

BUSINESS ADMINISTRATION EDUCATION

CHANGES IN MANAGEMENT
AND LEADERSHIP STRATEGIES

Edited by
**JOAN MARQUES,
SATINDER DHIMAN,
and SVETLANA HOLT**



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EDUCATION**

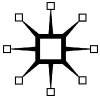
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FROM THE EDITORS

This book is the fruit of collaboration among 12 experienced scholars, who understood the necessity to change paradigms, and enrolled in a postdoctoral program focused on management and marketing. Their reasons were as diverse as their backgrounds: some had been involved in management teaching for a long time, while others had been focusing on philosophy, sociology, linguistics, and a number of other disciplines. In 2010, they met for an intense “Bridge to Business” training, which they jokingly labeled “boot camp.” Through their hard work and sleepless nights, a warm friendship of mutual respect, personal and professional support, and shared learning emerged, and *The Dirty Dozen* as they fondly became known by their course facilitators, decided to continue their relationship, and convert it into a product that would entail a blend of their old and new passions, their experiences, their awareness of change in business, education, and the global society as a whole. Their most important aim was to share this product with those who, like them, wanted to expand their horizons on the changing worlds of business, education, and the global society.

When, therefore, the idea for a book with 12 chapters emerged, all members of the team were elated. Unfortunately, three of the members were unable to actively participate, but their support and spirit are included here as well.

Business Administration Education: Changes in Management and Leadership Strategies is divided into three parts, all centered on the common theme of emerging paradigms. Part 1, “Emerging Paradigms in Business Management,” invites readers to consider leading with greater awareness from here onward, be it in personal or in professional settings. This part particularly calls for a holistic view on internal as well as external stakeholders and refrains from mindlessly accepting the status quo. Part 2, “Emerging Paradigms in Business Education,” explores the effects of change in the educational environment, first explaining the essence of empathy and emotional

intelligence in today's professional performance, then continuing and illustrating how these aspects could be included in business education. Part 3, "Emerging Paradigms: New Horizons" includes the global context, first, by providing an overview of the many dimensions of change that happened at this level and, subsequently, by focusing in on more specific topics such as the influence of cultural ideologies on ethical performance and notes on entrepreneurship. This final part ends with a view on the future by way of an illustrative analysis of the upcoming workforce: the Millennials.

Business Administration Education: Changes in Management and Leadership Strategies is dedicated to all 12 members of *The Dirty Dozen*, their course facilitators at Tulane University's A. B. Freeman School of Business, most notably their program coordinator, "Captain" Victor Cook, and all scholars and practitioners who will read this work and hopefully generate some positive insights from it. We hope that our collective effort will assist you in successfully reaching your goals in life, and we look forward to your feedback.

Sincerely,
The Dirty Dozen Editors' Team:
Joan Marques, Satinder Dhiman, and Svetlana Holt

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EMERGING PARADIGMS IN
BUSINESS MANAGEMENT

THE ESSENCE OF BEING THERE: WAKEFULNESS AS A STRATEGIC LEADERSHIP TOOL

Joan Marques

Abstract

In the twentieth century, leaders, especially those at strategic levels, became increasingly disconnected from their workforce. As competition became more fierce and widespread, shareholders became less tolerant about error or longitudinal processes, and their demands for rapid returns on investments increased. The augmented pressure from investors kept a parallel trend with the disengagement between leaders and their workforce: as leaders were given less time to deliver results, they had to focus more on corporate strategies and sacrifice their involvement with the workforce. However, now that a shift occurs in awareness among workforce members, through a multiplicity of occurrences, expectations are changing. Twenty-first-century workers are better educated and more aware of their rights, options, and desires, and expect their leaders to be visible, actively participating, respectful, and open to suggestions from employees at all levels. Motivation and collaboration start with connection. Today's flattening organizational structures, along with less formal yet more diverse and complex work environments, require leaders to be aware of (1) their own strengths and weaknesses, (2) their attitude, including their "soft" and "hard" skills, (3) their short- and long-term goals, (4) their responsibility toward various stakeholder groups, and (5) the legacy they want to leave. While considering the past and working toward the future, leaders have to understand the art of being there.

INTRODUCTION

Leadership is a fascinating subject and will probably remain to be seen as such, as long as humanity exists. While not always addressed in the

rich and diverse phraseology that we have today, leadership has always been present. It has evolved tremendously through the ages: from the ancient times of emperors and kings, to the modern days of presidents and CEOs. With the change of perspectives around leadership, the face of this phenomenon has been transformed as well. In days when the conviction still reigned that leaders were born and could not be made, one either had to be a member of an elite group or a possessor of certain physical attributes (male, white, and tall) to even be considered a leader. As awareness rose, and the realization dawned on humanity that leadership qualities are not prepacked and predistributed, but largely determined by one's development in life, we saw great leaders of a wide variety of statures, backgrounds, education, culture, and character. Napoleon could be a leader despite his lack of height, Gandhi despite his lack of muscles, Mandela despite his lack of white skin, Mother Teresa despite her not being male, and business and political leaders such as Bill Gates, Steve Jobs, Richard Branson, Andrea Jung, Margaret Thatcher, Bill Clinton, Barack Obama, and numerous others, despite their not being born as members of the elite.

THE EVOLUTION OF LEADERSHIP TRAITS

Traits have always played an important role in leadership. Once the fog of linking leadership to elite membership lifted, another erroneous, albeit slightly less restrictive, perception settled: the trait theory. In the early years of recognizing leadership as a phenomenon of study, the physical traits were the ones that mattered most. As earlier mentioned, one had the best chances to emerge as a leader if one was tall, white, and male. If the aspiring leader also harbored the ancient supporting attributes of being born into a certain elite, or the psychological attribute of being charismatic, extrovert, good-looking, and a great orator, then his or her chances of earning honor and prestige multiplied.

The Past Era of Psychopathic Leadership Traits

As competition became fiercer, globalization emerged and developed, technological advancement accelerated, diversity augmented, and pressure from shareholders in corporate settings increased, some psychological traits took a front row in deciding who could be a leader and who could not. The time span granted to a leader, especially in corporations, shrunk to less than four years, indicating that a leader who wanted to choose the longitudinal, structural path

to deliver results, would not make it, whereas one who could make fast and bold decisions, leading to clear financial advancement and proven corporate growth, would be hailed as a messiah, regardless of the strategies applied to get there. This dangerous interpretation of leadership in the corporate world, led to the rise of leaders such as Al Dunlap and Ken Lay, who engaged in highly questionable, actually downright unethical and inhumane actions, to demonstrate growth of the entity they were leading. Dunlap, for instance, simply fired half of the workers and ruthlessly forced the other half to work twice as hard to keep their jobs. The reason why he was initially successful was that the absolute numbers looked really good: he had saved a lot of money, and the return on investment (ROI) seemed to have doubled! Of course, this very strategy ultimately also led to his demise. Ken Lay just decided to look the other way while his staff was ripping off the system and engaging in one unethical practice after another. All was well as long as the money kept coming. As soon as rumors and blames emerged, he tried to play the role of Pontius Pilate, washing his hands in innocence and claiming that he was unaware of his managers' practices. As was the case with Al Dunlap, Lay's strategy ultimately became his demise.

It would take a number of similar corporate blunders, such as Tyco, WorldCom, Madoff, and a greed-based set of strategies in the loan and mortgage industry, along with the unfortunate effects of these factors for societies worldwide to realize that it was high time for a change. This change would have to be awareness driven, and not focused on short-term ROI. One of the mega-issues that resulted from the excessive short-term focus of the past decades was the widened discrepancy between corporate leaders and employees. This has resulted in multiple dimensions of problems. In this climate of speedy output delivery, leaders were increasingly forced to focus on cost-cutting strategies internally, and sales-enhancing strategies externally, causing them to lose connection with their most important stakeholder group: the workers who had to produce the output (Warrick, 2002). As could be expected, this growing detachment paralleled growing dissatisfaction and a reduced sense of well-being among workers: while their leaders were getting overpaid for ensuring quick and massive ROI, employees saw their work circumstances deteriorating into more work for less pay. The growing disparity between corporate leaders and workers also indicated some disturbing traits within these leaders: selfishness and lack of consideration for stakeholders (Wade, O'Reilly & Pollock, 2006). While there certainly are corporations that focus on a more humane approach, such as Nucor Steel's "share the pain" plan,

which monitors executive compensation that exceeds the wage cuts of rank-and-file employees in dire times, and Jet Blue Airways' David Needleman who donated his entire annual income to an emergency fund for employees in need, it remained a general trend that CEOs earn a great deal more than nonmanagerial workers. According to Fong (2010), the general trend of CEO overpay versus average worker underpay is still on the rise: whereas it was 120:1 in 1990, this ratio skyrocketed to about 400:1 in 2001. Also, while we have to consider the various standards in various industries, these discrepancies could only have come into being through the willing attitude of leaders toward these tremendous percentage divergences, and the immoral foundation of this trend giving rise to the notion of excessive narcissistic or psychopathic leaders.

The problem that presents itself in this regard is that narcissism is often considered an important trait in corporate leaders, because it can lead to optimal innovation if the leader is as brilliant a narcissist as Bill Gates, Steve Jobs, Oprah Winfrey, or Jack Welch (Pepper, 2005). However, aside from their narcissistic traits, these leaders also harbor the qualities of charisma and vision, which clearly distinguishes them from characters such as Bernie Ebbers and Dennis Koslowski, who use their skills in the harmful ways that we have all come to witness in recent years. Andrews and Furniss (2009) relate excessive narcissism in business organizations to psychopathic behavior. In their analysis, they explain the perfect match of over-the-top narcissists and psychopaths by listing their common traits: superficially charming, grandiose, deceitful, remorseless, void of empathy, irresponsible, impulsive, lacking goals, poor in behavioral controls, and antisocial. They warn about the calculated behavior of such individuals, who first present themselves as ideal workers, then start building relationships with people who have formal and informal power, and ultimately manipulate the entire environment. Because psychopaths don't like criticism, they will maneuver business ventures into high risk situations, alienate devoted employees, and jeopardize the company's chances of proper succession and long-term well-being.

Awakening to the Need for Different Traits: Soft Skills

The single credit that cannot be withheld from all the occurrences in the last decade of the twentieth and the first decade of the twenty-first century is that it has awakened members of the contemporary workforce to the need for change. Especially in the United States, a country that prides itself in its unconditional allegiance to capitalism,

the blow was widely felt as it manifested itself in an incomparable dollar amount fraud, accounting swindles, and immoral conduct (Hannah & Zatzick, 2008). Davis (2009) –metaphorically describes the American devastation in the first decade of the twenty-first century this way: “Like a loose thread that manages to unweave an entire sweater, the mortgage crisis evolved into a credit crisis and ultimately into an economic crisis that is rivaling the Great Depression of the 1930s” (p. 27). Focusing on the road ahead, Burnes (2009) avows, “[...] we are now entering a new era where ethical and socially-responsible behavior is becoming more important than profit maximization and self-interest” (p. 359).

While, merely a decade ago, narcissism, charisma, eloquence, and extroversion (see previous section in this chapter) were generally praised as the prominent traits for a typical corporate leader, we now see a shift in employees’ paradigm about the constitution of preferred leaders. Gradually but surely, the call for leaders with well-developed so-called soft skills can no longer be ignored.

“Soft” skills entail qualities such as self-awareness, self-regulation, motivation, empathy, and social skill, whereas “tough” or “hard” skills pertain to traits such as intelligence, analytical/technical skills, determination, rigor, and vision (Goleman, 2000). In more detail, soft skills are made up of interpersonal and social skills, while tough or hard skills mainly pertain to technical or administrative procedures that can be quantified and measured. The best results a leader can get in any setting is by using a responsible balance of soft and hard skills, as these skills complement each other (Dixon, Belnap, Albrecht, & Lee, 2010).

Behavior That Makes a Difference

Due to the fact that soft skills mainly derive from the right part of our brain, they come easier to some than to others. Specifically those who work in professions that require strong math skills (left-brain focused), such as medical doctors, economists, and engineers, may have a hard time understanding the shift that we are facing these days and the changed behavior this requires. Nyman (2006), who studied the behavior of engineer leaders, suggested the following steps to become better with applying soft skills:

1. Find out how others see you and make adjustments to yourself on the basis of your findings.
2. Engage in different decision-making styles than the one(s) you have used so far.

3. Work on your communication skills.
4. Stay humble and down to earth.
5. Learn from your missteps.

Gaillour (2004), who studied another group of intelligent, but soft skill averse professionals, physicians, came up with the following suggestions:

1. Reduce your excessive reliance on credentials and increase your emotional intelligence.
2. Tap less from your intellect and more from your intuition.
3. Increase your internal locus of control by being more accountable and decrease the victimized attitude of finding fault in everyone else.
4. Be more authentic and less technically competent.

Even though there are still hurdles to overcome with some groups of professionals, such as the ones mentioned above, it seems that the reinvention and reapplication of soft skills in leadership is moving straight ahead. Evidence of this trend is not only visible in our own work environments but also from studies, such as the one from Hind, Wilson, and Lenssen (2009), conducted among members of 11 leading European-based multinational companies, and finding that respondents considered a wide variety of soft skills important for responsible leaders. Some of the frequently mentioned traits were

1. Acting with integrity.
2. Caring for people.
3. Demonstrating ethical behavior.
4. Communicating with others.
5. Taking a long-term perspective.
6. Being openminded.
7. Managing responsibly outside the organization (p. 11).

Hind et. al. (2009) also included an interview section in the study described here and found from this section that today's well-performing leaders nurture five reflexive abilities:

1. Systemic thinking.
2. Embracing diversity and managing risk.
3. Balancing global and local perspectives.
4. Meaningful dialogue and developing a new language.
5. Emotional awareness (p. 15).

And Then There is Trust

One of the essential factors in the shift we have seen in recent perspectives about leaders and their traits is created by having a more educated workforce: especially in countries such as the United States, where the main industry is no longer manufacturing, but rather knowledge, the average workforce member has at least some years of college under his or her belt, making the workforce one that increasingly engages in critical and creative thinking, questioning of the status quo, and prioritizing intrinsic rather than extrinsic rewards.

With the elevated level of preferences came the earlier discussed awareness of soft skills in leaders. While some of these skills were briefly mentioned above, there is one that deserves a separate place: trust. Trust is a soft concept that can have tough consequences when neglected. It influences others' perceptions of one's product, leadership, knowledge, or partnership. Due to the recent corporate deceptions and greed-based actions, trust levels have decreased to an all-time low. The result is that lower and mid-level managers mistrust top leaders in their workplaces and don't voice their real opinions, simply because they are afraid to be penalized. Employees mistrust information from top management, not knowing what selfish motives may be at stake that will be revealed in hindsight. All stakeholders mistrust corporate leaders because of their immense salaries, as these represent a flagrant disregard for any compassion or fairness (Maccoby, 2002).

As Nymann, Gaillour, and Hind et. al. also indicated in their list of traits for leaders to consider in their efforts toward expanding their soft skills, communication is crucial. Poor communication is one of the most common factors to damage trust. Many leaders think that communication happens sufficiently when they voice or write their orders. They don't consider the option of integrative communication, which turns employees off, and negatively affects their perceptions of the leaders (Maccoby, 2002). Especially with a higher qualified workforce, leaders should keep clearly in mind that communication is not a one-way street, but a two-way process in which an exchange of thoughts, feelings, or ideas takes place (Dixon et al., 2010).

