meetings became contentious with several partners accusing Crow of exploiting the real estate crash to increase his control. Most of the assets it owned during the building boom of the 1980's have been taken out of the hands of departing partners and put in the hands of the family of Trammell Crow in a separate entity called Trammell Crow Interests (Pinder 1993b). It was during this time that Peterson left the Crow organization and filed suit. In 1991 TCC filed suit against Joel Peterson, his once close associate. The Trammell Crow Corporation argued that Peterson had not injected sufficient capital to cover his share of insolvent debts. Peterson countersued accusing Crow and Williams of trying to take control of TCC and the operating company. An eventual out of court settlement near the end of the trial left Peterson with a substantial Crow Company stake (Myerson 1996). There were rumors of large defaults on some of the company's bank loans. From a high of 230 partners and 5,000 employees, Crow slowed his commercial and residential development and shifted to property sales and management of other companies' real estate portfolios. Many partners said they expected the restructurings to allow them to stay in the company. Most were bitter and saw the terms of their departure as the company's taking advantage of them (Totty 1987; Pinder 1993a).

The most visible Crow presence after the gut wrenching change remained the Trammell Crow Company, the nation's largest commercial property manager (Myerson 1996). Other changes included a substantial reduction in development which resulted in being only one of several leading commercial developers (Norris 1994). The company sought to capitalize on its long recognized financial management talent, presence in a large number of markets, and experience in managing and marketing properties into a preeminent service company. In that effort, Crow began offering various services to clients that owned and invested in real estate.

To further the proposed changes, Williams organized the new Trammell Crow Company (TCC) into three subsidiaries. Large corporate customers were offered a single point of contact through Trammell Crow Corporate Services for construction, acquisition, real estate management and tenant representation services. Trammell Crow Asset Services provided asset management services for clients that managed real estate investment properties Trammell Crow Ventures provided financing, investment, and consulting services to firms that were active in real estate. As revenue from new construction remained depressed in the early

1990s, income from services rose to help the company's bottom line. Crow relinquished its position as the largest developer in the United States, moving from first place in 1991 to 15th place by 1992. Buttressed by efforts in other areas, Crow maintained its position as the largest property manager in the nation with over 240 million square feet of commercial space under management (NewsBlaze.com 2005).

CHANGE AGENT AND INNOVATOR

It is certainly not a stretch to say that Trammell Crow shaped the real estate landscape of Dallas if not the entire United States. Optimistic in his own talent for developing properties and optimistic in his ability to pick partners who shared his energy, talent and vision. Certainly no one who has conducted business to the extent of Trammell Crow ingratiates himself with everyone with whom he comes into contact, but by and large Trammell has done that. Although Crow handed over the managerial responsibilities years ago, first to Don Williams, then most recently from Williams to Crow’s son Harlan, the company remains largely a manifestation of Crow’s persona and beliefs. He died in his sleep on January 14, 2009. He suffered from Alzheimer’s disease in his later years.

References

Aldrich, N. (1988, November). The Real Art of the Deal. Inc. Magazine, Retrieved September 13, 2008 from http://www.inc.com/magazine/

Berg, E. (1988, June 5). FOCUS: Overbuilt Office Markets; Developers Redirecting Their Energies. New York Times. Retrieved July 26, 2008, from http://www.nytimes.com/gst/fullpage.html

Boortz, C. (1996). Cyclicality in a Commercial Real Estate Market, Brookfield, VT: Avebury. Dallas: Overview of the Dallas/Fort Worth Metropolitan Area Real Estate Market (1990). Washington D.C.: The Urban Land Institute.

Dornbusch, R. & Fisher, S. (1990). Macroeconomics, 5th ed., New York: McGraw Hill Publishing Company

Ewald, W. (2005a). Trammell Crow: A Legacy of Real Estate Business Innovation, Washington: Urban Land Institute.

Ewald, W. (2005b, December 15). How Trammell Crow hit the real estate jackpot. Seattle Daily Journal of Commerce. Retrieved July 30, 2008, from http://www.djc.com/news/re/11174327.html

Goldberger, P. (1988, January 10). The Portman Formula in Miniature. New York Times. Retrieved August 8, 2008, from http://www.query.nytimes.com/gst/fullpage.html

Huey, J. (1986a, March 24). The Empire Builders – Success Stories: The Giant Developers of Dallas Began Small, Took Enormous Risks --- Founded by Self-Made Men, Crow, Lincoln & Vantage Are Obsessed by Growth --- Eyeing a Predicted Blood Bath. Wall Street Journal. Retrieved September 8, 2010.

Huey, J. (1986b, March 27). The Empire Builders – Empire Builders: Trammell Crow Co. Flourishes by Fostering Risk – Reward Culture --- Big Developer Hires M.B.A.s, Gives Them Motivation of Ownership in Projects --- "Close to a Business Utopia'. Wall Street Journal. Retrieved September 8, 2010.

Hylton, R. (1991, January 11). Trammell Crow Plans Revamping. New York Times. Retrieved July 26, 2008, from http://www.query.nytimes.com/gst/fullpage.html?res=9D0CE4DA1031F932A25752C0A967958

King, W. (1983, November 6). Trammel Crow Comes to Town. New York Times. Retrieved July 8, 2008, from http://www.query.nytimes.com/gst/fullpage.html?res=9A00E5DC1439F935A35752C1A9659482

Merchandise Mart Properties. (n.d.). Building the Mart. Retrieved July 26, 2008, from http://www.merchandisemartcom/marchitecture/building.html.

Myerson, A. (1996, December 1). More Than a Chip Off the Building Block. New York Times. Retrieved July 26, 2009 from: http://www.query.nytimes.com/gst/fullpage.html?res=940DE2DE1 F31F93BA1575AC0A96E94

Norris, F. (1994, November 21). Market Place; The final episode approaches in a battered REIT's proxy battle. New York Times. Retrieved July 26, 2008, from http://www.query.nytimes.com/gst/fullpage.html?res.9B04E7D91E31F932

Pinder, J. (1993a, August 30). For Former Partners, a Bitter Aftertaste. New York Times. Retrieved July 26, 2008, from http://www.query.nytimes.com/gst/fullpage.html?res=9F0CE4DF1638F933A0575BC0A965958

Pinder, J. (1993b, August 30). Trammell Crow, Alive but Humbled. New York Times. Retrieved July 26, 2008, from http://www.query.nytimes.com/gst/fullpage.html?res=9F0CE7DD173DF933A0575BC0A96595

Real Estate Lessons from Trammell Crow (2005, September 23). News Blaze. Retrieved July 23, 2008 from http://newsblaze.com/story/20050923090539nnnn.nb/topstory.html/topstory.html

Shapiro, E. (1990, April 3). Difficulties in Real Estate Extend Even to Minneapolis. New York Times. Retrieved July 26, 2008 from http://www.query.nytimes.com/gst/fullpage.html?res=9C0CE4D9123EF930A35757C0A966958

Sobel, R. (1989). Trammell Crow: Master Builder: The Story of America's Largest Real Estate Empire, New York: John Wiley & Company.

Totty, M. (1987, July 22). Trammell Crow Loses 11 Partners in Group Defection. Wall Street Journal. Retrieved September 8, 2010.

Zellner, W. (1992, March 2). Guess What Trammell Crow is Eating. Business Week. Retrieved September 13, 2008 from http://www.businessweek.com/archives/1992/b325447.arc.htm

The Senior Leader as Both a Strategist and Technical Specialist

Eric Dent, University of North Carolina at Pembrook

As we plunge further into the twenty-first century, the role of senior leader[1] continues to change and evolve. OD practitioners need to be aware of these changes if they are going to be in the best position to consult to senior leaders. The litany of trends impacting organizations and their leaders is now familiar – globalization, technology expansion, organizational streamlining, increasing knowledge work, the significance of design playing a larger role in products and services (Pink, 2005), aging workforces and populations, multi-cultural workforces, and increasing complexity. Of particular importance in this essay are the trends of organizational streamlining, increasing knowledge work, design issues playing a larger role in products and services, and increasing complexity.

Because of these trends, organizations no longer have sizeable, if any, staff supporting the senior leader in areas such as strategic planning. In knowledge organizations, the senior leader is more likely to be able to relate directly to the work conducted by employees lower in the organization.

---

1 The term "senior leader" is used throughout this essay to mean people at the top, or near the top, of private-sector, public-sector, and non-profit organizations. These people would typically have titles such as CEO, president, executive director, senior executive service (SES) member, vice president, COO, and the like.