AWARENESS: THE UNWAVERING AUTOPILOT OF LEADERSHIP

Leadership is now, more than ever, a multifaceted phenomenon. Seasoned leaders will readily explain that strategies that work in some situations will not work in others. Life, and therefore leadership as well, is a major contradiction. Everything is highly intuition-based.

The fact that there are so many books, articles, and courses on leadership indicates that it is still one of the most fascinating topics in every area of life, and definitely in business.

A good illustration of the multifaceted nature of good leadership can be found in the concept of *Level Five* leaders, who, as described by Jim Collins in his book *Good to Great*, all harbor a certain set of qualities to get their companies to a higher plane of performance: these qualities should be seen as fundamental. They basically comprise a contradiction in itself: *determination* and *humility*. People who are determined and confident in their direction are usually arrogant and boastful. They are often charismatic, outgoing, and persuasive, and impress everybody they encounter. Yet, the Level Five leader also has the humility that makes him or her realize that every success can only be achieved and sustained when the entire team stands behind it. So, he or she gives credit to others first when things go right, but seeks fault in him- or herself first when things go wrong.

If we care to utilize this fundamental combination, which is rather extraordinary, it will be possible to implement all other traits and behaviors needed to become successful leaders, because we are determined to make things work, but we are humble enough to stay away from narcissistic tendencies. We can identify our strengths and use them to the advantage of our efforts, but we will also understand our weaknesses, which then will enhance our awareness on the importance of surrounding ourselves with people who can complement us in those areas. As leaders, our team should consist of people who balance our qualities with different ones, so that we create a wholesome constellation of strengths instead of a lopsided herd of mini-me's.

Finally, we need to face the demands of contemporary work environments. Change has changed, speed has sped up, and diversity has become more diversified. Our determination and humility should guide us in our understanding that we cannot treat all our coworkers the same way. We will have to adjust our behavior to the needs of the circumstances and our coworkers. Sometimes we will have to be directive, and at others we will have to be more supportive, persuasive, or hands off.

- The directive style is necessary when we deal with employees who may be ignorant or unwilling to do the job.
- The supportive style works best when we lead people who want to do the job, but may not (yet) be very confident in their own capacities.
- The persuasive approach is useful when we deal with people who know the work excellently, but are a bit difficult to handle.

- The hands-off strategy is best when we deal with people who are highly independent and efficient in their work and don't need directions, support, or persuasion to get going.

Using as guidance our focus in making things work, and our increased understanding that different folks require different strokes, we have to tap more into our emotional intelligence and add some compassion to our passion, so that the achievement of our goals becomes a victory of all involved and not only ourselves.

In sum, the seeming differences that make up for great leadership in our times are actually complementary qualities that are necessary in different facets of our performance. This is why soft skills such as understanding, compassion, empathy, and spirituality are finding greater acceptance in today's professional environments, even if we may name them differently.

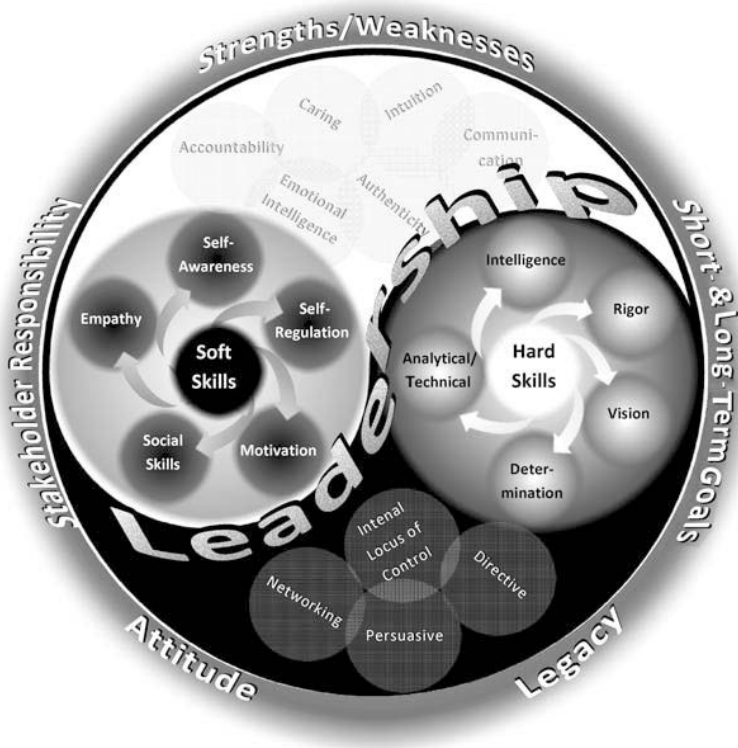


Figure 1.1 The Many Dimensions of Leadership.

Explaining [figure 1.1](#):

1. Leadership today, more than ever, requires both soft and hard (or tough) skills. These two sets are like the yin and yang for a leader and too much emphasis on one could lead to devastating outcomes, as we have seen in the past decades where there was an overemphasis on hard skills. While not all of the soft and hard skills are projected in the figure, some important ones are included for each. Self-awareness, self-regulation, motivation, social skills, and empathy as examples of soft skills, and intelligence, rigor, vision, determination, and analytical/technical skills as examples of hard ones. The arrows indicate the interdependence that exists between these skills: they often complement one another.
2. Aside from the clearly delineated soft and hard skills, leaders should nurture a number of other important qualities to succeed. Examples of these qualities are included in interrelated circles in the two main areas (accountability, caring intuition, networking, directive, etc.).
3. In sum, there are five overarching areas of attention that leaders should adhere to: their strengths and weaknesses, their short- and long-term goals, responsibility for the stakeholders, their attitude, and the legacy they want to leave.

Leadership is like a diamond: its beauty lies in the fact that it produces a different glow in different positions. It looks different for different people, it is full of creativity and sensitivity, and it changes over time, just like we do when we go through our life stages and our multiple careers.

CHAPTER SUMMARY

- Leadership is a dynamic subject that will keep changing as time progresses. Over time, we have seen leadership transform from a perceived inborn privilege to the manifestation of a skillset that is not prepacked and predistributed, but largely one that is determined by one's development in life.
- The evolution of leadership traits has shown us a transition from (a) being born in a certain elite to (b) being born with certain pronounced physical traits (white, male, tall), to (c) mastering behavioral traits such as charisma, extroversion, good looks, and great speaking skills, to (d) the current demand of a balance between soft and hard skills.

- With the emergence of fierce competition, globalization, technological advancement, diversity, and shareholder pressure, leaders found themselves forced to deliver rapid output at any cost, which resulted in alienation from their workforce for the sake of greater ROI.
- The corporate blunders of major corporations such as Enron, Tyco, WorldCom, Madoff, and the greed-based strategies in the loan and mortgage industry resulted in one major advantage: they caused societies worldwide to realize that it was high time for a change. This change would have to be awareness driven, and not focused on short-term ROI.
- The heavy emphasis on short-term profits gave rise to the preference of narcissistic leaders, because it can lead to optimal innovation if the leader is as brilliant a narcissist as Bill Gates, Steve Jobs, Oprah Winfrey, or Jack Welch. However, when narcissistic skills are used in harmful ways, psychopathic behavior emerges. Over-the-top narcissists and psychopaths display many common traits, such as superficially charming, grandiose, deceitful, remorseless, void of empathy, irresponsible, impulsive, lacking goals, poor in behavioral controls, and antisocial.
- While, merely a decade ago, narcissism, charisma, eloquence, and extroversion were generally praised as the prominent traits for a typical corporate leader, we now see a shift in employees' paradigm about the constitution of preferred leaders. Gradually but surely, the call for leaders with well-developed so-called soft skills can no longer be ignored. "Soft" skills entail qualities such as self-awareness, self-regulation, motivation, empathy, and social skill, while "tough" or "hard" skills pertain to traits such as intelligence, analytical/technical skills, determination, rigor, and vision.
- Due to the fact that soft skills mainly derive from the right part of our brain, they come easier to some than to others. Specifically those who work in professions that require strong math skills (left-brain focused), such as medical doctors, economists, and engineers, may have a hard time understanding the shift we are facing these days and the changed behavior this requires.
- The highly educated workforce in countries such as the United States increasingly engages in critical and creative thinking, questioning of the status quo, and prioritizing intrinsic rather than extrinsic rewards. This workforce also prioritizes trust in its leaders more than many other knowledge- or industry-based skills.
- Communication is crucial in building a trust relationship. Poor communication is one of the most common factors to damage trust.

Many leaders think that communication happens sufficiently when they voice or write their orders. They don't consider the option of integrative communication, which turns employees off, and negatively affects their perceptions of the leaders.

- Leadership is now, more than ever, a multifaceted phenomenon. Seasoned leaders know that strategies that work in some situations will not work in others. Life, and therefore leadership as well, is a major contradiction. A good illustration of the multifaceted nature of good leadership can be found in the concept of Level Five leaders, who harbor a certain set of qualities to get their companies to a higher plane of performance: these qualities should be seen as fundamental. They comprise a contradiction in itself: determination and humility.
- Leaders who want to nurture a well-performing workplace and a happy workforce should keep themselves aware of the demands of contemporary work environments. Change has changed, speed has sped up, and diversity has become more diversified. Determination and humility should be guides in understanding that not all coworkers can be treated the same way. The leader's behavior has to be responsibly adjusted to the needs of the circumstances and our coworkers.

CASE STUDY

There is a lot to be learned from the behaviors of past leaders. Considering two well-known business leaders in this case may help sharpen the reader's insights on their specific strengths and flaws, and how they managed to change their corporation, and often their society as well, with these.

Enron and Kenny-boy

Ken Lay, the now deceased founder and CEO of Enron, is a typical example of a leader who made some critical errors, which became costly for large parts of the US community. For many years, he was profiled as an exceptional leader, because he implemented a number of revolutionary leadership qualities in his company: he hired leaders who were smarter than he was in various regards, for instance. Enron was profiled in management books as a new age marvel, because the company demonstrated amazing flexibility

in its business focus. The fact that it was difficult to discern what Enron's real business was, and how it made money, was a major puzzle for some, and a reason for others to be in awe about this astounding corporation.

Lay also implemented a hands-off approach, which provided room to his top managers to make important strategic decisions. What becomes apparent in Lay's case, however, is that he pushed these managerial authorities too far. He seemed to either have had very little knowledge of what these managers were really doing, or simply chose to look the other way as long as the money was pouring in. For many years, these managers engaged in unethical practices of different natures and in different areas, while all he cared about were the dollars. He used his powerful network—in and of itself also a great leadership tool—for selfish advancement and with destructive effects on society. Lay's network was actually so powerful, that he had direct links to the Bush family (who praised him by his nickname "Kenny-boy"), and was even heralded to become a powerful officer when George W. Bush became the US president. However, while Lay could have used all these traits and possibilities in a constructive way, he got blinded by greed and disregarded the ethical dimension of Enron's activities.

One of Enron's most infamous ventures was their involvement in the electricity industry, and the way they preyed on the California population. Using a powerful network, the company's brokers manipulated the energy supply to the state in such a way, that they could become rich almost overnight at the expense of a suffering community. There was little or no care for the well-being of the state's inhabitants, but a sole focus on soaring electricity prices that made Enron a powerful but highly despised energy provider in California.

Grameen Bank and Muhammad Yunus

Muhammad Yunus, the founder and past president of Grameen Bank, which started in Bangladesh, represents a stark contrast to Lay's leadership in many ways. The very purpose of starting this corporation speaks of awareness and focus on social well-being. An economics professor by profession, Yunus returned to Bangladesh, after the country gained independence, in order to help build up the nation. He was lecturing on a local campus, but would regularly walk in the neighborhood and became curious about the poor people who were so active and hardworking, but did not seem to

make any progress in life. This is how he learned about the money-lenders, who basically used the microproducers as slaves, granting them just enough money to survive from day to day. He asked the poor vendors why they did not approach the local banks for small loans and learned what we all know today, which is that banks don't give loans to poor people, but only to those who can prove that they actually don't need the money they are asking for. Not even when Yunus offered to serve as a mediator would the banks cooperate. In the end, he started his own bank, and focused its activities on helping the poor get ahead. Contradicting the common notion of the banks, payback rate of these microlenders has always been stellar.

Over the past few decades, the Grameen Bank has branched out into several other activities, but unlike Enron, kept the focus on the well-being of society rather than on financial gain for a small group. One such collaboration was with Dannon, a global producing company of yoghurt, in which he pleaded for edible packaging instead of the common colorful, fancy wraps, so that the youngsters who would use this product could have optimal health benefits from it. Yunus maintained a similar approach in his collaborations with other global corporations.

Muhammad Yunus started traveling around the world to promote the Grameen Bank, to instill the awareness that poverty can be eradicated with the right business mindset, and to plea for scholarships for the first generation of children raised through the Grameen Bank intervention, who were now getting ready to enter college. Yunus' social entrepreneurial activities surfaced on the global radar, and in 2006 he became the first businessman in the world to earn the Nobel Peace Prize for his work. Unfortunately, he was ousted from his corporation in early 2011, due to controversies and political manipulations in Bangladesh.

QUESTIONS

1. Comparing the two leaders described above, which soft and hard skills can you detect in each?
2. How could Ken Lay have used his skills toward a more ethical performance of Enron, and how do you think this would have influenced the company's performance?
3. Are there any flaws that you can detect in Yunus' strategies? Please elaborate on your response.

4. Based on the information shared in this chapter and your own reflections, what do you consider the most important leadership qualities for the twenty-first century in both leaders?
5. What are some of the takeaways for you from this chapter and the case?

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SOCIAL RESPONSIBILITY:
CARING FOR PEOPLE, PRODUCTS,
PEACE, PRESERVATION, AND PLANET

Satinder Dhiman

Abstract

During the last 20 years or so, the concept of corporate social responsibility (CSR) has been gaining increasing attention around the world among business people, media, and academics from a wide range of disciplines. There are probably many reasons for the attention given to this phenomenon, not the least of which is the corporate excesses in various parts of the world. Such incidents are too common to recount that have left the financial markets in a state of uncertainty and have left ordinary people to wonder if such a thing as honesty exists any longer in business. As a result, the prevailing brand of “capitalism” has come under heavy fire throughout the world and corporations are increasingly being viewed as “selfish, greedy, and uncaring.”

This chapter surveys the triple bottom line (TBL) sustainability imperative facing modern business enterprises: the imperative of economic, social, and environment viability. After delineating the need and importance of social responsibility as a context for current reality, it will chronicle the TBL efforts of such diverse companies as Clorox, General Electric (GE), Timberland, and Toyota. It will then critically examine the impact of their efforts on all the elements of “TBL”: sustainability of products, people, and planet. Finally, it will point out the costs of ignoring the sustainability imperative and indicate how adhering to sustainable social and environmental practices is good for business’ economic viability—the perennial challenge of doing well by doing good.

INTRODUCTION

Sustainable development implies meeting the needs of the present without compromising the ability of future generations to meet their own needs.