When design and form play a larger role in the organization's products and/or services, the senior leader is more likely to have a "feel" for the product or service as opposed to a more utilitarian or science–driven product or service. For example, senior leaders have developed ideas about aesthetic spaces for customers, about "lifestyle" vacations that involve doing charitable work, and about bringing design elements to products sold at discount stores such as Target and Kmart. Finally, greater complexity demands that the senior leader be able to integrate and synthesize information about the organization, perhaps, in a way that no one else can.

Leaders today have challenging roles. The expectations and responsibilities of their position are not only demanding, but changing as well. These changes rarely *reduce* actions, competencies, or accountabilities of senior leaders; instead, they nearly always *add* to expectations and responsibilities. Heavy demands increase stress and anxiety and an overwhelming feeling that a leader is constantly battling to increase organizational performance. All of this suggests that the senior leader's role may be quite different than it was, say, twenty years ago. One way in which the role has changed is that senior leaders no longer provide only leadership and managerial oversight to an organization. Increasingly, senior leaders are also *the* key contributor in some individual or technical way. Yet, this perspective is not taught at all in business schools.

Whiteley (2001) uses the term Renaissance Manager to connote the leader who also has technical responsibilities. He finds this notion so pervasive that he writes, Athe dichotomy between a leader and a technician has long been something of an office joke. But these days it is not very funny. High rates of innovation and rapidly changing markets demand that the two sides become one@ (48). In a modern working environment it has become increasingly prevalent for senior leaders to have technical and leadership responsibilities.

New Role Examples

What forms do these combinations of leader and technical work take? In my consulting practice, which is now largely executive coaching, I get firsthand, in-depth exposure to these combinations and their challenges. A senior vice president of mergers and acquisitions at a Fortune 500 company has a sizeable organization to lead, but is also held accountable for what mergers and acquisitions the company accomplished. He is the primary dealmaker for the company. It is his networking, his relationship with investment bankers, and his business acumen upon which the organization depends. None of this work can be delegated through his managerial structure. Likewise,

I have worked with a high-ranking general in the Air Force, who managed hundreds of people, and was also the financial expert on certain budget matters. In health-related organizations, it is common to find that the executive director is also the organization's expert in an area such as epidemiology. It is also typical in large law firms to find that the senior leader is also considered to be the firm's best litigator or dealmaker.

The ability to combine technical expertise and business leadership is at the heart of some of today=s most successful organizations. Dell is a good example of a corporation that makes explicit the requirement that leaders have this combination and the company attributes much of its success to it. Other examples include General Electric, United Parcel Services (UPS), and Bausch & Lomb. All of these organizations are very successful and have one common view when it comes to technical expertise. They understand that the most appropriate people to fill the leadership positions are those who have dual knowledge of the technical and leadership aspects of the firm.

Based on my experience and observation, I contend that the number of senior leaders who have significant non-leadership expertise that their organizations depend on is surprisingly high. When I first shared this observation with senior leaders and academic colleagues, some were skeptical of its pervasiveness. But as we considered case after case, we found that it is more common than exceptional. A large number of examples arose from a radio talk show I co-hosted for a year and a half called *LeaderTalk*. Every week we interviewed CEOs such as Carly Fiorina, then at Hewlett Packard, Paul Diaz at Kindred Healthcare, and senior leaders of other organizations both large and small. Nearly every senior leader said, "Even though I'm the CEO, I'm also my company's expert on total battlefield weapons systems...." or by the CEO of a large federal contractor, "I'm our company's expert on the bid and proposal process" or "I still have more expertise on how to market our products than anyone in the company." Some of these comments may be bravado, but there seems to be more to it than that.

In the section below, Who Will Make the Next Breakthrough?, I take up the question of what types of organizations require this dual combination of leader.

The Challenges of Being a Strategist and Technical Specialist

In my executive coaching work, I find that I am almost always asked a question along the lines of:

> "I am asked to lead and manage a large organization, but I am also my organization's expert on [...]. My work as the expert is more visible, and frankly, what the organization holds me more accountable for. I want to manage my organization effectively, but any extra time I spend doing that takes away from my time in my area of expertise. What is the least amount of time I can devote to effectively lead and manage my organization so that I can spend as much time as possible in my specialty area?"

Interviews for this study provided a richer feel for the challenge posed by two sets of competencies. A senior leader in the U.S. Department of Agriculture comments, "Public service managers like myself need the tools to be both an expert and a manager. My individual expertise, as a senior risk analyst is required for long-term research and development. As a manager, I am inundated with managerial tasks, which, while important, take time away from my individual expertise, which is more highly valued by USDA. I have sought insight from consultants, the literature and from fellow managers to help with these conflicting tasks. Few seem to be able to help because everyone is focused on one side or the other."

A second quote speaks to the challenge and tension implicit in today's senior leadership. "As a senior manager within a Department of Defense corporate university, the toughest challenge I face in my role is balancing my time and energy between leading people and change, with fulfilling my role as the organization's expert in learning assessment, evaluation, and performance measurement. My dual role as an organizational leader and technical expert creates a kind of cognitive dissonance for me in that there is a prevailing belief that management success is not based on domain specific technical expertise, rather is measured by success in demonstrating leadership skills and managing organizational change."

I have felt this tension very directly myself. Recently, I served as the Dean of a business school and as a Professor of management. I regularly felt the pressure of meeting the needs of both positions. Any time on administration is necessarily not time on scholarship, and vice versa. The administrative work is the most pressing because there are always phone calls to answer, emails to respond to, meetings to attend, etc. The specialized work (teaching and scholarship) does not have the same external demands. Consequently, one has to be very intentional about carving out time for them.

As noted by the USDA senior leader above, he and his counterparts are now wearing multiple hats and wondering how to be effective in each role. Their education did not prepare them for this role and they are not finding assistance on how to manage this balancing act. They ask a question that doesn't typically come up in business schools or with management consultants. What is the *minimum* I can do in my managerial role and still have some assurance that the job is done effectively? The following section summarizes what an inquirer will find if she looks for answers in college business textbooks.

What Textbook Teach

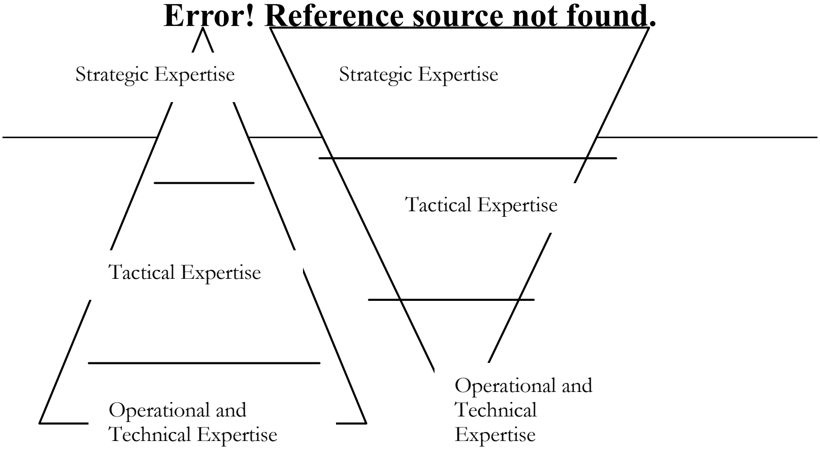
Business textbooks convey the conventional wisdom of the field. At the same time, they have been criticized for being behind the times, only progressing when concepts are considered "received truth" (Dent & Goldberg, 1999). The received truth on this subject is that managers increasingly dispense with expert roles (which the textbooks call technical skills) as they climb the ladder. As they reach the top rung, they engage entirely in strategic work, delegating any technical tasks to subordinates. The technical expertise is seen as residing in the bench scientist or the manufacturing line foreman. This view is nicely encompassed in this textbook passage.

> Upper managers spend most of their time planning and leading because they make decisions about the overall performance and direction of the organization. Therefore, they are usually involved in the development of goals and strategies to achieve those goals. Conceptual and interpersonal skills are especially important.... Middle managers are those managers who receive broad statements of strategy and policy from upper-level managers and develop specific objectives and plans. They spend a large portion of their time in planning and organizing activities. Conceptual and technical skills underlie these activities.... Lower or first-line managers are those concerned with the direct production of items or delivery of service. These actions require leading and controlling. Because first-line managers train and monitor the performance of their subordinates, technical skills are especially important. (Gatewood, Taylor, & Ferrell, 1995, 17).

Statements such as this are typically accompanied by a visual depiction of a pyramid and an inverted pyramid as illustrated in Figure 1. The message of these diagrams is that as someone is promoted, the organization depends less on her technical expertise and more on her strategic expertise. This message is in contrast to the reports of senior leaders who state that the organization continues to depend on them for technical expertise in some area, and that dependence may increase rather than decrease. It seems to be the case that as someone moves up the managerial ladder she is simultaneously developing an individual expertise that is also increasingly valuable to the organization. As a result, managerial and technical expertise are hypothesized to be positively correlated instead of displaying an inverse relationship, the viewpoint of modern college textbooks.