The Brundtland Commission to the UN, 1987

Total Social Responsibility Imperative: Caring for People, Products, and Planet

Companies today are facing unprecedented economic, social, and ecological challenges. The lack of public trust fueled by recent financial meltdown, glaring ethical violations, and the continuous lack of (financial, social, and ecological) sustainability pose threat to “business as usual” (Chih, Chih & Chen, 2010; Myer & Kirby, 2010; Pirson & Lawrence, 2010). Environmentalist groups are hammering the urgency and the terror of the situation by enjoining that we have “to stop living as if we have another planet to go to.” The conscious consumers are increasingly using their purchasing power to express their commitment to environment and other enduring social values (Hindery, 2005) and companies are increasingly trying to become better corporate citizens. (Epstein, Buhovac & Yuthas, 2010; Maak, 2007; Senge et al., 2008; Smith 2007)

As the impact of business on the environment and society becomes too transparent and too substantial to ignore, companies are realizing that social and environmental responsibility is no longer an option (Cornelius et al., 2008; Epstein, 2008; Myer and Kirby, 2010, p. 39) in their recent *HBR* article argue that “companies have long prospered by ignoring what economists call ‘externalities.’ Now, they must learn to embrace them.” They caution: “Given the heightened sensibilities of ordinary people, any apparent callousness by corporations is more likely to raise hackles” (p. 42). For example, a review of corporate social responsibility (CSR) literature reveals that there are definite costs to violating environmental laws and norms and behaving in socially irresponsible ways (Aras & Crowther, 2009; Bansal, Maurer & Slawinski, 2008; Campbell, 2007; Cornelius et al., 2008). Accordingly, companies are reexamining the value proposition of sustainable business as a competitive strategy (Hart & Milstein, 2003; Smith, 2007).

The question of whether or why corporations should pay attention to issues of social and environmental responsibility is no longer up for discussion. The challenge is how. Implementing strategies for managing corporate social, environmental, and economic impacts (sustainability) is thus an important challenge for senior executives, who are often confronted with how to manage the paradox of improving social and financial performance simultaneously (Epstein, 2008).

Commenting on what they call “the sustainability imperative,” Lubin and Esty (2010, p. 44) have observed: “Most executives know that how they respond to the challenge of sustainability will profoundly affect the competitiveness—and perhaps even the survival—of their organizations.”

Social Responsibility is a Strategic Opportunity

Porter and Kramer (2002; 2006) opine that current social and environmental problems are strategic opportunities. Many proactive businesses are exploring ways to utilize sustainability as a competitive strategy (Bekefi & Epstein, 2008; Epstein, Buhovac & Yuthas, 2010; Luchsinger, 2009). Interface’s Mission Zero, GE’s Ecomagination, and more recently, IBM’s Smarter Planet, are all illustrations of this approach that aims to link the company’s core business with its sustainability initiatives. Among the key sustainability initiatives included in the 2010 *Ceres Report*, we find the following: PepsiCo’s Frito Lay potato chip facility in Arizona aiming to have zero emissions; IBM reducing energy and water use bills at one facility by \$3 million a year while increasing its output by 33 percent; General Mills helping broccoli farmers switch from furrow to drip irrigation, reducing water use by 50 percent or nearly 1.2 billion gallons a year; and Gap’s efforts to remediate the causes of excessive overtime work for suppliers.

Good businesses understand that a proactive approach to the sustainability, to managing “externalities,” and trust crises is also a good strategy (Jackson & Nelson, 2004; Myer & Kirby, 2010; Porter & Kramer, 2006). In their recent study, Pirson and Lawrence (2010) provide compelling evidence that “continued separation of the social and the economic is strategically unsustainable” and propose a humanistic paradigm for the sustainable development of business in the future. They argue that “Milton Friedman’s paradigm of ‘the business of business is business’, meaning creating the highest shareholder value, can only hold when financial value creation will not create negative externalities. The current sustainability crisis, however, calls for business to actively create positive externalities, what we would call sustainability plus.” (p. 561)

Social Responsibility is Not an “Add-On” to Business as Usual

Despite the widespread acknowledgment of sustainability imperative in all stakeholder quarters, very few studies exist that systematically

explore the question of implementing sustainability initiatives from leadership and corporate strategy perspective (Epstein, Buhovac & Yuthas, 2010; Hollingworth, 2009; Luchsinger, 2009). Too often, sustainability initiatives are poorly implemented and viewed as an “add-on” to the normal organizational processes. Epstein (2008, p. 5) splendidly captures the challenges of implementing sustainability imperative and provides some useful hints on aligning and coordinating such efforts with various management functions: “Without appropriate management systems, corporations may not reap the benefits associated with sustainability performance. The alignment of strategy, structure, management systems, and performance measures is essential for companies to be able to coordinate activities and motivate employees toward implementing a sustainability strategy. This must be viewed over a long time horizon so that both the leading and lagging indicators of performance can be examined.”

Schley (cited in Senge et al., 2006, pp. 96–97) opines that success of sustainability efforts depends upon the real synergy between three dimensions—social, economic, and ecological. In practice, efforts tend to be fragmented: Companies institute “social policies,” “green practices,” and financial reporting systems without ever linking them together. Building this “synergy” is the job of leadership.

Need and Relevance of Social Responsibility

During the last 20 years or so, the concept of CSR has been gaining increasing attention around the world among business people, media, and academics from a wide range of disciplines. There are probably many reasons (see Crowther & Ortiz-Martinez, 2006) for the attention given to this phenomenon, not the least of which is the corporate excesses in various parts of the world. These have left an indelible impression among people that all is not well in the corporate world and that there are problems that need to be addressed. Such incidents are too common to recount but have left the financial markets in a state of uncertainty and have left ordinary people to wonder if such a thing as honesty exists any longer in business (Aras & Crowther, 2009).

As pointed out earlier, the prevailing brand of “capitalism” has come under heavy fire throughout the world and corporations are increasingly being viewed as “selfish, greedy, and uncaring.” This has led to a hot debate about the very purpose of the existence of business, the *raison d’être* of the firm. Many authors see a conflict between financial performance of business and its social and environmental

responsibility (Ackerman, 1973; Friedman, 1970). Taking a radical approach, Milton Friedman (1970, p. 6) calls the doctrine of social responsibility “fundamentally subversive doctrine” and states that, in a free society, “there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition without deception or fraud.”

Many find Friedman’s view that “the business of business is business” and that “the social responsibility of business is to increase profits” “too limited” and “too narrow” that “undersells” the human dimension of business. John Mackey (cited in Friedman, Mackey & Rogers, 2005)—founder-CEO of Whole Foods and a self-styled market libertarian—believes that “certain amount of corporate philanthropy is simply good business and works for the long-term benefits of the investors.” Similarly, Aras and Crowther (2009) observe that profitability is predicated on CSR and so the financial performance of the company and its CSR-sustainability exist in a continuum. They see no dichotomy between the social/environmental performance of the company, as the social/environmental performance of the company today ensures the financial performance of the company tomorrow, and vice versa.

Conscious Capitalism: Social Consciousness of Business

This philosophy of *social conscience of business* is not without its critics even outside the Friedman camp of orthodox capitalism of free market variety. T. J. Rodgers, the founder and CEO of Cypress Semiconductor, for example, argues that corporations add far more to society by maximizing “long-term shareholder value” than they do by donating time and money to charity. This is very much in line with Friedman’s assertion that “the social responsibility of business is to increase its profits.” (Friedman, 1970; Friedman, Mackey, and Rogers, 2005)

The philosophy of conscious capitalism, however, has served Whole Foods tremendously well: of all the food retailers in the *Fortune 500* (including Wal-Mart), Whole Food has the highest profits as a percentage of sales, as well as the highest return on invested capital, sales per square foot, same-store sales, and growth rate. Its revenue has grown from \$250,000 in sales in the year 1978 to \$4.6 billion in 2005. Mackey explains: “The business model that Whole Foods has embraced could represent a new form of capitalism, one that

consciously works for the common good instead of depending solely on the “invisible hand’ to generate positive results for the society . . . It is the function of company leadership to develop solutions that continually work for the common good.” (Friedman, Mackey & Rogers, 2005)

The basic tension between economic and societal goals seems germane to the very founding of corporations, since the days of industrial revolution, which resulted in the separation of ownership from management. For most of the nineteenth and twentieth century, however, this tension remained dormant until its resurgence during the 1970s. Even until the late 1970s, CSR was derided as a joke, an oxymoron, and a contradiction in terms by investment and business community (Lydenberg, 2005). However, by the late 1990s, CSR (and sustainability and sustainable development) became widely accepted ideas (Wood, 1991) promoted by almost all constituents in society from governments and corporations to nongovernment organizations and individual consumers (Lee, 2008).

In a recent *HBR* article (May 2010, p. 45), Lubin and Esty contend that “sustainability is an emerging business megatrend that will profoundly affect companies’ competitiveness and even their survival. Despite the fact that sustainability is fast becoming a major trend, there is a considerable degree of confusion surrounding the concept of sustainability.” Campbell (2007, p. 946) has observed that CSR means “different things in different places to different people and at different times.” This is equally true of sustainability, a term closely associated with CSR. For the purist, sustainability implies nothing more than stasis—the ability to continue in an unchanged manner—but often it is taken to imply development in a sustainable manner (Aras & Crowther, 2009; Hart & Milstein, 2003).

Anatomy of Sustainability and Need for Social Responsibility

After reviewing the myriad approaches, Aras and Crowther (2009) argue that there are four aspects of sustainability that need to be recognized and analyzed, namely:

1. *Societal influence*, as a measure of the impact that society makes upon the corporation in terms of the social contract and stakeholder influence;
2. *Environmental Impact*, as the effect of the actions of the corporation upon its geophysical environment;

3. *Organizational culture*, as the relationship between the corporation and its internal stakeholders, particularly employees, and all aspects of that relationship; and
4. *Finance Performance*, as an adequate return for the level of risk undertaken.

They further contend that these four are of equal importance and must be considered as the key dimensions of sustainability. Building on their decadelong research in the field of sustainability, Aras and Crowther (2009) propose a comprehensive model of “Durable Corporation” that looks at all four aspects of CSR (society, environment, organizational culture, and financial performance) in the short term as well as in the long term.

Similarly, two recent *HBR* issues (April 2010 and May 2010) have indicated the importance of exploring sustainability imperative from a comprehensive, synergistic standpoint. The April 2010 *HBR* issue ran a cover story titled “Leadership in the Age of Sustainability.” Fast on the heels of this issue, in May 2010, *HBR* published another article titled “The Sustainability Imperative” in which the authors underscore that, despite the widespread knowledge about the sustainability imperative in terms of its impact on competitiveness of their organizations; most executives are “flailing around, launching hodgepodge of initiatives without any overarching vision or plan. That is not because they don’t see sustainability as a strategic issue. Rather, it’s because they think they’re facing an unprecedented territory for which there is no road map” (Lubin & Esty, 2010, p. 44). These authors then go on to suggest what may be termed as “conceptual road-map” to establish and integrate sustainability execution capabilities in five key areas: leadership, assessment, strategy development, management integration, reporting and communication.

SOCIAL RESPONSIBILITY / SUSTAINABILITY: SOME ILLUSTRATIVE EXAMPLES

Sustainability: The Spirit of the Times

For the past decade or so, sustainability has been fast emerging as a megatrend on the rise and a key survival issue for organizations in the twenty-first century, as indicated by constant media coverage and rising public pressures in wake of mounting evidence of irreversible environmental damage. Business enterprises have been called upon to control the TBL—the economic, social, and environmental aspects

of their operations. Businesses have responded to this clarion call to boosting their TBL in a variety of ways. Some have jumped on the “Go Green” bandwagon to attract media attention, others have been pushing the “health and wellness” envelop, whereas many companies have already well-developed natural/sustainable platforms to leverage growth. For them, embracing “The Greater Good Business Model” means sustainable economic growth and good business. Today, it will be hard to find a major company that does not have some sort of sustainability initiative under way.

There are scores of websites, discussion forums, interest groups, newsletters, research platforms, and conferences dedicated to sustainability. Daily, we are hit with headlines such as “When a Bleach Company cries Sustainability”; “Wal-Mart Launches Web-based Innovation Tool to Drive Sustainability Progress”; “General Electric Reinvents the Light Bulb and gives millions to support schools in the U.S. and healthcare in poor countries”; and so on. The Academy of Management, the lead organization for management scholars and practitioners, recently announced “Green Management Matters” to be the theme for its 2009 Annual Conference. Witness few of the companies that attended the Second Annual Sustainable Brands 08 conference held in Monterey, California, during June 2–5, 2008: Best Buy, Boeing, Charles Schwab, Cisco, Clorox, Coca-Cola, DuPont, General Mills, Kashi, Kraft, Microsoft, Panasonic, PepsiCo, Proctor & Gamble, SC Johnson, The Walt Disney Company, UPS, and hundreds more. And a recent book by Senge et al. convincingly argues that Sustainability is The Necessary Revolution!

Clorox Goes Green

Clorox, a company that manufactures chlorine-based products and plastic bags, has set out to get a piece of proverbial green apple pie by becoming a major player in natural cleaning and going green. During the Second Annual Sustainable Brands 08 conference, Bill Morrissey, VP of Environmental Sustainability at Clorox, presented the following four reasons for what motivates a consumer’s interest in the environment:

- Personal protection—What’s going in me/on me/around me (and my family)?
- Cost—I save \$\$ by reusing/reducing consumption.

- Status—I let others know that I care about the environment.
- Altruism—I do it because it’s the right thing to do (Braun, 2008, p.1).

Ashley Braun (2008, pp. 1–2) of Grist.org charmingly tells the story:

Traditional environmentalists may squirm to hear it but good ol’ altruism was the minority factor in driving environmental interest today. However, personal protection was the heavyweight that held the top rank. This aligned with another study’s report that consumers identified more with “My Environment,” which they perceived to be inside their control, as opposed to “The Environment,” which they considered outside of their control.

With “health and wellness” and “environmental sustainability” representing the next two mega-trends on the rise, businesses can leverage themselves to these trends in two-and-a-half ways: By making existing brands more sustainable and by investing in new sustainable brands (internally or through acquisition). Morrissey went on about how Clorox is striving to do that with three of its brands:

- Brita Water Filters, an existing Clorox brand that concerns what goes “In Me.”
- Burt’s Bees Natural Personal Care Products, a newly acquired brand that goes “On Me.”
- Green Works Natural Cleaning Products, an internally produced new brand that goes “Around Me.”

First, Clorox jumped on the anti-plastic water bottle bandwagon by promoting Brita filters as sustainable alternatives to those bedeviled bottles (Clorox said, “Drink Responsibly”). With an added eco-twist to their marketing approach, one Brita TV ad shows someone running on a treadmill, trusty one-time-use plastic water bottle in view, while the words “30 minutes on a treadmill” flash across the screen. Next the phrase “Forever in a landfill” drove the message home as it appeared next to the plastic bottle.

However, Burt’s Bees comes pretty darn close to green product heaven, and Clorox knows it. Morrissey described Burt’s Bees as “an environmental exemplar within our walls, and that’s been very valuable.” The final technique for leveraging Clorox in a sustainable market has been through its first new brand in 20 years—Green Works natural cleaners. Concerning the “Around Me” environment, these products are described as “99% natural,” biodegradable, not harmful to animal and aquatic life, non-allergenic, plant-based, and (deep breath) having transparent ingredients and recyclable packaging.

While skeptics applaud Clorox for some of the good things outlined in the pages above, they feel that any company that manufactures

things like chlorine and plastic bags is, by definition, very far from being natural, green, and sustainable.

Sustainability: The GE Way

GE is one company that has proved that commitment to sustainability can directly drive profits and innovation. In May 2005, GE launched a mega sustainability initiative called “Ecomagination.” Ecomagination is GE’s commitment to imagine and build innovative solutions and products that solve today’s environmental challenges and benefit customers, society, and environment. In a media statement, Jeff Immelt, the company’s CEO, stated: “Ecomagination is about the future. We will focus our unique energy, technology, manufacturing and infrastructure capabilities to develop tomorrow’s solutions such as solar energy, hybrid locomotives, fuel cells, lower-emission aircraft engines, lighter and stronger materials, efficient lighting and water purification technology. We will establish partnerships with our customers to tackle their most pressing environmental challenges and double our research spending to develop the products and services they need. And we will use these technologies to improve our own energy efficiency and environmental performance” (Source Watch: http://www.sourcewatch.org/index.php?title=General_Electric's_Ecomagination_Campaign).

GE’s wind turbines, energy-efficient appliances, water purification, and the upcoming hybrid electric-gas locomotives are all part of their growing sustainable products portfolio. GE maintains a state-of-the-art website devoted to informing the public of its sustainability initiatives and progress. The following information is excerpted from GE website <http://ge.ecomagination.com/site/index.html>

On May 28, 2008, GE announced that it is expanding its ecomagination strategy, committing to reduce its global water use by 20 percent by 2012. The company also reported that revenues from its portfolio of energy efficient and environmentally advantageous products and services crossed \$14 billion in 2007, up more than 15 percent from 2006; the ecomagination order book surged past \$70 billion; and GE’s own “cleantech” fund—investment in cleaner technology research and development—passed \$1 billion for the first time.

“Ecomagination is one of the most successful cross-company business initiatives in our recent history,” said GE chairman and CEO Jeff Immelt, in Beijing to report the progress with GE customers and partners. “It is a clear amplifier of our strong reputation for innovation and execution, harnessing the strength of every GE business to

maximize returns for GE investors while minimizing our own energy use and greenhouse gas emissions.”

“Today, we take our commitment further: to reduce our water consumption by one-fifth by 2012.”

In 2005, GE set an original goal to grow revenues from ecomagination products from \$6 billion in 2004 to \$20 billion in 2010. With the recent progress report, the company forecasts it will surpass \$20 billion by 2009—a year early on forecast—and is consequently raising the annual ecomagination revenue goal to \$25 billion by 2010.

GE is newly committing to reducing its global water use from 2006 to 2012 by 20 percent.

External measurements are an important indicator of GE’s progress. In the past few years, GE has been selected for several credible, socially responsible investment (SRI) indices, including the Dow Jones Sustainability Index (DJSI), KLD Global Climate 100 Index, and Innovest Global 100 “Most Sustainable Corporations in the World” index. <http://ge.ecomagination.com/site/#vision/info>

GE is one company that also does philanthropy right. Recently, the company announced a new donation—a five-year \$18 million grant from the GE Foundation to the New York City public schools, the largest-ever single corporate contribution to the school system. New York is the sixth city to join in what GE calls its “Developing Futures” program, which is aimed at improving schools in Atlanta; Cincinnati; Louisville; Stamford, Connecticut; and Erie, Pennsylvania, all places where GE operates. GE has been working on school reform for decades. GE believes that investing in school system is the best way to ensure a steady supply of trained workforce for future (*Fortune*, July 1, 2008).

Timberland: First to Receive LEED Certification for Mall-Based Retail Stores

Timberland is a global leader in the design, engineering, and marketing of premium-quality footwear, apparel, and accessories for consumers who value the outdoors and their time in it. The company’s CEO Jeff Swartz (cited in Rigby & Tager, 2008, p. 25) recently expressed the vision of the company: “We believe in our guts that commerce and justice are not separate ideas; that doing well and doing good are not antithetical notions, that being cognizant of this quarter’s earnings is a part of what we are responsible for—just as being our brother’s keeper and sister’s keeper is a part of what we are responsible for, every business day.” On June 4, 2008, The US Green

Building Council (USGBC) awarded the Leadership in Energy and Environmental Design (LEED) Gold certification for Timberland's Peabody, Massachusetts store location, and LEED Silver certification for Timberland's Salem, New Hampshire store location, making Timberland the first company to achieve LEED certification specifically for mall-based retail stores. <http://www.timberland.com/corp/index.jsp?page=pressrelease&cid=7500030203>

The stores were constructed using 100 percent reclaimed lumber, repurposing 100 percent of stockroom shelving, reducing water usage by 50 percent, ensuring that 90 percent of equipment and appliances installed are Energy Star eligible, and recycling 90 percent of the construction waste at one site, and 50 percent of the construction waste at the other. Timberland is on the Ethisphere Institute's 2008 list of 2008 World's Most Ethical Companies, it was announced recently. Along with Ford, Timberland also received the top sustainability reporting award in an international competition organized by the Boston-based Ceres coalition and the Association of Chartered Certified Accountants. <http://www.environmentalleader.com/2008/06/05/timberland-gets-first-leed-gold-for-mall-based-store/>

According to Jeff Swartz, president and CEO of Timberland: "Timberland is committed to reducing global warming and preserving the outdoor environment through the use of more renewable energy, more recycled and reusable materials, less waste, and less chemicals." <http://www.timberland.com/corp/index.jsp?page=pressrelease&cid=7500030203>

IGNORING SUSTAINABILITY AND SOCIAL RESPONSIBILITY HAS SEVERE ECONOMIC COSTS

It is important to realize that *ignoring sustainability and corporate social responsibility has serious economic costs*. The corporate scandals perpetuated by companies such as Enron, WorldCom, and Tyco have heightened the public awareness regarding an organization's ultimate obligation to community. The civic elections of March 2002 in the bay area, California, illustrate this point very well. Focusing on the residential impact of the proposed opening of IKEA in Palo Alto and Home Depot in Mountain View, the voters voted down Home Depot measure by two to one for being a poor neighbor. IKEA emerged with a narrow victory. The moral of the story: organizations will not thrive if they fail to serve the community (Batstone, 2003).

In his recent book titled *It Takes a CEO: It's Time to Lead with Integrity*, Leo Hindery, Jr. (2005, p. 119) makes the case that “we are well into our way toward turning into Wal-Mart nation.” “Yes,” he adds, “you can find great bargains at Wal-Mart, but if you are a Wal-Mart employee, you may not be able to afford them” (p. 119). Paul Blank (cited in Herbst, 2005, p. 4) puts it bluntly: “When companies like Wal-Mart are setting the standard, we have to ask: Do we want to live in a country where the largest employer pays below poverty-level wages, whose workers cannot afford health care?” While ruling relentlessly its suppliers with an iron fist, netting over 10 billion in annual profits and awarding millions to its top executives, you may add!

Wal-Mart is a familiar story. As Bansal, Maurer, and Slawinski (2008, p. 1) observe: “Wal-Mart has been vociferously criticized for paying its employees just enough to keep them out of welfare line-ups, but small enough to keep them out of poverty. As well, the company has been accused of destroying the heart and soul of small communities by putting small retailers out of business. The list goes on to include blocking unionization, squeezing suppliers, and outsourcing jobs. Wal-Mart is estimated to have lost about 8 percent of its market share because of reactions to such practices from consumers.” The authors go on to cite *Maclean's magazine's* recently published CSR report that gave the retail giant only a “C+” on its corporate responsibility report card.

Over the past years, however, Wal-Mart has taken several steps toward enhancing its sustainability efforts and managing its CSR waistline. It recently announced a goal of “designing a high-efficiency store that will use 20 percent less energy than its standard Supercenter store... It is also working with truck manufactures to develop the first diesel-hybrid 18-wheeler by next year as the mainstay of its truck fleet, the second largest in the US... Wal-Mart's Personal Sustainability Project is even teaching employees to recycle, cook healthy meals and use alternative transportation” (Rigby & Tager, 2008, pp. 25–26). And as Bansal, Maurer, and Slawinski (2008, p. 1) point out, Wal-Mart's CEO Lee Scott “is committed to ambitious environmental goals, including zero waste, 100% renewable energy, and environmentally friendly products.” Early this year (March 2008), Wal-Mart and the Cleantech Group announced the official launch of a web-based tool to identify technologies that can improve the environment and its business operations. So, why did Wal-Mart receive such low CSR grade if it has been undertaking

such environmental sustainability initiatives, ask Bansal et al. They explain: “Part of the answer lies in the calculation of the CSR ratings. Even if Wal-Mart was at the top of the environmental game, it would still rank below its competitors, with stronger records on social issues. Had Wal-Mart placed greater emphasis on its treatment of employees, it would have likely seen larger gains in CSR ratings” (pp. 1–2).

Sustainability-Balanced Score Card

The following table presents a snapshot of the sustainable initiatives of Clorox, GE, Timberland, and Toyota boosting their triple bottom line.

Company	Products	People	Planet
Clorox	Brita Water Filers; Burt's Bees Natural Products; Green Works natural cleaning products	Healthy products “in,” “on,” and “around” us.	GreenWorks' 99% natural products; Recyclable packaging
GE	Wind turbines, energy-efficient appliances, and water-purification, Next up: high efficiency incandescent electric bulbs, hybrid	“Developing Futures” special grants to New York city public school system; Donations for health care in poor countries	Cut nitrogen oxide emissions; reduced water usage; Energy Star appliances; Reclaiming, Repurposing, and Recycling
Timberland	Biodegradable boots and shoes	Improved health for employees; sustainable products. Caring, nurturing climate for employees	More renewable energy, more recycled and reusable materials, less waste, and less chemicals
Toyota	Hybrids vehicles (Prius, Camry, Highlander)	Healthy, prosperous, nurturing society; Seniors caring for seniors	Greenhouse gas reduction: Low Co2 emissions; Reduced water consumption; Harmony with cycles of nature

Figure 2.1 Snapshot of the Sustainable Initiatives of Clorox, GE, Timberland, and Toyota.

Sustainability and Profitability

Some writers (Rigby & Tager, 2008, p. 25) believe that “the direct link between sustainability and profitability is somewhat tenuous: there’s not much conclusive data proving the connection.” These authors cite one 2003 Morgan Stanley study which found that “sustainability leaders” outperformed laggards financially over a four-year-old period. As the foregoing presentation shows, companies that are committed to sustainability reap good dividends in terms of greater revenue, employee morale, productivity, and satisfaction.

For example, ever since Clorox/Brita launched their sustainable marketing effort, the brand has seen double-digit growth from previously flat to declining sales (Braun, 2008, p. 1). Similarly, GE has also reported an increase in revenues based on its sustainability efforts. As GE CEO, Jeff Immelt, stated that GE is committed “to grow revenues from products that provide significant environmental performance advantages to customers to at least \$20 billion in 2010.” GE believes that “if all pre-2001 North American engines were replaced with its new locomotive, railroads would not only save \$425 million annually in fuel costs, but the changeover would ‘cut nitrogen oxide emissions . . . as much as removing one-third of all cars from US roads’” (cited in Rigby & Tager, 2008, p. 24). And Toyota’s success with Prius is another illustration that it pays to be sustainable.

As Smith (2007, p. 186) has pointed out: “It would be difficult to find someone who views socially responsible behavior as negative. However, social responsibility is not without its skeptics. The prolonged advantage of corporate social responsibility ensures sustainable economic advantage and should be long-term objective of any organization.”

Cornelius et al. (2008, p. 355) rightly point out “the corporate relationship between social enterprises, social awareness and action is more complex than whether or not these organization engage in corporate social responsibility.” One of the challenges in this area is that many of the initiatives that companies, governments, and organizations have taken with respect to sustainability have been ad-hoc and opportunistic. Somebody has a good idea, they figure out how to do it and it gets done, but not because it’s regarded as the most significant or highest-priority thing to do. As a result, the evidence of the effectiveness of such initiatives is often anecdotal rather than fully data based. Having a systematic approach to sustainability-driven initiatives, with fully data-based methodologies and tools, will allow organizations more clearly to see if those expectations have been realized,

to intervene to guide the action toward the predicted outcome, and to learn from the process. Achieving this degree of transparency or, better still, calculating the financial value of these initiatives, remains a far-off prospect (Grayson et al. 2008, p. 1). If any one company fits this profile, that would be GE.

CHAPTER SUMMARY

- The question of whether or why corporations should pay attention to issues of social and environmental responsibility is no longer up for discussion. The challenge is how.
- Sustainability is a worthy social and environmental goal that can drive profitability, innovation, and growth.
- It is important to realize that *ignoring sustainability and corporate social responsibility has serious economic costs*.
- As the examples of Clorox, GE, Timberland, and Toyota show, companies that are committed to sustainability reap good dividends in terms of greater revenue, employee morale, productivity, and satisfaction.
- Social Responsibility or Sustainability is our shared responsibility toward our common future: both the consumers and the producers of goods and services have to learn *“to meet the needs of the present without compromising the ability of future generations to meet their own needs.”*
- This requires a major shift of mind—*metanoia*—by fully realizing the urgency and the terror of the situation. We have “to stop living as if we have another planet to go to.”

CASE STUDY

TOYOTA: SUSTAINABLE PRODUCTS, PRODUCTION, AND SOCIETY

The Great East Japan Earthquake struck two days after we announced our Global Vision. Our employees entered the stricken areas in the immediate aftermath of the earthquake and began providing support, working together with local residents to reconstruct and restore communities. Upon viewing the situation after the disaster, our support teams assessed the situation,

quickly worked out what was best for the communities and immediately set about their tasks accordingly. This represents the very spirit of Toyota's "power of the workplace"—an asset built up and handed down through 70 years of Toyota history. Priority was given to rescuing and preserving life, and then to the restoration of the communities, with restarting production only considered after the situation stabilized.

Thanks to these tremendous frontline efforts, the work to get production back to normal proceeded at a feverish pitch. After a short delay, we were able to announce our financial, production, and sales forecasts in June.

President, Toyota, August 2011

Toyota has led the auto industry in developing more environmentally responsible vehicles. The introduction of Toyota hybrid vehicles since the late 1990s has been instrumental in setting the trend for the car industry in the direction of more responsible motoring—and compelled other auto manufacturers to compete on fuel efficiency and lower CO₂ emissions.

**Toyota's Global Vision is to Seek Harmony between People,
Society, and the Global Environment, and Sustainable
Development of Society through Manufacturing**

Since its foundation, Toyota has continuously strived to contribute to the sustainable development of society through the manufacturing and provision of innovative and quality products and services that lead the times. The foundations of these endeavors are the Guiding Principles at Toyota and an explanation paper entitled "CSR POLICY: Contribution towards Sustainable Development" that interprets the Guiding Principles at Toyota.