Figure 1. Role differences between lower-level and senior-level Managers.

Error! Reference source not found.



Lower-level Manager   Senior-level Manager

If additional research confirms the premise of this essay, textbook authors will need to make substantive changes in how they have traditionally conceptualized top leadership behaviors. OD practitioners and management faculty will also need to redesign how they are teaching executive leadership. Since textbooks are often lagging "indicators" of organizational practice, let's look now at the cutting-edge of academia, the journal articles that contain the latest thinking and work of faculty researchers.

What Academics and Consultants Encourage

A common critique of academics and consultants is that they are too specialized, too discipline-specific. It is no secret that marketing faculty believe marketing to be the most critical function for organizations, strategy faculty believe strategy to be the most critical function for organizations, and so on. Consultants, likewise, are known for having their particular tools and techniques and wanting to apply them regardless of the situation. It goes back to that familiar adage - when all you have is a hammer, everything begins to look like a nail. Consequently, the consulting profession and academia are not structured in a way that would cause a member of either to entertain the question, "What is the least amount of time I can devote to effectively lead and manage my organization so that I can spend as much time as possible in my specialty area?" Academics are working hard to develop breakthroughs in their disciplines that become beneficial to organizations (such as Michael Porter's five underlying forces for competitive advantage - rivalry, supplier power, barriers to entry, threat of substitutes, and buyer power). Likewise, consultants have developed tools such as balanced scorecard, total quality management, and reengineering.

The result is what I refer to as the "piling on effect." No expert ever finds that a leader's activity in the expert's area can be reduced. On the contrary, ever increasing nuanced activity in that area is called for. Articles by professors and consultants frequently recommend additional critical factors that a senior leader must master to truly be effective. Senior leaders are told they must think strategically (Ornoff, 2002); that they must develop Arelational equity@ to do their jobs effectively (Sawhney & Zabin, 2002); that performance appraisals are Acritical to success@ (Camardella, 2003); that a certain degree of toughness and resilience is “critical to success” (Alexander, 2005); that leaders must have generational awareness (Salopek, 2006); that leader-member interactions are most important (Campbell, White, & Johnson, 2003). Other articles suggest that the Acritical@ success factor is empowerment or financial acumen or systems thinking or vision or image management. As with the trends impacting organizations and senior leaders, this list also goes on and on.

I have systematically analyzed the literature and determined that there is no extant research that attempts to answer the question raised by the leaders above. No one has published research on what the minimum approach to the managerial role can be and still have some assurance that the job is performed effectively. In one of the only articles that come close to discussing this topic, Llewellyn (2001) coins the term Atwo-way windows@ to describe doctors who have both managerial and clinical responsibilities. Her research further suggests that Aall public bureaucracies now involve complex mediation between professional [work] and managerial [work].@ An additional implication of her work is that this Aspecialist manager@ role may be what is desirable and required. The question remains, how much time should someone holding this role spend on the specialty and how much on management? How can the management activity be performed most efficiently and effectively? Llewellyn makes the argument that this is a desirable role for organizations because the senior leader who is also an individual contributor is uniquely situated to understand the macro and micro, the technical and managerial, and the back-office and front-line dynamics and contexts. It is as though these people are looking through a window two different ways along a variety of perspectives (Llewellyn, 2001).

The management and organizational literature currently reflects a situation that does not appear to match reality. The literature suggests that the higher an individual rises in the organization, the less technical expertise is required. The literature assumes that this technical expertise is needed in the lower levels of the organization and that the top levels require more tactical and strategic skills. Moreover, the senior leader is advised by professors and consultants that the managerial responsibilities require an increasingly sophisticated and critical set of skills such as developing relational equity and developing generational awareness.

Who Will Make the Next Breakthrough?

Another way to think about this topic is to ask the question, Awho will be primarily responsible for the next product/service advancement in the organization?@ During the industrial era, scientists, engineers, and technicians were expected to develop the breakthrough products and services. Consequently, the transistor, post-it notes, anti-lock braking systems and other similar inventions were all developed by people in the lower levels of the organization. Even in that era there would be some exceptions such as Thomas Edison, who, although CEO of Edison General Electric Company, continued to be an inventor. Another example is Henry Ford who pioneered the assembly line, a breakthrough for all manufacturing.

In today's era of information, services, and design, a senior leader often contributes the next breakthrough. Although it is unlikely that one person could understand all of the technology necessary to launch a new automotive company, the shift to a knowledge-based organization means that it is possible for the CEO to have all of the "technology" about an information-based product or service in her head. It is also possible for the senior leader to have a breakthrough innovation in design or form. Examples of these contributions abound. Like Thomas Edison, Bill Gates may be atypical. He is well-known for his early individual contributions in operating systems. Even as a senior leader of a more than forty billion dollar corporation, he still provided substantial technical expertise in the areas of "public key certificates" (combinations of digital signatures and identifying information such as a person's name, address and social security number) and rights-management systems to limit who forwards or opens email messages, reducing the risk of data loss.

A more typical example, although with exceptional achievement, is Michael Dell. He and other senior leaders at the Dell Corporation do not have patents for inventions that make better Dell products. They have discovered ways of making manufacturing and distribution processes more efficient. Although recently having lost its edge, Dell built its worldwide reputation for excellence largely on Michael Dell's ideas. Another noteworthy example is Jeffrey Bezos at Amazon Corporation. Bezos developed a number of ideas that were new to the book selling industry, including many that were new to business itself. Bezos pioneered the concept of "get big fast." His strategy was for Amazon to become the largest online retailer in the book-selling industry (later branching out to other industries) even if it meant accumulating unprecedented losses along the way. During the dot-com era, Wall Street applauded this strategy, vaulting Amazon's market value to stratospheric levels. When the bubble burst, Amazon's price also fell significantly, yet Bezos persevered with the strategy. Years later, his breakthrough has been vindicated. He was also largely responsible for other innovations at Amazon including inventory and distribution methods. In addition, Amazon was the first company to popularize features that are now common to many organizations such as customer wish lists (which can even be shared with friends and relatives similar to a bridal registry), online product reviews by non-experts (i.e. other customers), and analytics (a technology that is a more traditional break through – an important exception that will be discussed below). Analytics have allowed Amazon to suggest books to regular customers with an accuracy that is often shocking to them.

Another great example is Pierre Omidyar (founder and chairman) and Meg Whitman (President and CEO) of eBay, Incorporated. The main concept for the corporation, developed by these senior leaders, is to develop a "community, built on commerce, sustained by trust." EBay was the first business to develop a community of commerce among people with no existing relationship. Another of eBay's guiding principles is equal access to information and opportunities. Omidyar and Whitman pioneered a system whereby buyers and sellers in a transaction provide input to a public database that tracks the trustworthiness of both parties. EBay has found that the community they have developed has forged such tight bonds that the community has been able to exert power over other innovations by the company. When eBay attempted to enact policies that the community believed to be inconsistent with the principles, norms, and culture of the community, the company was forced to bring its policies back into alignment with the community.

In *A Whole New Mind*, Daniel Pink (2005) has categorized trends that demonstrate the increasing significance of right-brain thinking to executive and other work. He suggests that current and future leaders will have proficiency with the six senses of Design, Story, Symphony, Empathy, Play, and Meaning. An example in the area of Play is a senior leader in the U.S. Army who "in a flash of right-brain inspiration (Pink, 2005, 182) concluded that that

Army needed to change the way it was trying to recruit new soldiers from television ads and person-to-person persuasion to the use of a video game that provided a virtual experience of what it was like to be in the Army. The resulting product, *America's Army*, now has over two million registered users and is a breakthrough in how it takes players through basic training to become Green Berets, if they are successful along the way.

It is likely that most of the breakthroughs the reader can think of in the past ten years have come from senior leaders rather than scientists, researchers, or engineers[2]. Examples would include: Enterprise Rental Cars "We'll pick you up" strategy; Priceline's "Name your own price" strategy; the open architecture software idea as well as the strategy of making an operating system available free, as Linux has done; Banks and other lenders offering interest-only payments on home mortgages; and, grocery stores and other retailers providing self checkout. These are all well-known, dramatic examples, but think of some of the local organizations in your community for which this is also the case. Such small-business examples in my community include a woman who developed the idea of an online marketplace for matching truckers and their trips with customers who need products moved, a restaurateur who has created a dining experience that embodies and preserves the history of the community, and two sister entrepreneurs who

2 Obvious exceptions will not be discussed here. These generally require extremely specialized technical knowledge such as new pharmaceuticals, mobile phone technology breakthroughs, or trans-fat free food formulations.

have combined medical home health care with spiritual and faith development.