**CSR POLICY: Contribution Toward
Sustainable Development**

In January 2005, Toyota announced the Contribution toward Sustainable Development, an interpretation of the Guiding Principles at Toyota that takes into consideration Toyota's relations with stakeholders. This was revised in August 2008 to become the CSR POLICY: Contribution toward Sustainable Development to take into account subsequent environmental changes and heightened societal interest in CSR.

Toyota Visionary Management: The Tree Metaphor

Toyota has employed a tree metaphor—focusing on “roots,” “trunk,” and “fruit”—in expressing the Toyota Global Vision, as illustrated in [figure 2.2](#).

Recognition

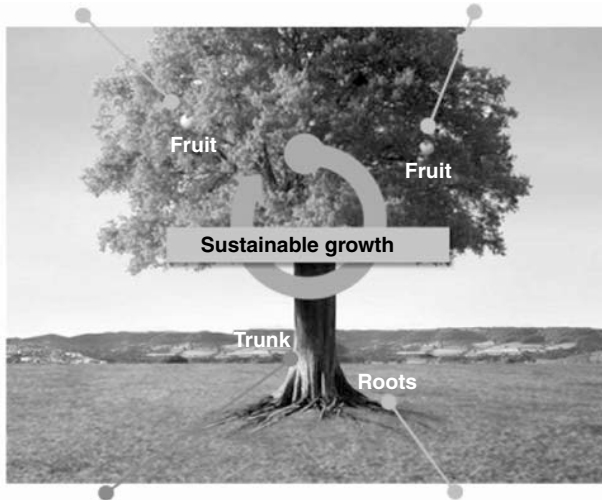
- Toyota has been selected as a constituent of the DJSI Asia Pacific after the annual review (announced on September 8, 2011). Toyota has also been selected as members of DJSI Asia Pacific 40 and DJSI Japan 40.
- Toyota has been selected as a constituent of the FTSE4Good Global Index, FTSE4Good Global 100 Index and FTSE4Good

Always better cars

Develop vehicles which exceed customer expectations

Enriching lives of communities

Contribute to communities
Contribute to the future of mobility



Stable base of business

Constantly drive “always better cars” and “enriching lives of communities” by ensuring sustainable profitability under long-range perspective

Toyota values

The Toyota Precepts
Guiding Principles at Toyota
The Toyota Way

Figure 2.2 Tree Metaphor Expressing Toyota’s Global Vision.

Source: Sustainability Report 2011 http://www.toyota-global.com/sustainability/sustainability_report/pdf_file_download/pdf/sustainability_report11_sc.pdf

Japan Index after the semiannual review (announced on September 9, 2011).

- Toyota has been selected as a constituent of the MS-SRI after the annual review (announced on September 1, 2011).

Some key achievements include the following:

- Vehicle life cycle analysis which reduces the environmental impact in the design, production, distribution, driving, and eventual disposal of cars.
- All vehicles are manufactured at ISO 14001 plants, with targets to reduce energy, CO₂, water, waste, and harmful substances.
- A 20% reduction in CO₂ emissions since January 2006 for our NZ operations.
- CarboNZero certification for our business operations since 2006.
- A comprehensive dealer environmental management program since 2005.
- Top 5 listing in Massey University's Corporate Environmental Responsiveness Survey since 2007.
- Strong engagement with employees through our annual "Environment Month" activities and promotion.

[Source: Sustainable Business Network, powered by *CMS Made Simple*, implemented by *integratorz ltd*]

Reducing Greenhouse Gas emissions remains a top priority at Toyota. Its company-wide GHG strategy aims to maximize energy efficiency as a first step, diversify our electricity mix to include renewable power and offset any remaining carbon emissions and business travel.

Ever since Toyota switched from environmental to sustainability reports in 2006, its sustainability reports are structured around three themes: sustainable mobility (products), sustainable plant initiatives (manufacturing), and contributing to the development of a sustainable society—also referred to as “nurturing society” (Rosebro, 2008, p. 1).

The themes constitute the foundation of Toyota's vision of the global corporate image that it wants to achieve by 2020. *Global Vision 2020* was developed last year on the occasion of the company's 70th anniversary, and envisions a society in which “cycles of nature” operate in harmony with “cycles of industry”, leading to, in the words of Toyota president Katsuaki Watanabe, a “prosperous, low-carbon society”(Rosebro, 2008, p. 1).

Toyota Vehicle Recalls

Toyota faced three separate but related recalls of automobiles at the end of 2009 and start of 2010. Many believe that the company “has appeared less than forthcoming about critical safety issues, risking the trust of its customers world-wide and that . . . early signs are that Toyota is may longer be the nimble company that took the world by storm over the past half-century . . . and yet . . . there is betting that Toyota will turn this around, reinvigorating its fortunes and inspiring a nation badly in need of inspiration” (Kingston, 2010).

After a ten month search, NASA and National Highway Traffic Safety Administration (NHTSA) scientists found no electronic defect in Toyota vehicles. Driver error or pedal misapplication was found responsible for most of the incidents (Jones, 2011).

QUESTIONS

- Why is it important for a company to move from environmental-based reporting to sustainability-based reporting?
- What is more effective way to run business: be proactive about the public and environment safety issues or to deal with public safety and environmentally hazardous situations as they crop up.
- Do you believe that the Toyota failed to handle the recalls effectively? What could they have done differently to mitigate the loss of public trust?

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MEASURE AND MANAGE:
INTANGIBLE ASSETS METRIC
STANDARDS FOR SUSTAINABILITY

William P. Fisher, Jr.

Abstract

To be feasible as components of a business model, social and environmental sustainability practices must be accountable for their returns on investment. Sustainability hinges on the comprehensive, long-term management of all the forms of capital necessary for profitability. Management, in turn, depends heavily on standards—measurement, legal, and financial standards essential to common product definitions, to proving ownership, to pricing, to knowing the quantity and quality of what is traded, and to evaluating where the business stands, where it has been, and where it is going relative to its overall objective. Counts and percentages of events, assessment ratings, or survey responses are often treated as sufficient to the task of measuring sustainability performances and outcomes in business. These kinds of numbers are the obvious and natural place to start in conceiving and designing measures of the intangible assets, performances, and outcomes essential to sustainability. Multiple benefits accrue from building on these intuitively sound beginnings to calibrated tools and universally uniform standards better able to serve the needs of sustainable business practices. Foremost among these benefits is the fact that measures adaptable to the changing needs of business will better support stable profits sustainable over the long term than measures that require business to adapt to their needs.

INTRODUCTION

Standards work constantly behind the scenes making life safer and more convenient in nearly all areas of everyday existence. The role of

standards in business is so fundamental that they may be described as the conditions for the possibility of economically profitable enterprises. Pidgin languages emerge in markets where different cultures interact and communications must be established. Archeology shows that the earliest forms of writing were business accounts (Ifrah, 1999). Beyond the standard forms of spoken and written language, everything from air, water, and food to buildings, clothing, automobiles, roads, appliances, and electricity are produced in conformity with voluntary consensus standards of various kinds. More than 100,000 standards in the United States specify product and system features and interconnections, making it possible for consumers to purchase products of all kinds with confidence. For instance, though few, if any, among us think about it at all, knowing that electrical appliances are configured to tap the power grid with the same results no matter where they are plugged in simplifies life significantly and in economically profitable ways. Sustainable business practices and profits will come into their own as institutions in their own right when the relevant classes of standardized measures and common product definitions are in place.

Standards and Markets

Widely adopted standards expand the sizes of markets and make businesses more sustainable over the long term. Consider how complex and unpredictable appliance manufacturing would be if electrical power was not standardized at specific voltage and amperage levels. What if each producer had to choose between making appliances that would work across different standards, or that would work only within one particular standard? What if different voltages were sometimes delivered from the same shaped outlets, and sometimes the same voltage was delivered from differently shaped outlets? The configuration and assembly of motors, cables, wires, capacitors, plugs, and outlets would all be vastly more complex than they are now. Product failure would be more common, quality would suffer, there would be less variety, and customers would likely more often ruin their purchases by burning out motors. Further, some manufacturers could take unfair advantage of the situation, influencing de facto standards as a source of leverage for increasing market share and forcing competitors out of business.

Standards provide a sense of a shared history and a common vision of the future, both of which are needed for aligning and coordinating the investments of all stakeholders in any given industry. As described

by Miller and O'Leary (2007), the paradigmatic example of a technology roadmap is Moore's Law, which asserts that the number of transistors placed on computer microprocessor chips will double every two years, at no change in price and with associated increases in processing speed. Though estimates of the doubling period have changed over time, from one to two years to, most recently, three years, since 1965 Moore's Law has defined the expectations of computer industry manufacturers, suppliers, and customers.

In the same way knowledge of the ubiquitous availability and inexpensive pricing of standardized electrical power informs the appliance manufacturing industry, Moore's Law assures computer manufacturers of an ongoing trajectory of standardized new product innovations marketable to an identifiable customer base. To be viable, business innovations focused on social and environmental sustainability will require an array of new standards that can be relied on to structure expectations and inform the making of markets. How such standards might emerge can be illuminated by examining the origins and characteristics of existing standards more closely.

Standards, Private Property, and Measurement

Firms voluntarily engage in consensus standards processes facilitated by groups such as the American National Standards Institute (ANSI), American Society for Testing and Materials (ASTM) International, the Association of Home Appliance Manufacturers, and many others. They do so because of the value standards confer on products and because the expense involved in developing effective standards would outstrip the resources available in even the largest companies. Currently, common product definitions and standard weights and measures pertain exclusively to manufactured goods and property, which includes patents and copyrights. In these domains, management focuses closely on the measured characteristics that make products what they are. More efficiently managing the length, weight, volume, voltage, resistance, BTUs, horsepower, kilowatts, color, and so on of every individual product in the context of universally uniform standards is often the crux of the innovations that make products profitable and drive an industry forward.

This is a key point. Individual manufactured products and privately owned properties each exhibit characteristic measured amounts of key components that are expressed in standard terms. The location and dimensions of a real estate parcel define it in a way that sets it apart from all other real estate parcels. The geometric coordinates

identifying a piece of property are incorporated into the legal title in such a way as to make ownership of that property defensible in court and financially leverageable. Serial numbers, patents, and copyrights provide similar degrees of proof of ownership for other kinds of property. Measurement standards and common product definitions like these *systematically* make individual investments and trade possible by reducing market frictions, facilitating communication, and generally greasing the wheels of commerce (Ashworth, 2004; Barzel, 1982; Benham & Benham, 2000).

Capitalism relies fundamentally on individual-level proof of ownership—both of private property and of the profits that may be reaped from investments in it. This is true at both the level of the entrepreneur starting a new venture and the level of the nation desiring economic prosperity (Bernstein, 2004; De Soto, 2000). The fall of the Soviet Union shows that collective ownership with no private interest or profit provides no incentive to enterprise, and so fails as an economic system as badly as systems offering no form of private ownership at all, which has effectively been the case in many emerging economies until recently.

SUSTAINABILITY AS A FUNCTION OF COMPREHENSIVE CAPITAL MEASUREMENT AND MANAGEMENT

Manufactured goods and property, however, are just one of the four major forms of capital necessary to a functional economy (Ekins, 1992; Ekins, Hillman, & Hutchison, 1992). A comprehensive look at the total volume of all capital under management must include the resources, living systems, and ecosystem services in nature; human abilities, motivations, and health; and the social sphere of trust, loyalty, and commitment. These forms of human, social, and natural capital are absolutely essential to economic productivity but are not measured or managed with the same universal uniformity and accessibility that manufactured capital and property are.

Considered in terms of the total volume of resources necessary to economic productivity, it would appear that less than 10 percent of the capital under management is associated with satisfactory measurement standards and common product definitions—that is we lack the standards needed for certified and defensible individual-level ownership and pricing for over 90 percent of the capital under management. It may be that the economic crises of the early twenty-first century have been caused largely by the lack of scientific, legal, and

financial standards for managing the vast majority of the resources at risk. When those standards are lacking, and, worse, when few are even aware of the need for and viability of such standards, inefficiencies, confusion, fraud, and missed opportunities are the inevitable result. This unfortunately is the case for the various forms of human, social, and natural capital (Fisher, 2009a, 2009b), as recent history shows.

The question is, could scientific, legal, and financial standards related to universally uniform quantitative measures of amount for these forms of capital reduce frictions in these markets and create an environment in which supply and demand are matched more efficiently? Is it possible that the basic principle of capitalism, that the improvement of the social welfare is more systematically accomplished by harnessing the energy of the profit motive, might be more effectively realized if all the forms of capital essential to a functional economy were put on the books? Instead of homogenizing individual differences in group-level statistics in the name of top-down impositions of policy, what if individual differences were themselves quantified so as to inform a grassroots-level process of collective decision making? Though these questions may sound audacious, what if there are good answers to them? What would be worse, failure due to insufficiently bold vision, or failure in the wake of subjecting wild hypotheses to careful tests?

Evidence of a Basis for a New Class of Standards

Measurement theory and practice (Andrich, 1988, 2010; Bond & Fox, 2007; Rasch, 1960; Wilson, 2005; Wright, 1977, 1999) have, however, advanced in recent decades to positions from which one can envision standard measures and common definitions for the outcome products of industries such as education, health care, social services, human resource management, environmental management, hospitality, and so on (Fisher, 2009a, 2009b, 2011a, 2011b; Fisher & Stenner, 2011a, 2011b). It is a mistake to think that universally uniform measurement of abilities, health, motivations, trust, performance, and so on, is impossible. Though “you manage what you measure,” measurement, instrument calibration, and traceability to metrological standards are not generally well understood outside of relatively small technical communities. Superior, relevant, and accessible scientific methods of instrument calibration and standards development are commonly left unnoticed and unexplored when business managers seek some way of quantifying a process, performance, or outcome.

A firm basis for implementing these methods has, however, been established in many substantively well-informed measurement efforts mounted in response to the needs for better measurement. Such efforts include proposals for genuine progress or happiness indexes as alternatives to GNP/GDP (Anielski, 2007), the Sustainability Impact Assessments developed in response to the World Trade Organization's policies (Ekins & Voituriez, 2009), or the United Nations Millennium Development Goals (IMF Staff, 2002). These major projects, like the vast majority of smaller-scale measurement projects mounted within various firms and industries, take the first steps toward satisfactorily addressing the technical demands of instrument calibration, metrological standards, and the assessment of conformity to common product definitions.

These initial steps are based in valid intuitions but stop with group-level statistical treatments insufficient to the tasks of establishing private ownership of human, social, and natural capital stocks, and of facilitating sustainability as a function of comprehensive capital measurement and management. Instead of statistical models of nonlinear group-level associations among variables, what are needed are measurement models of linear individual-level associations within single variables. In business management terms, the difference between statistics and measurement is analogous to the contrast between multi-valued and single-valued corporate objective functions.

The Corporate Objective Function

What is a single-valued corporate objective function? Jensen (2001) contrasts it with multiple-valued functions, as represented by diverse stakeholder interests, double- and triple-bottom-line accounting, and the balanced scorecard. In a reframing of the problem of balancing mission and margin, Jensen recognizes that "it is logically impossible to maximize in more than one dimension at the same time unless the dimensions are what are known as 'monotonic transformations' of one another" (pp. 10–11). Of course, if different variables are nothing but linear transformations of one another, they are, in effect, a single dimension that could be measured in a common unit. Evaluating monotonicity and unidimensionality can be very complex. Data from multiple indicators that appear uncorrelated, inconsistent and multi-dimensional from one point of view may seem monotonic and invariant from another (Andrich & Styles, 1998).