What Should the Leader Do?

Given the current state of affairs, what is a senior leader with technical responsibilities to do, and how can an OD practitioner help? What follows is necessarily preliminary and speculative given the current stage of research. Certainly, each senior leader has to decide how much time she needs to spend leading and managing in her organization. A senior leader who is the CEO of a major medical center may find that staying current in her research and clinical responsibilities may require small amounts of her time and imposes small relative amounts of pressure compared with the leadership and management demands of running the organization. A senior leader at America Online may find that there are far greater pressures on the side where he has responsibility for the overall content of the website, determination of what content to give away and what to charge for, and how to be seen as desirable in the face of ”hipper”, more nimble competitors. Regardless of the situation the senior leader will need to satisfice because it will likely be impossible to provide sustained great performance in both the leadership and technical roles.

Certainly, senior leaders should learn and apply the classic prescriptions about time management and delegation (although, by definition, the technical aspects cannot or should not be delegated). More recent work has shown that, although senior leaders have a tendency to get involved in too many areas and spread themselves too thin, the most successful leaders have the ability to stay focused on only the most important goals and activities. This finding has surfaced in very popular works such as the advice to "stick to the knitting" (Peters & Waterman, 1982) and the "hedgehog concept" (Collins, 2001). The latter has found that the most successful leaders have a limited number of strategic initiatives that they pursue, and that they can be ruthless in asserting the priority of these activities over all others. They have a "simple, crystalline concept that flows from deep understanding about the intersection" (Collins, 2001, 95) of what you can be the best in the world at, what drives your economic engine, and what you are deeply passionate about.

Another suggestion that may seem counterintuitive is to minimize the number of staff employees reporting to the senior leader. This strategy has been successfully employed at companies such as the ABB Group (formerly Asea Brown Bavari) and Visa International. At first glance, it might seem that the more staff reports a senior leader has, the more work she can delegate to others. However, there is a tradeoff with direct reports. Bright, energetic staff members are likely to generate an increasing amount of work that involves the senior leader, or at least requires that she monitor it. All of the effort the senior leader has to expend likely violates the hedgehog concept, taking his attention away from the limited set of critical functions.

There is a dearth of research in this area, so senior leaders with technical responsibilities are largely left to their own devices in figuring out how to allocate their time. In the final section, we will briefly consider what future research avenues should be pursued to begin providing answers to the question of this essay.

Although the question posed in this essay may be novel, at the same time, if there were easy answers, someone would have offered them by now. Consequently, it will take a large number of studies from a multitude of perspectives to begin to surface actionable strategies for senior leaders. This area of scholarship poses all the issues associated with researching ”leadership” plus some. One important approach will be to foster studies that attempt to discern how senior leaders allocate their time among leadership and technical roles. Mintzberg’s (1975) landmark studies following an approach like this revealed that a leader spends fewer than nine minutes on most interactions. His research also offered a reconceptualization of the leadership and managerial role. Performing time analyses would be a helpful approach (Wilber, 2000) in discovering how senior leaders are managing there dual responsibilities. This approach would also address questions such as whether the dual roles are woven seamlessly through a work day or whether they are segregated into chunks of time.

Because much of the leader’s work involves thinking, the time analysis is unlikely to reveal a senior leader’s thoughts and where his mind travels in “down” time such as driving the car or working out in the fitness center. An interior approach would involve interviewing senior leaders about proportions of time, energy, and mental exertion devoted to different responsibilities. This information would be useful, but is often confounded by at least two issues, retrospective sensemaking (Weick, 1995) and "Satchmo's Paradox" (Vaill, 1989). The former refers to the fact that although we each live nonlinear experiences filled with known and unknown motives at any given time, when asked about our experience, we will construct a story that is much more orderly, purposeful, and socially acceptable than what we actually lived. The latter is an allusion to Louis Armstrong's response to the question, what is jazz? He essentially replied that if you have to ask you won't ever get it. Armstrong was unable to explain to others something that he understood well. Other research suggests that an individual can perform work at a higher level than she can meaningfully explain to someone else (Jaques, 2002). People can adequately explain to others work done one level of cognitive ability below the highest level they themselves can perform, but they cannot explain what they do when they are utilizing their highest-level thinking.

Putting these issues aside for the moment, another helpful set of data would be first-person accounts from dual leaders who are operating effectively and have a high degree of self-awareness to minimize retrospective sensemaking and Satchmo's Paradox. Occasionally, someone comes along who has these abilities, and writes a book that transforms the field. Such an example would be Chester Barnard's *The Functions of The Executive*. As for baseball player/manager, John McGraw, he died in 1934, so he is not available to explain to us what he did that allowed him to bat .391 in one season and also coach a team to a world series championship in his player/manager career. His insights would have been helpful.

References

Alexander, J. R. (2005) From the president, *Leadership in Action*. 25(3), 2.

Barnard, C. I. (1938). *The functions of the executive*.

Cambridge, MA: Harvard University Press.

Camardella, M. J. (2003). Effective management of the performance-appraisal process. *Employment Relations Today*. 30(1), 103-107.

Campbell, K. S., White, C. D., & Johnson, D. E. (2003). Leader-member relations as a function of rapport management, *The Journal of Business Communication*. 40(3), 170+.

Collins, J. (2005) Good to great: Why some companies make the leap-- and others don't. New York: HarperBusiness.

Dent, E. B. & Goldberg, S. G. (1999). Challenging "resistance to change," *Journal of Applied Behavioral Science*, 35(1), 25-41.

Gatewood, R. D., Taylor, R.R., & Ferrell, O.C. (1995). *Management: Comprehension, analysis, and application*. Chicago: Irwin Publishers.

Jaques, E. (2002). Social power and the CEO: Leadership and trust in a sustainable free enterprise system. Westport, CT: Quorum Books.

Llewellyn, S. (2001). Two-way windows: Clinicians as medical managers, *Organizational Studies*, 22(4), 594-623.

Mintzberg, H. (1975). “The manager’s job: Folklore and fact.” *Harvard Business Review*. 53(4), 49-61.

Ornoff, K. (2002). Developing strategic competencies: A starting point*, Information Management Journal*. 36(4), 57-62.

Pearce, C.L. & Barkus, B. (2004). The future of leadership: Combining vertical and shared leadership to transform knowledge work. *The Academy of Management Executive*, 18(1), 47-57.

Peters, T. J., & Waterman, R. H. (1982) In search of excellence: Lessons from America's best-run companies. New York: Harper & Row.

Pink, D. H. (2005). *A whole new mind: Moving from the information age to the conceptual age*. New York: Riverhead Books.

Salopek, J. J. (2006). Leadership for a new age, *Training and Development*. 60(6), 22-23.

Sawhney, M. & Zabin, J. (2002). Managing and measuring relational equity in the network economy, *Academy of Marketing Science Journal*. 30(4), 313+.

Vaill, P. B. (1989). *Managing as a performing art: new ideas for a world of chaotic change*. San Francisco: Jossey-Bass.

Weick, Karl E. (1995). *Sensemaking in organizations*. Thousand Oaks, CA: Sage Publications.

Whiteley, P. (2001). The renaissance manager. *Director*. London. 54(7), 48-51.

Wilber, K (2000). *A brief history of everything* (2nd ed.). Boston: Shambhala.

Leadership Driving Organizational Change in a Healthcare Setting

Valerie Wallingford
Bemidji State University

The crisis in healthcare today is clearly evident considering heightened competition, payor dilemmas, and the traditional mindset of an industry that historically has not prepared for or adequately responded to the need for massive change. Healthcare administrators must demonstrate leadership by collaborating with and supporting the physicians to develop strategic and operational direction. Administrators in this capacity leadership must be able to: 1) support the creation of an effective system of corporate governance, 2) foster teamwork between clinical and administrative staff, and 3) initiate and promote process and structure changes to improve performance, accountability.

Leaders in successful organizations do the following: 1) stretch themselves professionally, 2) maximize learning in their organizations, 3) take risks, 4) transform other leaders within their organizations, 4) are action-oriented, 5) relations-oriented, 6) balance their teams, 7) manage uncertainty and ambiguity, 8) provide their managers with the freedom to make a decision, and 8) create a strong culture (Shortell, Gilles, Anderson, Erickson, and Mitchell, 2000; and Peters, Peters, and Waterman, 2004). Leaders exude value systems that make a difference and have a sense of direction for both themselves and their organizations.

According Bill George, former Chairman and CEO of Medtronic, many organizations find themselves without the leadership capabilities necessary to implement change due to a leader's lack of commitment to building an authentic organization for the long term (George, 2007).