Fundamental measurement theory sets the stage for an alternative to the unilateral imposition of an ultimately arbitrary definition

specifying how trade-offs among various dimensions are to be decided. Probabilistic measurement models based in principles of invariance, statistical sufficiency, parameter separation, and so on. (Andrich, 1988; Bond & Fox, 2007; Rasch, 1960; Wright & Stone, 1999) facilitate balanced and mutually informative mediations of the relations of theory, data, and instruments (Ackermann, 1985). Instead of legislating trade-offs in ways that pit the interests of different stakeholder interests against each other, factual, theoretically tractable, and instrumentally mediated information might show the way to new opportunities for consensus on efficient, consistent, and sufficient trade-offs.

Standardized Mass Customization

In the history of capitalism, scientific rationalism stands alongside private property, capital availability, and communications and transportation networks as one of the four structural prerequisites to prosperity (Bernstein, 2004). Probabilistic models for fundamental measurement (Andrich, 1988; Bond & Fox, 2007; Rasch, 1960; Wright, 1999) provide a framework in which forms of universally uniform, standardized quantitative information can be conceived, designed, evaluated, and implemented. These models offer a wide range of important advantages to measurement, including individualized measures, item calibrations, uncertainty estimates, and model fit indices; linear units, the equating of different instruments measuring the same thing, the conjoint scaling of different facets (such as the persons measured, the items scaled, rating categories, judges varying in leniency or harshness, etc.), and the mapping of a substantive, qualitative ratio amount on a number line. But for the purposes of defining and implementing a single-valued corporate objective function, perhaps no other feature of these models will ultimately prove more important than their capacity for mass customization.

In tailored testing, also known as computer adaptive testing, test questions are selected from a precalibrated bank in a way designed to produce the optimal measure. Tailored tests and item banking date to the 1960s (Choppin, 1968, 1976; Wright & Bell, 1984; Wright & Douglas, 1975). In the last two decades, item banking and adaptive instrument administration have been incorporated in applications across a wide range of fields (Bergstrom & Lunz, 1994, 1999; Haley, et al., 2009; Linacre, 1999; Riley, et al., 2007; Velozo, et al., 2008; Wendt & Tatum, 2005; Wouters, et al., 2009). Given a large bank of previously calibrated items, test, survey, or assessment

administration can be individualized by basing item selection on the increasing amount of information provided by the examinee in each response to a new question. Measures are estimated as a function of the difference between the examinee's measure and the difficulties of the particular questions answered. Thus, when those questions are calibrated relative to hundreds of other, unasked questions, the comparability of the resulting measures is not compromised by the fact that the same count of correct answers might be obtained by examinees of very different abilities responding to items of very different difficulties.

Subsequent to its origins in educational measurement, this principle was applied in the context of functional assessments and patient surveys in health care (Veloza, et al., 2008; Wouters, et al., 2009). Further extensions of the principle can be imagined as unifying all of the various domains implied in the definition of an overarching corporate objective function. Managerial accountability would be strengthened in the way that the calibration order of assessment items on the ruler delineates a hierarchy of tasks associated with increasing probabilities of successful value-creating behaviors. This formative inference and application of the measure is made in the context of reading tests, for instance, which obtain diagnostic value when measures are interpreted as indicating where on the item hierarchy a student's measure falls, and what lesson content could next be most productively addressed (Stenner, et al., 2006).

The relevance of any particular item in the measured hierarchy is in no way compromised by its absence from the test actually administered to a given student. This is because the continuum of less to more is not defined in a way that is dependent on the actual content of the particular items administered. The measurement continuum is instead defined by the way all items consistently represent the abstract meaning of the construct as it manifests itself up and down the scale.

Similarly, a unitary corporate objective function might combine information from a wide range of interlinked assessments, such as those already included on the balanced scorecard or in double- and triple-bottom-line accounting. Before proceeding in this direction, care must be taken to design the instrument in accord with those principles most likely to result in successful calibration of the desired tool (Meijer & Nering, 1999; Wright & Stone, 1999). In all likelihood, though much of value could be learned from existing data gathered using instruments not designed to measure in one common

dimension, assuming that these data tell the whole truth would be a mistake. One of the major shortcomings of most approaches to social scientific measurement is that validity is primarily determined in terms of the content or face validity of the questions asked (Cherryholmes, 1988). Expert status is elevated at the expense of entering into a closer dialogue with those measured and with the consequence that complex statistical models describing ephemeral data-dependent intervariable interactions are favored over simple measurement models prescribing invariant intravariability uniformities. Thus, existing double- and triple-bottom-line data, or balanced scorecard data, might be useful in identifying both promising starts at and violations of the needed unidimensional consistencies, but it would not likely be sufficient to the ultimate task of delineating a unitary corporate objective function.

Of vital importance in arriving at a single-valued corporate objective function are the distinctions between true and false individualism (Hayek, 1948), and between measurement and statistics (Andrich, 1989, 2002). Measurement mathematically models the processes of socially contextualized individuals at the individual level *within* variables, whereas statistical models are concerned with individuals only as unexamined and wholly interchangeable components within processes taking place at group or population levels *between* variables. When data fit a measurement model prescribing the quality of the observations needed for the meaningful definition of a unit of comparison that remains constant across the particulars of the questions asked and responses given, what has in effect occurred is that the metric functions as a common currency for the exchange of value within this particular locally defined market.

Stakeholder Theory and Efficient Value Seeking

Where Jensen (2001, p. 21) sees stakeholder theory playing “into the hands of special interests that wish to use the resources of corporations for their own ends,” the failure of corporate interests to put externalities on the books as forms of fungible, accountable, and manageable capital—or even to make credible efforts at doing so—prompts a different take on the situation. The failure to create scientific, legal, and financial standards systematically prevents market forces from acting efficiently on the supply of and demand for human, social, and natural capital. The lack of relevant instruments for representing and exchanging the value of these forms of capital, the lack of prices for

standardized unit amounts of them, and the lack of relevant property rights together condemn human, social, and natural capital transactions to highly inefficient markets external to the primary capital markets. Stakeholders, then, have had little they can do but to employ nonmarket mechanisms and the best local information they can marshal to reallocate wealth. In other words, as long as corporations act as externalizing machines, social justice demands the reinternalization, to some degree, somewhere and somehow, of what is externalized. Perhaps the time will soon be upon us when all stakeholders can represent their interests together relative to standards designed to facilitate comprehensive management of all the forms of capital essential to market functioning.

CONCLUDING COMMENTS: REINVENTING CAPITALISM

The failed communist and socialist experiments of the twentieth century teach us that the ownership of personal property and the rewards that accrue from its proper management are essential foundations of successful value-seeking behavior (De Soto, 2000). Private property is essential to making markets function as well as they do, and to the processes that have raised standards of living for billions globally.

That said, as Jensen rightly points out, the current system is so wildly inefficient as to make stakeholder theory ultimately self-defeating. Others doing related work have estimated that, at the typically realized rates of value creation, most philanthropic efforts, for instance, will take thousands of years to reach their goals (Goldberg, 2009, pp. 11–12). But what would happen if tax-supported social welfare institutions were replaced by minimum social and natural capitalization requirements? What if human, social, and natural capital markets were made more efficient by measurement systems that dramatically reduced transaction costs and provided a basis for new property rights? What if the ongoing debates over financial accounting standards were augmented with (a) experimental comparisons of adaptively configured principle-based measurement approaches versus rule-based statistical approaches to human, social, and natural capital, and (b) standards networks embodying collective intentions in efficient markets (Okamoto, 2011; Robson, 1992) for these forms of capital? What if investments in all forms of capital could be balanced and traded off in ways that prevent anyone from profiting too exclusively in just one area?

The business case for measurement standards is as old as capitalism itself. Adam Smith pointed out how important uniform measurement systems are to obtaining the information needed for fair trade (Ashworth, 2004, p. 1314). More recently, Berk (2009) described three core areas in need of formal measurement processes, and cited research showing “that a group of companies with high learning and development measurement acumen outperformed the Standard & Poor’s 500 Index in terms of share price appreciation by more than 15 percent.”

But when it comes to human, social, and natural capital, it seems that value seekers in business need to learn this lesson of private property as much as stakeholder theorists do. Jensen speaks of preventing managers and directors from taking advantage of stakeholder theory to minimize their own accountability, but he stops short of the logical consequences of this position. If maximizing the value of private property is the best way to maximize social welfare, why is it that almost no one anywhere has the slightest clue as to how many shares they own of health, literacy, community, or environmental capital stocks, or what their current market values are? If value seekers are to continue expanding their supposed boon to humankind, when will capitalism represent all forms of capital in the fungible and transferable currencies of scientifically calibrated instruments? There are indeed numerous “difficult issues associated with specifying the trade-offs among multiple goods and bads that determine the overall score for an organization’s success” (Jensen, 2001, p. 21).

In the same way that the business world has not taken advantage of tools of longstanding availability, so, too, have social scientists failed to prioritize standards and to create links with commercial enterprises. This latter situation may be changing as social measurement research presentations increase at the meetings of groups like the International Measurement Confederation (IMEKO), a society of metrology engineers, physicists, chemists, and biomedical laboratorians (Conference note, 2011), and as organizations such as the National Institute for Standards and Technology (NIST), the National Science Foundation (NSF), and the Society for Standards Professionals publish papers advocating the establishment of new standards programs (Fisher, 2009b, 2012; Fisher & Stenner, 2011a).

With that start at a new dialogue between the natural and social sciences, the United States and international standards development communities have shown their interest in exploring possibilities for a new array of standard units of measurement, standardized outcome

product definitions, standard conformity assessment procedures, and outcome product quality standards. Ultimately, however, the creation of voluntary consensus standards is the concern of those who stand to benefit most from them, the virtually 100 percent of us who care about making economic prosperity contingent on the realization of human potential, the coherence of community life, and the quality of the natural environment. Reiterating once again Rasch's (1960, p. xx) insight concerning measurement, we can acknowledge with him that "this is a huge challenge, but once the problem has been formulated it does seem possible to meet it."

CHAPTER SUMMARY

- Standards of various kinds, from common languages to technical specifications to legal ownership rights and financial norms, are essential to the creation and efficient functioning of markets.
- Private property is fundamental to capitalism. History shows that economies flounder unless investors can own returns on their investments. Scientific, legal, and financial standards are essential to market-wide proofs of ownership and comparisons of value.
- Sustainability is a function of comprehensive capital management and measurement. The long-term sustainability of profits requires standards for the measurement and management of all four of the forms of capital essential to a functional economy.
- Scientific research conducted over the last 50 years has established the viability of a new class of uniform measurement standards relevant to the management of intangible assets, such as human, social, and natural forms of capital.
- The advantage of the single-valued corporate objective function over multivalued forms of that function (balanced scorecards, double- and triple-bottom lines, etc.) lies in its capacity to focus managers' attention on clearly defined responsibilities.
- Standardized mass customization measurement methods, like tailored testing and computer adaptive instrument administration, offer a superior technical means of testing the viability of, and possibly implementing, single-valued corporate objective functions.
- Capitalism may be less in need of reinvention than of completion. Applying known principles of private property, scientific rationalism, capital availability, and networked communications and transportation to those forms of capital lacking uniform standards of measurement and ownership may be essential to resolving outstanding economic issues.

CASE STUDY

When all instruments measuring the same thing are equated to a shared reference standard, local markets are generalized to contexts far larger than those defined by the administration of individual tests, surveys, or assessments. The Lexile Framework for Reading, a measure of literacy capital (Stenner, 2001; Stenner, et al., 2006; <http://www.lexile.com>), is an example of how social measurement methods have informed the creation of a new market within the education industry. Because we do not typically systematically test for general market contexts in research on intangible assets, apparently irreconcilable differences arise between different stakeholders invested in different aspects of the returns produced as the outcomes of managerial enterprises.

The Lexile Framework is the first example of an efficient market for human capital, though it is still in an early phase of development notable for its lack of individual rights to the ownership of the measured property. The Lexile unit of measurement is, however, functioning as a mediating instrument or object informing “those practices that frame the capital spending decisions of individual firms and agencies, and that help to align them with investments made by other firms and agencies in the same or related industries” (Miller & O’Leary, 2007, p. 701). An analogy with Moore’s Law can be made, on the basis of the increasing numbers of reading tests measuring in Lexiles and of students whose reading abilities are measured in Lexiles, and which are matched by teachers to books and articles with known reading complexities.

The predictability of a trajectory for the emergence of increasing numbers of precision measures allows the specification of a law capable of shaping fundamental expectations as to increases in the power and complexity of psychosocial measurement technology, and the timing of those increases. This practical law is applicable to business relationships in a manner analogous to the way the basic law describes scientific relationships. For instance, the definition of work in engineering mechanics is of little immediate interest in gauging the economic value of labor. But despite the lack of immediate relevance, the practical utility of the widely used horsepower measure of engine pulling capacity depends on the scientific validity of the proportionate relations between mass, force, and acceleration in Newton’s laws. Improvements in engine performance invariably conform to those laws, making them highly useful in projecting the consequences of changes in engine design.

The same simultaneous instantiation of scientific and economic value must be possible for instruments in any industry to mediate relationships in ways that can effectively and efficiently coordinate capital budgeting decisions. Thus, the Rasch Reading Law defines literacy capital in a form amenable to both scientific theorizing and to down-to-earth decisions about effective resource allocations in the classroom. In scientific terms, this law describes invariantly proportionate ratios between reading comprehension, text complexity, and reader ability (Burdick, Stone, & Stenner, 2006; Stenner, et al., 2006). As text complexity increases (the words used become less commonly encountered, and sentence length increases), reading comprehension rates decrease relative to a fixed reading ability measure. Conversely, given a fixed text complexity, reading comprehension rates increase as reading ability increases.

The practical value of this law is realized insofar as it then becomes possible to employ it productively in both (a) representing students' reading abilities in summative accountability measures and (b) intervening in ways likely to change those measures in formative instructional applications (Alonzo & Steedle, 2009; Chang & Chan, 1995; Kennedy & Wilson, 2007; Leclercq, 1980). Concerning the latter, it is well understood that learning is inherently a matter of leveraging what is already known (the alphabet, numbers, words, grammar, arithmetical operations, etc.) to frame and understand what is not yet known (new vocabulary, constructions, specific problems, etc.). It is therefore vitally important to target instruction at the sweet spot where enough is known to support comprehension, but where what is not known is still substantial enough to make the lesson challenging. This range along the measurement continuum just above the student's measure is known as the Zone of Proximal Development (Vygotsky, 1978) and is valued for indicating the range of curriculum content the student is developmentally ready to learn (Griffin, 2007). When measures are appropriately targeted, learning is maximized and measurement error is minimized. The same kind of strategy has proven useful in prescribing rehabilitation therapies (Chang & Chan, 1995) and likely has other as yet unexplored applications.

Targeting must be a key element in any future technology roadmap for education. Though there is no substitute for attention to other substantive aspects of the educational process, this indicator is of potentially central importance as a summary indicator of how accurately and precisely educational outcomes are represented, and how efficiently instructional interventions are implemented.