It is true in all aspects of business that by taking care of customers and employees, the numbers will take care of themselves. If an organization treats the employees appropriately and its services meet the needs its customers (fairly priced, timely responses to customer requests), customers will continue to do business with that organization. An organization must also have the systems and processes in place to meet employee and customer needs.

When issues arise, it is human nature to jump to conclusions and want to blame someone for problems. So many times organizations focus on blaming people for problems versus looking at the process. A healthcare system produces results that it is capable of producing. If a process does not produce the results needed, the process must be changed. For example, if patient check-in is too slow, billing mistakes are too high, employee turnover is high, etc. where is the blame placed? An effective leader who understands processes will look first at the processes before blaming a person. Employees work with the systems provided of which they have little control. Effective leaders change systems that don't provide satisfactory results. In order to improve processes, human resources development and leadership may look to create a high-performance work system (HPWS).

In organizational theories of leadership, organizational performance is influenced by leaders through modification of human resource systems and processes (Yukl and Lepsinger, 2004). Leaders in the organization have a major responsibility for decisions to implement or change these systems and processes.

The need to extend beyond the traditional approach to problem solving and create an organizational structure that analyzes processes in healthcare provokes the following questions: *How might organizational leadership evaluate processes to improve performance?* And, *how might this be utilized in practice?*

Successful high-performance work systems (HPWS) improve organizational performance through a combination of HR practices, work structures, and processes that maximize employee knowledge, skill, commitment, and flexibility (Bohlander & Snell, 2010, p. 710). HPWS are based on four principles of high-involvement organizations and include shared information, knowledge development, performance-reward linkages, and equality (Bohlander & Snell, 2010, p. 712).

In multi-specialty, multi-site healthcare organizations experiencing rapid growth may be extending the limits of its existing leadership structure. This often creates numerous challenges to support the delivery of high quality services throughout the system. In order to deal with this, leadership may want to create an organizational structure that facilitates shared information, a focus on human resource development, a pay structure that is linked to performance, and clinical and support teams.

Critical to the success of any healthcare organization is a process to identify problem areas relative to the structure and processes through extensive diagnostic studies via surveys and meetings involving every employee in the organization. Problem areas that commonly exist in healthcare organizations may include: 1) confused and/or overlapping roles between governance and leadership, 2) speed and effectiveness of the decision-making process, 3) unclear roles and responsibilities, 4) lack of clear and consistent vision, direction, and priorities, 5) bureaucracy and red tape, and 6) lack of empowerment of decisions. These issues may lead to a lack of accountability, inability of the system to implement and execute strategies, and impede the ability to achieve goals. These issues may be resolved by reorganizing the structure that: 1) allows for prompt implementation of decisions, 2) creates teams, 3) decentralizes decisions, 4) focuses on results and training, 5) assures accountability, 6) clarifies roles and responsibilities, and 7) creates integration across the system.

Healthcare leadership must extend beyond a motivational or inspirational speech or attempt to solicit the will of the people to do better. Leadership must also rely upon an adequate structure in which clinical and administrative departments work together to implement the direction set by the governance.

Governance should set the mission and strategic direction of the organization, make its policies, and safeguard the organization's best interests at all times. Governance should also assign organizational goals annually which in healthcare may include accessible, high quality healthcare that is patient focused and financially stable. The governing body should be responsible for selecting the organization's executive officers and to ensure, by oversight, that they effectively conduct its business, in pursuit of its mission, and according to policies. It is then up to the leadership teams throughout the system to develop plans to achieve these organizational goals and direction.

Leadership must be instrumental in creating an adequate structure that integrates a vertical and horizontal level of functioning from all units of operation where lines of accountability and support are clear. In addition, competent leadership and support in developing empowered clinical and administrative teams throughout the organization is needed.

The ultimate purpose of an organizational structure in healthcare is to assist clinical and administrative teams and individuals in providing excellent patient care. A structure designed to empower teams throughout the organization and provide the appropriate direction and support to the teams is most effective. A structure that creates a divisional model with both vertical and horizontal levels of functioning from all units of clinical operations into manageable and accountable units may include: 1) operational divisions organized around geographic markets or functions within a region; 2) empowered teams, supported by a structure with decisions related to accountabilities moved down into the organization; 3) accountable units through a divisional structure with vertical and horizontal levels of functioning; and 4) a system-wide organizational operations team responsible for system planning, system overview, resource allocation through operations, and integration of healthcare specialties across the system.

This model encompasses both vertical and horizontal levels of functioning from all units of the operation. These divisions form accountable units consisting of departments or centers within a region. The leadership of these divisions is led by a divisional medical director and a divisional administrator who work as a team to support department chairs and managers and help to achieve divisional as well as organizational goals. In addition to accountability through the vertical structure, this structure supports and clearly identifies horizontal integration at the highest levels of the organization, as well as at the specialty level across the system. Each employee is then a member of the vertical structure, which is equivalent to their department or center. These departments or centers are accountable to respective divisions. Additionally, each employee is also in a horizontal structure relative to their specialty across the system via the system-wide operations team. Responsibilities are created for leaders, departments, and individual employees relative to the horizontal and vertical functions.

This creates participation in the organization vertically through departments to divisions and horizontally through the specialties. Therefore, everyone has a place in the organization, both vertically and horizontally, and has accountabilities to both. Ongoing training and development for division medical directors, administrators, department chairs, and managers needs to be provided along with required competencies for these positions so that everyone feels comfortable with and understands how they fit.

The bottom line from these structural and process changes is to improve organizational effectiveness in implementing the goals and direction set by the board. Applying the structural and process changes will allow the healthcare organization to improve organizational performance, improve satisfaction of employees and physicians, and improve services to patients as well as patient satisfaction. In order to meet an ever-changing environment, organizational structures and processes will continue to be a work in process that will evolve over time as needed.

This ever-changing environment requires that healthcare organizations continue to develop a sense of ownership among their employees. Clear expectations and direction should be provided via organizational charts and position descriptions. Regular communication and feedback about things that affect the workplace and the organization is required. Planning, prioritization, and coordination along with resources necessary to provide quality patient services are required. Training necessary for the job and for personal development should be offered to clinical and administrative staff. Employee opinions and feedback should be sought via forums allowing for input on organizational and departmental issues.

Managers need to be present, visible, and accessible with regular personal engagement. Clear expectations and directions should be provided. Regular communication and feedback about things that affect the workplace and the organization is required. Planning, prioritization, and coordination along with resources necessary to do the job are required. Training necessary for the job and for personal development should be offered. Trust and respect are required to create a positive, satisfying work environment. Rewards and recognition need to be aligned with the organization's performance. Timely decisions appropriate to the circumstance or area are required as well as support, encouragement, and empowerment. The organization should require that leaders be competent and supportive and that rules are applied fairly and uniformly.

The goal is to create a win-win environment, a mutual understanding and clarity of expectations, proactive employee participation throughout all phases of the process, balanced and constructive feedback to facilitate employee development, and shared ownership and commitment to success. This process consists of planning, coaching, reviewing, and rewarding.

The organization should to be committed to improving the satisfaction of all employees. This means setting direction, increasing support for people, and creating a sense of inclusion and feeling valued. This must happen at many levels but may not succeed in any global sense unless that sense of inclusion and teamwork happens in the departments where employees work.

Ultimately, the organization will be successful when leadership is able to convince the employees of the need for change and links that to the organization's business plan, and when top leadership is very supportive of the effort and provides the resources needed to implement change.

The days when one individual, no matter how talented, can solve an organization's problems are gone. The problems facing organizations today come at them so fast and are so complex that teams are needed to solve them by analyzing processes, systems, and structures. (Bennis, 2009).

A structure that includes shared information, a focus on human resource development, a pay structure linked to performance, and clinical and administrative teams will lead to excellent organizational performance albeit a painful process during the implementation of changes. This can be accomplished if leadership acknowledge the need and take the risks to implement change to ensure its continued success.

References

Bennis, W. (2009). *On becoming a leader*. New York, NY: Perseus Publsihing.

Bohlander, G., & Snell, S. (2010). *Managing human resources* (15th ed). Mason OH: South-Western Cengage Learning.

George, B. (2007) *True north: Discovering your authentic leadership*. San Francisco, CA: Jossey-Bass.

Peters, T. K., Peters, K., and Waterman, R. A. (2004). *In search of excellence.* New York: Harper and Row.

Shortell, S., Gilles, R., Anderson, D., Erickson, K., and Mitchell, J. (2000). *Remaking healthcare in America: The evolution of organized delivery systems* (2nd ed). San Francisco: Jossey-Bass.

Yukl, G. & Lepsinger, R. (2004). *Flexible leadership: Creating value by balancing multiple challenges and* choices. San Francisco, CA: Jossey-Bass.