Rasch measurement isolates and focuses attention on empirical and theoretically tractable test item difficulty scale orders and positions. Then it estimates student abilities relative to that scale and describes them in terms of the probabilities of successful comprehension up and down the scale, whether or not all of the items potentially available have actually been administered. The goal of education, after all, is not to teach students only how to deal with the actual concrete problems encountered in instruction and assessment. The goal is rather to teach students how to manage any and all problems of a given type at a given level of difficulty.

Though a dialectic between part and whole is necessary, we cheat students and society when education becomes fixated on particular content and neglects the larger context in which skills are to be applied. The overall principle is effectively one of mass customization. Instruction and assessment, or any bidirectional method of simultaneous representation and intervention, benefits from forms of quantification coordinating substantive content with metrics that remain stable and constant no matter which particular test, survey, or assessment items are involved. The same principles apply in any other enterprise focused on intangible outcomes, such as health care, social services, or human resource management. We short change ourselves by failing to demand mediating instruments enabling a kind of virtual coordination of improvement, purchasing, hiring, and other investment decisions across different individuals, firms, agencies, and arenas in the economy. The architecture of probabilistic models open to the integration of new items and samples embodies the principles of invariance characteristic of the mediating instruments needed for aligning legally and geographically separated firms' decisions within a common inferential framework.

Of course, even though it has been almost 60 years since Rasch (1960) first did his foundational research (Andrich, 1988; Bond & Fox, 2007; Wright, 1999) on reading, integrating assessment and instruction on the basis of the Rasch Reading Law is not yet the norm in educational practice. Accordingly, most instruction is not integrated with assessment, and few examination results are reported so as to illustrate the alignment of a developmental continuum with the curriculum. Furthermore, and more specifically, most reading instruction is not appropriately targeted at individual students' Zones of Proximal Development. This is problematic, given that reading abilities within elementary school classrooms can easily range from two grade levels below to two grade levels above the reading difficulty of the textbook.

Figure 3.1, patterned on the second figure in Moore (1965), describes what may be referred to as Stenner's Law: the expectation that the number of precision reading measures estimated will double every two years, with no associated increase in cost. The number of measures made per student each year increases as reading curricula targeting reading materials at student-specific reading levels are brought on line. Figure 3.1 has historical validity in that the line begins not long after the 1960 introduction of Rasch's work in Chicago, is in the range of 350,000 in the 1970s, during the Anchor Test Study (Rentz & Bashaw, 1977), and was about 20–30 million in the period of 2005–2008, which is approximately how many measures were being produced annually at that time by users of the Lexile Framework for Reading (Stenner, et al., 2006).

Other projections of this kind analogous to those provided by Moore (1965) and to those subsequently developed within the microprocessor industry (Miller & O'Leary, 2007) may come to serve as a platform for new innovations in industries dominated by investments in human, social, and natural capital (Fisher & Stenner, 2011b).

QUESTIONS

1. Sustainability is often conceived in a fragmented way focused on the effects and consequences of specific products, manufacturing processes, or policies. How might the expansion of market principles to include forms of capital traditionally externalized change the dialogue about sustainability?
2. Measurement in human resource management, organizational performance assessment, customer relation management, and so on is typically conceived as a local problem addressed via item-specific statistical analyses. How might reconceiving these measurement problems globally in terms of industry-wide standards change the outcomes of decision-making processes?
3. Jensen (2001) suggests that the multivalued corporate objective functions embodied in balanced scorecard and double- and triple-bottom-line accounting methods provide managers with handy excuses for avoiding responsibilities concerning the ongoing viability of their organizations. How might technologies such as item banking and adaptive instrument administration support the alignment and coordination of those functions essential to sustainable profits?

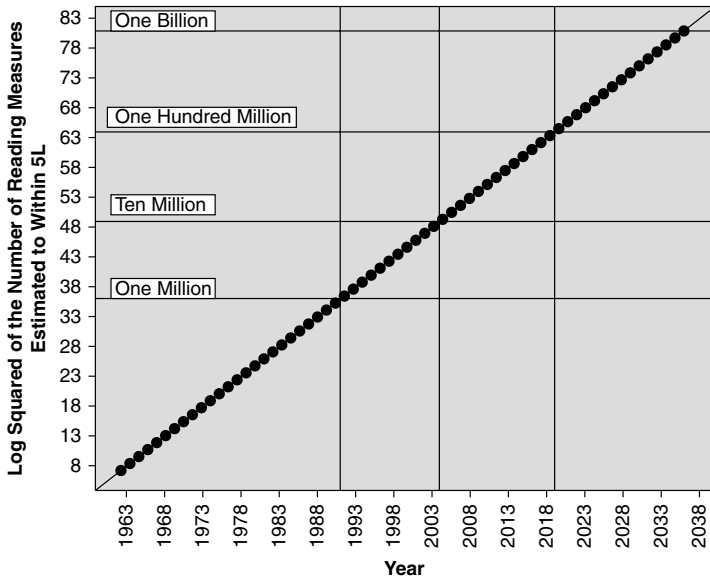


Figure 3.1 Rate of Increase in Number of Precision Reading Measures Estimated.

4. Textbook and curriculum producers in the education industry have an increasingly strong basis for confidence in steady increases to the numbers of precision measures made of students' reading abilities and of book and article reading complexities. How might a plot like that shown in [figure 3.1](#) (above) function in the education industry the way Moore's law has in the microprocessor industry?

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KNOWING OUR AUDIENCE: BUSINESS LEADERS NEED BETTER TOOLS AND TECHNIQUES TO CONNECT WITH CONSUMERS

Michael P. Levens

Abstract

Segmentation and communication are two important areas to consider when exploring the relationships between businesses and customers. In contemporary marketing practice, the customer experience is informed by past and present message communication and past and present experiences combined to forming the underlying relationship. Marketing effectiveness depends on the ability to understand the expectations and experiences of the various audience segments. Segmentation spans the range from basic product segmentation, demographic segmentation, and psychographic segmentation to more complex needs-based segmentation and values-based segmentation that are based on consumer perspectives. Means-end chain theory provides a sophisticated framework for exploring attributes, needs and values by creating a link between tangible attributes and the individual and societal needs of consumers including benefits and values. After grouping consumers according to different characteristics, the next step is to think about the nature of communication between businesses and consumers. Traditional one-way communication models, such as AIDA (attention-interest-desire-action), remained essentially unchallenged into the 1990s until questions about market validation began to surface. Contemporary communication models such as Meyers-Levy and Malaviya's integrative framework for persuasion and judgment formation, the Memory-Affect-Cognition model and the Perception-Experience-Memory model integrate multidisciplinary contemporary thinking on how the mind works when processing information including. The result of the development of these contemporary models is a better understanding of how consumers think and feel. This, in turn, can build upon more sophisticated tools used to segment consumers.

INTRODUCTION

Creativity and innovation are fundamentally differentiating characteristics and often form the foundation of positive and profitable relationships between businesses and customers. Management of such relationships falls mainly in the domain of the marketing department, although the functions of marketing can be distributed and performed throughout a business.

In contemporary marketing practice, the customer experience is informed by past and present message communication and past and present experiences combining to form the underlying relationship. Marketing effectiveness depends on the ability to understand the expectations and experiences of customers or, as we shall refer to, the audience.

Just as marketing philosophies have evolved from the idea of simply selling whatever can be manufactured to establishing long-term customer relationships, specific marketing concepts have also evolved from traditional perspectives including the concepts of segmentation and communication. These two concepts represent how distinct parts of an audience can be grouped and how an audience is addressed. Combined they tell much about the nature of the relationship between a business and its audience and the likelihood that the relationship will be successful based on mutual expectations. Each concept will be explored with respect to traditional and contemporary practice.

Segmentation

One way to understand your audience is to group them according to their age, income, lifestyle, or other factors. Segmentation, also referred to as market segmentation, is the division of consumer markets into meaningful and distinct consumer groups (Levens, 2012). The purpose of creating these groups is to more effectively deploy marketing-mix strategies against those meaningful and distinct groups.

The concept of segmentation has long been identified as a core element of marketing management. Following Frederick's initial work in 1934, Wendell Smith published an influential paper on segmentation in 1956 titled "Product Differentiation and Market Segmentation as Alternative Marketing Strategies" (Fennel & Allenby, 2002; Goller, Hogg & Kalafatis, 2002). Smith defined segmentation as "viewing a heterogeneous market as a number of smaller homogeneous markets, in response to differing preferences, attributable to the desires

of customers for more precise satisfactions of their varying wants” (Wedel & Kamakura, 2002). Product differentiation was identified as a collection of marketing strategies implemented to address the actions of a brand competitor (Fennel & Allenby, 2002). Segmentation was introduced as a broader concept that links marketing strategies to an understanding of the variety of wants that individuals bring to a market (Fennel & Allenby, 2002).

The idea of segmentation has evolved to refer to a search for groups of individuals with similar market responses (DeSarbo, 2001). These responses are consistent within a particular group but different from other groups (Lerer, 2002). In order to qualify as a true segment, a group must meet several criteria (Dexter, 2002):

- (a) A homogeneous set.
- (b) A critical mass.
- (c) Core similarities of attitude, behavior, and economics.
- (d) Different from other segments.
- (e) Robust and replicable over time.

Segmentation is not about explaining why users of various brands are different. Segmentation involves identifying groups of people in the market that differ in the behavior with respect to services, products, brands, categories (Wedel & Kamakura, 2002). The same groups of people should be sensitive to marketing-mix variables and on indicators such as socioeconomic, demographics, psychographics, and lifestyle that are considered to relate to consumption behavior (Wedel & Kamakura, 2002). The most valuable segments can then be targeted by marketing activities and loyalty cultivated (Reinartz, 2002).

The most basic form of segmentation is to use demographic or psychographic variables. Predefining the assignment of a consumer into a segment is called a priori segmentation (Sambandam, 2001). However, segments are typically more complex and this type of segmentation seldom is sufficient. The application of segmentation in marketing situations has moved brands from the quest for variables that describe wants that arise in the course of typical life to describing how individuals respond to the market (Fennel & Allenby, 2002). As segmentation focuses on the choice sets that consumers are presented, as opposed to the conditions they experience, the concept has expanded from the task of identifying motivating conditions to support marketing strategy, to identifying groups that respond similarly to marketing actions (Fennel & Allenby, 2002).

Businesses use segmentation both in marketing and strategic business planning activities. Many businesses consider segmentation a vital component of business success and even as the panacea of modern marketing (Dibb & Simkin, 2001). As opposed to a mass marketing approach, segmentation allows the grouping of customers with similar requirements and purchase behavior into segments (Dibb & Simkin, 2001). Segmentation theory explains that groups of consumers with similar needs and buying behavior are likely to generate a more similar response to marketing initiatives. Resources can then be allocated more effectively to the most appropriate groups.

The execution of the segmentation process typically includes three marketing activities:

- (a) Segmenting.
- (b) Targeting.
- (c) Positioning.

The segmenting component involves grouping consumers using relevant variables. Segmentation variables typically relate to consumer demand (Bock & Uncles, 2002). Variables that can differentiate consumer behavior include preferences for product benefits, consumer interaction effects, choice barriers, bargaining power, and profitability (Bock & Uncles, 2002).

Targeting is the process of evaluating and selecting the most viable market segment or segments to enter (Levens, 2012). Positioning is the placement of a marketing offer in the minds of consumer targets (Levens, 2012).

Ultimately, businesses search for value and that is true for segmentation as well. The literature is full of examples of ineffectual segmentation applications. The mechanics of segmentation are often overemphasized while unsuccessfully implementing results (Dibb & Wensley, 2002). There are four main issues concerning successful implementation (Dibb & Wensley, 2002):

- (a) Understand basic conditions to be met if implementation is to be effected.
- (b) Relate costs and benefits of the segmentation solution to the proportion of variance in customer requirements that it explains.
- (c) Segmentation dimensions must be mapped to usable customer characteristics.
- (d) Appropriate relationship must exist between commercial benefits derived from segmentation and the costs of its introduction.

Debate

There are a variety of perspectives on the role and viability of segmentation. Some challenge the relevancy of segmentation in a consumer market where there really are no needs; only wants. Others challenge the value of completing the segmentation exercise based on common practice. Still others place segmentation as the cornerstone of all marketing planning. Without challenging the premise of consumerism in the context of wants and needs, succeeding paragraphs will focus on the arguments that are more specific to the design and execution of market segmentation.

The traditional argument in support of segmentation claims that segmenting and analysis of segments is an essential part of strategic marketing management (Neal, 2001). The elements of strategic marketing management that can be primarily influenced by segmentation include the marketing opportunity analysis, target market selection, and marketing-mix strategy (Neal, 2001). Opposing arguments cite the fact that marketing strategies are based on unique consumer insights, generalizations of successful tactics, strong advertising, technical innovations, and not necessarily market segmentation (Gibson, 2001; Sharp, 2001).

Segmentation is criticized for a variety of reasons. First, segmentation is considered descriptive and not predictive (Gibson, 2001). Those that believe that all research should be predictive challenge the premise of segmentation (Neal, 2001). The advocates of segmentation would argue that there is value in describing markets in term of various groups of consumers who respond differently to variations in the marketing mix (Neal, 2001). A context can be created to view how the market functions.

Segmentation can be considered to be predictive. The size of segments can be tracked and models can be developed to help assign consumers to groups that were not previously considered (Neal, 2001). The risk is there if descriptive research is used to address predictive needs (Gibson, 2001). These examples also presuppose the availability of additional research and a commitment to conduct further research.

Additional criticism involves segment homogeneity (Gibson, 2001). The argument is that consumers are allocated to segments although there are needs, behaviors, and values that may span segments. A consumer can belong to two different segments with distinct usage behaviors and priority products (Pano, 2002). The very premise that segmentation is needed because customers are different at the market

level does not extend to the segment level (Gibson, 2001). This fact is also used to argue that the fundamental marketing question should change from “who buys my brand” to “how many buy my brand” (Kennedy, 2001). The counter argument is that no segment is truly homogeneous unless it is a sample of one (Neal, 2001). The process of aggregation can be accomplished to allow for multidimensional segmentation and trade-offs between homogeneity and aggregation can be considered (Neal, 2001).

Another argument is that segmentation implies that correlation is causation (Gibson, 2001). If this statement is true, then clusters are created based on relationships between basic variables (Neal, 2001). Variables are not always related in segmentation models and this is true in many different areas of research. Advertising research in topics such as media plans and sales performance are examples of this. The typical methodology of cluster analysis creates groups that are close to each other in multidimensional space (Neal, 2001). Clustering techniques often use different forms of multivariate analysis to strengthen the cluster (Neal, 2001).

Ultimately one question can be asked to judge the viability of segmentation for a company. “What will happen to my business if I decide to do this (segmentation)?” (Gibson, 2001). The understanding of market segment composition, size, and associated classification information is not relevant unless it can be understood how segments would respond to different marketing-mix plans.

Models

There are several forms of segmentation and the form chosen has significant implications on the potential for effective implementation. These forms span the range from basic product segmentation, demographic segmentation, and psychographic segmentation to more complex needs-based segmentation and values-based segmentation. Product segmentation can be the easiest segmentation process to complete. The characteristics of cars, packaged goods, and furniture can all be used to form groups. The problem is that company lore and tradition instead of consumer perspective could form the groupings.