How Leadership Responds; Potential Economic Consequences of
Worker Misclassification in the Florida Real Estate Labor Market

Jeff Ershler, Kaplan University

Abstract

The Florida Legislature amended state statutes in an effort to make real estate brokers more accountable for the actions of the real estate agents that are registered with the broker. Research indicates Florida real estate professionals are not mindful of the changes in the Florida law. Florida real estate brokers need to be more aware that classifying the worker as independent contractor will not insulate them from liability. Moreover the Florida Association of Realtors Leadership should be much more proactive in educating their membership about the likely economic course of continued inaction of worker misclassification.

In 2007, The Florida Legislature amended the state statutes in an effort to make real estate brokers more accountable for the actions of the real estate agents that are registered with the broker. In Section 475.25 of the Florida State Statutes, the Florida Real Estate Commission was given the power to discipline the broker under the following language:

> 475.25 Discipline
>
> (1) The commission may deny an application for licensure, registration, or permit, or renewal thereof; may place a licensee, registrant, or permittee on probation; may suspend a license, registration, or permit for a period not exceeding 10 years; may revoke a license, registration, or permit; may impose an administrative fine not to exceed $5,000 for each count or separate offense; and may issue a reprimand, and any or all of the foregoing, if it finds that the licensee, registrant, permittee, or applicant:

> (u) Has failed, if a broker, to direct, control, or manage a broker associate or sales associate employed by such broker. A rebuttable presumption exists that a broker associate or sales associate is employed by a broker if the records of the department establish that the broker associate or sales associate is registered with that broker. A record of licensure which is certified or authenticated in such form as to be admissible in evidence under the laws of the state is admissible as prima facie evidence of such registration (FL. Stat 475.25, 2007).

The relationship that is governed by 475.25(u) is, by statutory language, an employment relationship.

475.25(u) calls for penalties for brokers who fail to direct, control or manage a broker associate or sales associate employed by the broker. Mere registration with the broker, under the statute, is sufficient to establish an employment relationship.

> Q. I'm a broker with several sales associates working for me. In reviewing the file on a transaction that one of my sales associates closed recently, I discovered some questionable issues that suggest my associate assisted the buyer in engaging in lender fraud. I wasn't involved with this transaction and had no idea this was going on. Had I known, I wouldn't have allowed it. If anyone launches an investigation, could I bear any liability for fraud, or responsibility for my associate's actions in this transaction?

> A. Yes. As the broker, you are responsible for the activities of all your sales associates. Section 475.25(1)(u), Florida Statutes, which became effective July 1, 2006, states that FREC may discipline a broker who has failed "to direct, control or manage a broker associate or sales associate employed by such broker."

As the broker, you're responsible for monitoring your associates' transactions and making sure they are not engaging in anything illegal or unethical. Your failure to catch the fraudulent activity before the transaction closed could expose you to liability.

It has been commonplace in the Florida Real Estate industry for Real Estate Brokers to hire their Sales and Broker Associates as Independent Contractors. According to recent data (FAR, 2009), 78 percent of all realtors in Florida are hired as Independent Contractors.

Real Estate Brokers and other business professionals would typically look to the Internal Revenue Service guidelines to help determine whether or not a person is an Independent Contractor. Control is a key factor in the guidelines.

As the Internal Revenue Service (2010) notes:

> There is no “magic” or set number of factors that “makes” the worker an employee or an independent contractor, and no one factor stands alone in making this determination. The keys are to look at the entire relationship, consider the degree or extent of the right to direct and control, and finally, to document each of the factors used in coming up with the determination.

In Florida, a similar test is used, with actual control as the primary factor in the determination (Florida International University, 2007).

The question of whether a worker is an employee or an independent contractor affects more than just how the worker gets paid. It also affects the employer’s liability.

An employer’s liability under Florida contract and tort laws is determined by extent to which the employer may be held liable for an employee’s actions within the course and scope of the employment. However, if the worker is an independent contractor, the employer is not liable for the actions of the independent contractor (Peterson, 2009).

As Florida courts have noted, "If the one securing the services controls the means by which the task is accomplished, the one performing the service is an employee; if not, he is an independent contractor." <u>Miami Herald Pub. Co. v. Kendall</u>,

(1956) As one court recent stated, “The controlling factor is the controlling factor.” Debell v. Piermatteo (2008)

Casey (2010) suggests that companies should refrain from relying upon industry practice to avoid liability for worker misclassification. Padilla (2009) notes under Florida law, the fact that an individual signed an agreement stating that he or she is an independent contractor or received a Form 1099-Misc. is not determinative regarding the issue of whether that individual is an independent contractor.

Recently, the Obama administration’s fiscal 2011 budget calls for audits on 6,000 businesses to determine whether employees are misclassified as independent contractors. As Casey (2010) notes classifying a worker as an independent contractor rather than an employee, is becoming a heated topic among authorities.

The Florida Association of Realtors mission is to advance Florida’s real estate industry by shaping public policy on real property issues; encouraging, promoting and teaching consistent standards for ethical practice and professionalism; and building on the efforts of local Boards/Associations to provide the information and tools members need to succeed.

The vehicle to implement their mission has been thru a variety of educational programs.

The Association (FAR, 2010) maintains on their website that:

> Enhanced enforcement efforts likely will not affect real estate, however, as “sales associates” status as independent contractors is very well defined in law and laid out very simply,” according to J.D. Rinehart, vice-chair of the National Association of Realtors® Federal Taxation Committee. Sec. 3508 of the Internal Revenue Code says real estate brokers must hire sales associates with valid real estate licenses, inform them of their status as independent contractors, and have them acknowledge that they will be paid on a commission basis.

Interestingly, the Florida Association of Realtors continues to offer 'Independent Contractor Agreements' between Brokers and Associates. (FAR - ICA 5X, 2006)

As Casey (2010) notes:

> Classifying a worker as an independent contractor has a definite appeal for the contracting party (employer) and the service provider (independent contractor), particularly in difficult economic times. Plaintiffs' lawyers and management attorneys have reported a surge in misclassification lawsuits.
>
> Benefits to the employer include decreased payroll tax obligations, freedom from minimum wage and overtime requirements, no medical insurance or retirement benefits costs, and other administrative savings. Advantages for the independent contractor include flexibility, more money up front and tax benefits unavailable to employees, including deducting legitimate business expenses.
>
> Classifying a worker as an independent contractor removes almost all employment rights created by federal and state law to which employees are entitled. Thus, behind the financial benefits of an independent contractor arrangement lays a minefield of possible liability for the employer. For example, the company that engages a worker as an independent contractor who is later determined to be an employee can be liable for unpaid taxes. Further, as an employee, the worker would be covered by wage and hour laws and could make a claim for unpaid overtime.

Florida Real Estate Brokers need to be mindful of the changes in the Florida law and aware that classifying the worker as Independent Contractor will not insulate them from liability. Moreover, the Florida Association of Realtors Leadership may want to reconsider their position that the current administration's "Enhanced enforcement efforts likely will not affect real estate," and be much more proactive in educating their membership about the likely course of continued inaction.

References

2009 Member Profile Florida Report Prepared for the Florida Association of Realtors by the National Association of Realtors Research Division (May, 2009) Retrieved March 28, 2010 from http://www.floridarealtors.org/Research/upload/NUNAR_2009_Member_Profile_Florida_Report_8-2.pdf

About the Florida Association of Realtors; About Us (2010); Retrieved April 27, 2010 from http://www.floridarealtors.org/AboutFar/AboutUs/index.cfm

Casey III, Michael (2010) Beware of Independent Contractor Misclassifications; Miami Herald. Retrieved April 14, 2010 from http://www.miamiherald.com/2010/02/22/1491994/beware-of-independent-contractor.html#ixzz0lq3avQf5

Debell v. Piermatteo *(*Case Nos. 4D07-1748, 4D07-1918, and 4D07-2910, Fla. 5th DCA, 2008)

Florida Association of Realtors (2006) Independent Contractor Agreements between Brokers and Associates; FAR form ICA 5X, 2006; Retrieved April 24, 2010 from http://www.floridarealtors.org

Florida International University, Division of Finance, Office of the Controller, Accounts Payable – Employee or Independent Contractor (2007). Retrieved April 29, 2010 from http://finance.fiu.edu/controller/contractor.html

Florida Department of Business and Professional Regulation, Florida Real Estate Commission, Division of Real Estate Frequently Asked Questions (2009) Retrieved March 6, 2010 from http://www.myfloridalicense.com/dbpr/re/documents/FREC_FAQs.pdf

FL. STAT 475.25 (2007) Retrieved February 24, 2010 from http://www.myfloridahouse.gov/FileStores/Web/Statutes/FS07/CH0475/Section_0475.25.HTM

Freedman, Robert (2010) Independent Contractors Scrutinized; Realtor (04/10) Vol. 43, No. 4, P. 8; Retrieved April 26, 2010 from http://www.floridarealtors.org/NewsAndEvents/article.cfm?id=237611

Greenhouse, Steven (2010) U.S. Cracks Down on 'Contractors' as a Tax Dodge; The New York Times, February 17, 2010

Internal Revenue Service (2010) Independent Contractor – Self Employed or Employee? Retrieved April 14, 2010 from http://www.irs.gov/businesses/small/article/0,,id=99921,00.html

Miami Herald Pub. Co. v. Kendall, 88 So.2d 276, 277 (Fla.1956)

Padilla, Santiago (2009) Florida Employers that Claim an Employee is an Independent Contractor may be Violating the Law; Miami Employment Lawyer Blog. Retrieved April 20, 2010 from http://www.miamiemploymentlawyerblog.com/2009/07/florida-employers-that-claim-a.html

Peterson, Ralph (2009); The Florida Tests: Are workers employees or independent contractors; Business Management Daily. Retrieved March 22, 2010 from http://www.businessmanagementdaily.com/articles/18203/1/The-Florida-tests-Are-workers-employees-or-independent-contractors/Page1.html#

Essay: Motivational Fit and Organizational Systems

Ilene Ringler, Kaplan University

Information about how work is accomplished through various organizational systems can support informed choices for workers and leaders who are seeking a strong motivational fit between personal motivation and organizational systems. This article describes two of these systems; open and closed, and rational and natural including cultural features of each system within an organization. The reader can use this information and the examples presented to understand how these organizational systems may increase the fit between personal and organizational culture.

INTRODUCTION

Many adults spend at a good portion of their waking hours working within the borders of a formal work or corporate organizational structure. Scott (2003) agrees, "There is no need to belabor the assertion that ours is an organizational society-that organizations are a prominent, if not the dominant, characteristic of modern societies" (p. 3). Information about how work is accomplished through various organizational systems can support informed choices for workers who are seeking a strong motivation fit between personal motivations and organizational culture. Colter (2002) defines motivational fit as "[t]he degree of alignment between what a person expects or wants from a job, and what the job can actually offer. They say it is a primary component in determining whether a person will remain on the job" (p. 1).

An organizational overview and contemporary challenges is presented first. This overview will give the reader an overall perspective of organizational complexities and why systems were created to help achieve company goals. Two of these systems; open and closed, and rational and natural including cultural features of each system within an organization are discussed next. The reader can use this information and the examples presented to understand how the work processes may satisfy their personal work preferences. A summary and conclusions completes the work.

ORGANIZATIONAL OVERVIEW

Organizations of all types came into existence because a group of people with similar goals and desires came together to get some form of work done. Scott (2003) names these groups collectivities and further clarifies the corporate collectivity by stating, "It is the combination of relatively high goal specificity and relatively high formalization that distinguishes organizations from other types of collectivities" (p. 27).

Present-day corporate collectivities are significantly more complex than those seen during the early 1900s when Taylor, Fayol, and Weber conducted their pioneering organizational effectiveness work during the beginning of the industrial age. Mass production was taking the place of small shops run by family members and the need for skilled management was outstripping the available supply (Saslow, 2005; Spalding, 2003). The result of changes brought about by the industrial revolution now reveals itself in the contemporary business model which is global and multinational, employees come with differing cultural perspectives on work and family life balance, and cycle time for new product development and launch has decreased. Continuous change brought about by the global economy and other socioeconomic factors were acknowledged by Vaill (1996, 1997), who introduced the idea of permanent white water, a metaphor indicating that the world is on a rapid rollercoaster of continuous change.

One challenge for companies seeking a high degree of motivational fit between organizational culture and talent retention is to understand what types of organizational work processes and systems will provide the best match. "Thus we arrive at the contingency argument: there is no one best organizational form but many, and their suitability is determined by the goodness of fit between organizational form and environment" (Scott, 2003, p. 105). In the following section, the reader will gain a basic understanding of open and closed systems, and rational and natural systems. Generic examples of each of these systems are presented along with motivational fit factors. For company leadership seeking to identify and retain top talent, this analysis will provide a good foundation for increased effectiveness.

OPEN AND CLOSED SYSTEMS, RATIONAL AND NATURAL SYSTEMS

All systems, be they work related or ecological, are impacted by their exposure to the environment (Scott, 2003). The open and closed system model looks at how the work is performed from a process perspective. The continuum has at one end a closed structure, meaning the external impact plays a small or nonexistent role. Successful closed systems are constructed to ensure that outputs are predictable, and the impact of variables on the system are reduced, and in some rare cases eliminated altogether. Manufacturing is one easy to understand work related example. Successful and profitable manufacturing operations focus their efforts on continually reducing deviations to the process, thereby reducing costs, and increasing productivity. The increasing emphasis on total automation and the development of robotics to replace humans demonstrates an example of a system driving toward total closure. Cultural hallmarks of the closed system may include minimal amounts of formal interaction with other processes or people external to the system, intensive and highly focused interaction with processes and people within the system, and processes are not subject to changes over long periods, thereby ensuring predictability work tasks.

The other end of the continuum is the open structure, where external factors play a major role. "The open system perspective emerged as a part of the intellectual ferment following World War II, although its roots are much older" (Scott, 2003, p. 82). The open system is subject to many variables and complex variable interactions. There is little attempt and/or ability to control the impact of variables and in many cases interaction between variables in a nonlinear fashion is encouraged. Outputs are not predictable with a high degree of accuracy and in some cases, nonlinear interaction between outputs is deliberatively encouraged to increase innovation or solve complex problems. In the work world, organizations that exist primarily to create new ideas, such as think tanks and business incubators are examples of deliberate open systems environments. In organizations, communities of practice are an example of an internal open system. Wenger (2007) states, "Communities of Practice are groups of people who share a concern or a passion for something they do and learn how to do it better as they interact regularly" (p. 1). Cultural hallmarks of the open system include constant change to established norms, unpredictable work outputs, constant and continuous interaction with others in the system and others outside the system, new ideas and processes emerging, piloted and potentially discarded.

The open/closed system continuum gives organizations the opportunity to design work systems that have the appropriate input from the external environment. "Organizations construct and reconstruct boundaries across which they relate to the outside world" (Scott, 2003, p. 123). If one looks at organizations from a multilayered perspective, the outside world can have many different definitions, external to the department, to the local organization, to the entire organization. From a motivational fit perspective, when recruiting talent, management should take into account the applicant's desire for change vs. stability and the amount of interaction with the environment external to the local environment that is desired to attain job satisfaction.

Rational and Natural Systems

While the open and closed process looks at what environmental factors aid in work achievement, the rational and natural and perspective looks at the impact that people play in achieving work goals. The rational and natural system is described in a continuum with companies creating structures according to business requirements.

At one end of the spectrum, process standardization is the primary driver, with people becoming the tool by which the process is enabled. This type of process standardization is known as a rational system. The work by Taylor and his contemporaries during the beginning of the industrial age in creating productive work systems gave rise to the rational system of working. "From the rational system perspective, structural arrangements within organizations are conceived as tools deliberately designed to achieve the efficient realization of ends or, from Weber's perspective, the disciplined performance of participants" (Scott, 2003, p. 50).

Because rational organizations are dedicated to maximum efficiency for all processes, effectiveness measures are well defined. When looking at organizations that work within the confines of a rational system, examples that become immediately apparent are the finance and audit functions within an organization. Rigorous standards and measurement systems are set within these functions. For the audit function, the Sarbanes Oxley standard (Kohn, 2004) is the measurement system to assure compliance. Other organizational areas that operate with an eye toward the rational system are production and manufacturing systems. To maximize productivity and decrease errors and waste, process orientation and specific task assignments are critical. Cultural hallmarks of rational systems are clear and well established standards, strong drive for goal attainment, well defined roles, and responsibilities, formalized organizational structures, individual measurement of progress, incremental change in processes and work standards, and predictable work outputs. Interactions with others within the system or external to the system are varied.

At the continuum's other end, the natural system people play a large role in work achievement. The predominance of people over process is a hallmark of a natural system. Scott (2003) states,

> Whereas the rational system model focuses on features of organizations that distinguish them from other social groupings, the natural system model emphasizes commonalities among organizations and other systems. The natural system theorists do not deny that organizations have distinctive features, but they argue that these are overshadowed by the more generic systems and processes shared by all social collectivities. (p. 78)

As with any pendulum based system, the rise of the natural system of thinking arose in response to the extreme efforts to rationalize every function of the organization. Baker and Branch (2002) assert that the rigidness associated with the rational system could lead to ineffective and inefficient organizational performance. The natural system has at its core, the involvement of people's minds and thoughts in the work process, opening the door to improvements and a more loyal, engaged work population. Goal achievement is critical to both natural and rational system, but natural systems proponents recognize the importance of employee buy in to the process. On the surface, cultural hallmarks of natural systems in many respects do not radically differ from rational systems. Goal attainment is a core driver, performance standards and measures are clear, formal organizational structures exist to process work and tasks. Looking beyond the surface, natural systems evidence two major differences from rational systems. First, workers are encouraged and expected to be active participants in goal achievement. This difference is a key piece of information from a motivational fit perspective, as workers who participate in the natural systems organizations will need to enjoy the participation and the responsibilities that come with contributing.

The second differentiator is the open acknowledgement of informal networks. "In sum, natural system analysts insist that highly centralized and formalized structures are doomed to be ineffective and irrational in that they waste the organization's most precious resource: the intelligence and initiative of its participants" (Scott, 2003, p. 60). Rational systems have informal networks, but natural systems proponents take the step of acknowledging that formal systems (i.e., Standard Operating Procedures) are still in place and are necessary, but that they are supported by the growth of informal systems that are needed to ensure the organization accomplishes its work.

The continuum idea for rational and natural systems is supported by Scott (2003) who states, "Etzioni suggests that the rational and natural system models are complementary, focusing on conflicting tendencies present in all organizations" (p. 121).

SUMMARY AND CONCLUSIONS

The world of work has changed substantively since Taylor and others started down the path of creating effective and efficient organizations. The complexity of operating in a global economy creates the need for businesses that can operate under many types of structures, designing organizations that successfully manage many cultural and environmental inputs, each fulfilling a work process and business need. There will still be the need for both open and closed organizational structures, and environments will still operate within rational and natural settings. The need to complete the work, the risk of not completing the work, and the cultural values of the organization and the individuals working within corporate boundaries will determine the organization's structure and management processes. With no doubt, the increasing speed of change and the organizations, ability to deal with its ramifications will be a key business differentiator.

For company leadership, the need to keep and retain talent is a key priority in these competitive times. Analyzing company work systems and then implementing recruitment and retention process to find employees who will be satisfied in these work circumstances will increase effectiveness and reduce cost. Creating a plan using the information contained within this paper as one resource will be a valuable tool for future improvement.

References

Baker, K.A. & Branch, K. M. (2002), Chapter 1. Concepts Underlying Organizational Effectiveness: Trends in the Organization and Management Science Literature. Retrieved January 29, 2005, from http://www.sc.doe.gov/sc-5/benchmark/Ch 1 Trends 06.19.02.pdf.

Colter, C. (January-February 2002), Motivational Fit: Hiring the Right Person for the Job. Cooperative Grocer Online. Retrieved January 28, 2009 from http://cooperativegrocer.coop/articles/index.php?id=410.

Kohn, S. M. (2004). The Sarbanes-Oxley Act ("SOX"): legal protections for corporate whistleblowers. Retrieved August 19, 2009 from http://www.whistleblowers.org/html/sarbanes-oxley.html.

Saslow. S. (2005, January/February). Issues & observations: taking the lead in executive development. *Leadership in Action, 24*(6), 21-24. Retrieved December 13, 2009, from ProQuest database.

Scott, W. R. (2003). *Organizations: Rational, natural, and open systems* (5th ed.). Upper Saddle River, NJ: Prentice Hall.

Spalding, C. S. (2003), Community trusteeship and critical reflection: A case study of community leadership program alumni. (Doctoral dissertation, Columbia University, 2003).

ProQuest Dissertations and Theses-Full Text database. No. 3106961.

Wenger, E. (2007). Communities of practice a brief introduction. *Etienne Wenger*. Retrieved December 15, 2009, from http://www.ewenger.com/theory/index.htm.

Vaill, P. (1996). *Learning as a way of being. Strategies for Survival in a World of Permanent White Water.* San Francisco: Jossey-Bass.

Vaill, P. B. (1997). The learning challenges of leadership. *The James MacGregor Burns Academy of Leadership.* Retrieved February 8, 2009, from http://www.academy.umd.edu/publications/klspdocs/pvail_p1.htm.

American National Business Hall of Fame

Laureates

Wallace Abbott
Mary Kay Ash
H. H. Barber
William M. Batten
Stephen Bechtel Sr.
Charles Becker
Olive Ann Beech
William Blackie
Jacob Bunn
Alfred Burdick
Leo Burnett
Andrew Carnegie
William Casey
Gary Comer
Fairfax Cone
John Cotter
G.D. Crain
Frederick C. Crawford
Harry B. Cunningham
Arthur V. Davis
Charles Deere
John Deere
D. J. DePree
Hugh DePree
Walt Disney
Donald W. Douglas
George Eastman
Thomas A. Edison
Harvey Firestone
Benjamin Franklin
R.J. Frisby
Paul Galvin
Roswell Garst
Parker Gates
William Gore
W. B. Greene
Walter A. Haas
Joyce C. Hall
Ken Hansen
Henry J. Heinz
James G. Hill
Conrad N. Hilton
Wayne Hummer
R. B. Hulsen
Roy Ingersoll
Richard D. Irwin
Kenneth Iverson
Eric Jonsson
James Johnson
John Johnson
Robert Wood Johnson
Robert Wood Johnson II
Henry J. Kaiser
William Karnes
Bernard Kilgore
Dale Kirlin
Robert J. Kleberg
Ray Kroc
Edwin Land
Albert Lasker
James Lincoln
Wesley H. Loomis III
Frances Cabot Lowell
Gust E. Lundberg
Col. Robert McCormick
General Robert McDermott
Eugene McDonald
William Marsteller
George Mecherle
Sam Moore Walton
Aaron Montgomery Ward
Thomas J. Watson, Jr.
Thomas J. Watson, Sr.
John H. Patterson
W. A. Patterson
James Cash Penney
William Cooper Proctor
Tom Roberts Sr.
John D. Rockefeller
Julius Rosenwald
David Sarnoff
John G. (Jack) Searle
Richard Sears
Alfred P. Sloan
Cyrus R. Smith
Charles C. Spaulding
A. E. Staley
W. Clement Stone
John Swearingen
Gustavus F. Swift
Herbert Taylor
David Thomas
Fred Turner
Cornelius Vanderbilt
Marion Wade
Charles Walgreen
Charles R. Walgreen III
DeWitt Wallace
Lila A. Wallace

Franklin Lunding
Ian MacGregor
Irl Martin
Cyrus McCormick
Charles E. Merrill
Joseph L. Miller
George S. Moore
J. Pierpont Morgan
Louis Neumiller
William Norris
David N. Ogilvy
Robert Wood
Robert W. Woodruff
Ken Wessner
George Westinghouse
Frederick Weyerhaeuser
Joseph C. Wilson

Fellows

Earl Bakken
Arthur Blank
John Bogle
Donald
Brinckman (F)
S. Truett Cathy
Tom Chappell
Yvon
Chouinard
Max DePree
Robert Galvin
Anthony
Granatelli
William
Hewitt
Herbert
Kelleher
Bernard
Marcus
Jack Miller
Ken Olsen
Ross Perot
Herb Sandler
Marion
Sandler

The Journal of Business Leadership

Guidelines for Contributors

The Journal of Business Leadership [JBL] is the official journal of the American National Business Hall of Fame [ANBHF]. *JBL* is a multidisciplinary journal of interest to scholars, professionals, students, and practitioners in a broad range of management thinking. The purpose of the journal is to encourage the publication of case studies of business leadership. In keeping with the Hall's longitudinal study, The Ethical Views of Business Leaders, University Faculty and Students in the United States, submissions highlighting ethical leadership practices are encouraged.

General Information

Submissions should be written in standard American English following the style outlined in *The Publication Manual of the American Psychological Association,* 5th Edition. The reference style of all papers should follow APA style except that no line on the reference should be indented; all lines in the references should be flush left.

Peer-Reviewed Articles

Length: No more than ten, single-spaced pages, excluding references and appendices.

Non-Peer Reviewed Articles

Length: 3,000 to 5,000 words

Letter to the Editor

Length: Varies

Book, Film, or Video Review

Length: 500 to 750 words

Submission Information

Authors should send a copy of their submission via e-mail in Microsoft Word or WordPerfect. Authors agree to a copyright transfer that gives *JBL* copyright to the paper once it is published. *JBL* does not consider manuscripts that are simultaneously submitted elsewhere or previously published elsewhere.

Contact Information

Submissions should be sent to:

Robyn Hulsart, Ed.D.; *JBL Editor, hulsartr@apsu.edu*