Demographic and psychographic variables can also be used as segmenting variables, but they could also not reflect the consumer perception. A company could believe that it has one brand of product that appeals to consumers of a particular age group and another brand appealing to another age group. In reality, the products could be appealing to the same group or groups of people, and advertising

could be misdirected and competitors misidentified. An example of an inappropriate demographic segmentation scheme could be in the area of service behavior. Some marketers could believe that consumers that own a product of a certain age would be most likely to return to the purchasing location for all services and that after the typical warranty ends, the consumer would then move to more inexpensive locations for service. Segmentation research could reveal that there are groups of consumers that return to the purchasing location no matter how old their product is, and others would not go to the purchasing location under any circumstance.

There are two primary segmentation types that are based on consumer perspectives—needs-based segmentation and values or behavior-based segmentation. Values-based segmentation is clustering on derived conjoint or choice model utilities (Grapentine & Boomgaarden, 2003). Needs-based segmentation is clustering on claimed motivations for selecting one product or service over another (Grapentine & Boomgaarden, 2003). The selection of one methodology does not preclude the inclusion of other variables that are prominent in competing methodologies. A needs-based segmentation model could be employed to identify distinctive groups, but the groups could then be classified by demographic, psychographic, and behavioral characteristics. The difference is that the segments do have some overlap in the classification variables such as segment one and two are both primarily females between the ages of 25 and 54, but the product-needs are completely different.

An application of needs-based segmentation can seem obvious for consumer packaged goods products where product development can operate in small number of months to respond to a market opportunity. There is extensive use, by many consumer package good companies, of the syndicated lifestage classification model called PriZm (Soper, 2002). PriZm, managed by Nielsen, divides postal codes into 66 broad groups based on lifestage and income that is overlaid on lifestyle interests.

The question remains “can needs-based or values-based segmentation be relevant in sectors such as the pharmaceutical market with 12–15 year development cycles?” In the pharmaceutical market, annual growth averaged 10 percent between 1999 and 2001 (Greengrove, 2002). This could lead one to believe that marketing has been optimized. However, further examination reveals that innovation has supported this growth. With new drug introductions declining in recent years, differentiation is becoming increasingly important and a sophisticated framework is needed to explore consumer perspectives.

Means-end chain theory provides a sophisticated framework by creating a link between tangible attributes and the individual and societal needs of consumers including benefits and values (Gutman, 1982; Vriens & Hofstede, 2000). Attributes are relevant if they allow consumers to achieve specific benefits. A benefit becomes important if the consumer has a higher need for the benefit. The values of the consumer are of the highest order. [Figure 4.1](#) illustrates the relationship between attributes extending from needs that are based on values for pleasure boats.

Means-end chain information is obtained through a qualitative technique known as laddering (Wansink, 2003). The laddering process involves a series of one-on-one interviews, typically 30–40 (Vriens & Hofstede, 2000). An attribute statement, possibly obtained from a brand tracking study or from previous qualitative work, is

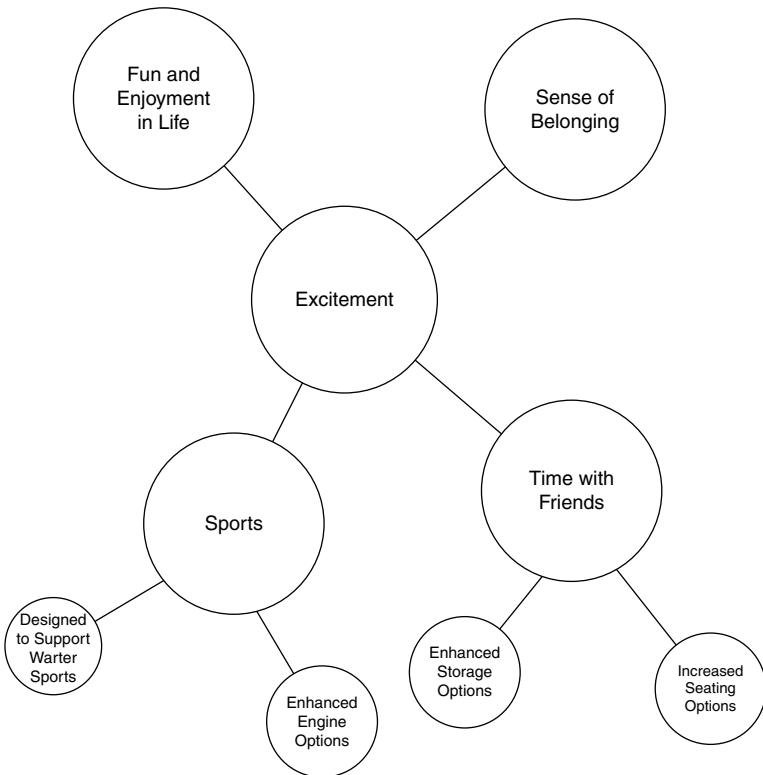


Figure 4.1 Means-End Chains for Pleasure Boat Ownership.

inquired as to why that attribute is important. A series of benefits develop and are interrogated through continued questions of why the respondent feels as they do. Ultimately a personal value such as security or enjoyment is communicated. Lynn Kahle (1986) identified nine values relevant for consumer behavior and each of these can be considered in the qualitative process. There are global opportunities for operating at the values level, as research has shown the following values tend to be universal:

- (a) Being well respected.
- (b) Excitement.
- (c) Fun and enjoyment in life.
- (d) Security.
- (e) Self-fulfillment.
- (f) Self-respect.
- (g) Sense of accomplishment.
- (h) Sense of belonging.
- (i) Warm relationships with others.

Laddering to determine means-end chains does have limitations. Large-scale projects can make it difficult to identify representative samples (Vriens & Hofstede, 2000). The skill-level requirements of the qualitative researcher are considerable for this technique to be successful (Vriens & Hofstede, 2000). These factors influence both the cost and project timeline and can make the project untenable.

Segmentation is not meant to be a black box. Understanding the math behind the segmentation design can lead to improvements in effectiveness. Most segmentation research is based on a limited set of variables, although a broad range of criteria actually determine a buyer's response to product offerings (Neal & Wurst, 2001). Different segmentation schemes with different variable sets can be used on a sample of buyers. If the test for successful marketing is to show that segments respond differently to variations in the marketing mix, then many segmentation schemes are not successful (Neal & Wurst, 2001).

Implementation

While segmentation can be executed flawlessly from a statistical perspective and even from a marketing perspective through strong targeting and positioning, implementation is one of the most important measures of true effectiveness. Implementation will ultimately

determine the success or failure of the segmentation project. There are five fundamental failures associated with the many approaches to segmentation (Barron & Hollingshead, 2002; Dibb & Simkin, 2001). It is important to note that only some are related to model design.

- (a) Customers can be targeted, but they do not buy different things.
- (b) Clusters can be identified, but customers cannot be found.
- (c) Business infrastructure can be a barrier.
- (d) Sales, marketing, and management cannot agree about what the segmentation looks like.
- (e) There is unwillingness to discriminate between consumer segments.
- (f) There is sabotage by inexperienced marketers.

The ease of segmenting markets by demographic information can generate a direct mail list, but it may not reflect the true basis for segmentation. By trying to reduce the complexity of marketing-mix plans, the true opportunities in the market can be overlooked (Barron & Hollingshead, 2002). In the cases where demographic criteria do not form the basis for segmentation, there is a need to conduct qualitative research to identify potential media links (Grapentine & Boomgaarden, 2003). While clusters can be found, there can be challenges in communicating with the consumers in each cluster. Without viable classification of behaviors and demographic data, it may be impossible to connect with the targets.

A company's structure, culture, or resources can all be infrastructural barriers to effective segmentation (Dibb & Simkin, 2001; Grapentine & Boomgaarden, 2003). An organization may have sacred beliefs about its brands and consumers and those beliefs could undermine a paradigm shift to a new perspective. Support from executive management and the human and financial resources must be available and capable to implement segmentation. One of the greatest barriers to effective segmentation is the lack of experience by company project managers (Dibb & Simkin, 2001; Grapentine & Boomgaarden, 2003). There can be a focus on the process of segmentation without remembering the objectives of the project itself.

There can also be a misunderstanding between functional business units such as sales and marketing as to the application of segmentation results. The idea that a new segment solution can replace a previous segmentation scheme is not always easy or practical (Dibb & Simkin, 2001). The existing distribution model may not allow for effective targeting of new segments. Further, a previous segmentation perspective might show brands not competing with one another whereas the new

scheme might reveal that brands now compete directly for the same customers and actually cause channel conflict. A stakeholder meeting can be conducted before the segmentation project to align expectations and limit the probability of suboptimized marketing plans.

Some marketers do not believe that targeted marketing is effective and prefer a mass marketing approach. This is inconsistent with the premise of segmentation. Advertising messages can be effectively tailored to meet the needs of those most likely to purchase instead of communicating a broad-based message to many people who would not even consider the product. A commitment to segmentation implies a commitment to the process of segmenting, targeting, and positioning.

Inexperienced marketers can suboptimize or undermine the application of segmentation. As customers of research, there must be a tacit agreement to understand stakeholder requirements for the next step of implementation. There should also be an agreement not to go half way. A qualitative solution, while easier and less costly than a qualitative and quantitative solution, can be limiting from the perspective of identifying emergent segments. The idea offered by Philip Kotler that segments should be measurable, substantial, accessible, actionable, and stable provides a foundation but does not address the design and implementation questions of segmentation.

There is limited academic literature to guide companies regarding the implementation of segmentation (Dibb & Simkin, 2001). Unfortunately, there is an overabundance of questions asked by marketers engaged in the process of segmentation:

- (a) Is there a process model to use?
- (b) What information is needed to start the process of implementation?
- (c) Who should be involved in the process?
- (d) How do I know if I have the right solution?
- (e) Now what do I do with the segments?
- (f) How will I measure if my segmentation is effective?
- (g) How do I know if I included the right variables?
- (h) How should the segmentation process be updated over time?

Despite all the challenges that have been discussed, there are several steps that can be followed to increase the probability of segmentation success.

- (a) Create a project team.
- (b) Establish the scope of the project.

- (c) Hypothesize and validate model variables.
- (d) Identify the strongest model variables.
- (e) Introduce behavioral data to needs data.
- (f) Optimize the segments.
- (g) Profile the segments.

Communication

After grouping consumers according to different characteristics, the next step is to think about the nature of communication between businesses and consumers. A Productscan online study revealed that new product introductions in the United States more than doubled from 15,886 in 1992 to 31,785 in 2002. With all the new products, consumers are faced with more choices and are asked to comprehend more and different messages. It is important to understand how the communication process works.

The traditional communication model is essentially one way. For example, the business encodes context and meaning and the audience is left to interpret messages and construct meaning (Proctor, Pappasolomou-Doukakis, & Proctor, 2002). Initially theorized over a century ago, early communication models considered cognition as the precursor to the processing of information. The idea was that cognition translated into affect that then led to behavior (Hall, 2002). Since marketing communication transfers information to consumers, these early models believed that people process information, value the information, and then take action (Barry, 2002). Each of the various types of marketing communications such as advertising, promotions or sponsorships has as objectives the goals of influencing perceptions, attitudes, and behaviors (Barry, 2002).

The AIDA model, an acronym for attention-interest-desire-action, was developed in 1900 and theorized that marketing communication can initiate product trial by placing a brand in the consumer's head and keeping it there (Hall, 2002). The mental steps involved in the purchase decision were more fully explored by Frey (1947) who argued that marketing should be directed at the following:

- (a) Attracting attention to the consumer message.
- (b) Seeding the consumer message with qualities that will hold the interest of the desired audience.
- (c) Presenting the message appeal in such a way that it will lead to acceptance and preference for the product by the desired audience.

Models such as AIDA remained essentially unchallenged into the 1990s until questions about market validation began to surface (Weilbacher, 2001). The challenges came about the time that complex system concepts like chaos theory were being related to marketing (Doherty & Delener, 2001). Concerns about complexity and causation were at the foundation of the challenges (Barry, 2002; Weilbacher, 2001). It is probably unlikely that a single advertisement could propel a consumer through the entire purchase funnel from brand awareness to purchase. Instead, it is more likely that consumers continually interact with marketing communication and other factors and process, and interpret that communication to influence purchase decisions (Proctor, Pappasolomou-Doukakis, & Proctor, 2002; Weilbacher, 2001).

Frey's work as well as AIDA and its derivatives are, essentially, hierarchy-of-effects models. Models in this traditional category have as objectives the goals of influencing perceptions, attitudes, and behaviors. The hierarchy-of-effects models are considered by many to be useful as a foundation, but possibly not sufficient, for comprehensive study of the communication process. In recent years, a variety of different theoretical models of how consumers process communication messages have been developed. Woodworth's (1929) stimulus-organism-response structure is the foundation for many of these models. Vakratsas and Ambler (1999) developed advertising communications taxonomy of the many theoretical models published over recent decades. Seven categories were identified.

- (a) Cognitive information models.
- (b) Hierarchy-free models.
- (c) Integrative models.
- (d) Low-involvement hierarchy models.
- (e) Market response models.
- (f) Persuasive hierarchy models.
- (g) Pure affect models.

Cognitive information models assume rational decision making and focus on the ability of advertising communication to reduce search costs (Xia & Monroe, 2005). Hierarchy-free models generally discount the persuasive view of advertising. Some models in this category consider advertising communication to be part of a brand totality (Vakratsas & Ambler, 1999). An example cited by Vakratsas and Ambler (1999) is the case of New Coke beating the original Coke in product attribute tests, but suffering in the marketplace where

original Coke was established. It is within this group of models where the influence of neuroscience is most evident.

Integrative models exhibit characteristics similar to the hierarchical models but contain nonsequential processes. Low-involvement hierarchy models relate to convenience goods that involve postpurchase preference formation that can be almost hypnotic in nature (McDonald, 2002). Market response models focus solely on the direct impact of advertising without considering intermediate effects such as cognitive, affective, and experiential changes (Xia & Monroe, 2005). Persuasive hierarchy models, such as AIDA, involve a hierarchical process where learning influences preference. Finally, pure affect models generally limit their focus on cognition, but instead consider affective responses such as the importance of emotions over specific brand attributes. This group of models argues that advertising communication can influence an audience through repeated exposure to an emotional message (Vakratsas & Ambler, 1999).

As the complexity of the human brain is being revealed, it is clear that information about a single subject is stored in different parts of the brain, and it is organized and processed at a particular time in a particular experiential context (Weilbacher, 2001). Therefore it appears unlikely that a simple linear model of information processing is viable. Consider the situation where a brand is being advertised through a given communications channel. Upon seeing and hearing the brand name, a set of information is quickly accessed. The set of information includes past brand experience and past communication as well as existing attitudes, beliefs, and values. The level of congruence between past and present can increase or diminish purchase interest.

There are several communication models that integrate multidisciplinary contemporary thinking on how the mind works when processing information. Meyers-Levy and Malaviya (1999) created an integrative framework for persuasion and judgment formation. Three responses to advertising exposure were identified:

- (a) A purposeful, systematic approach.
- (b) A less rigorous, heuristic approach.
- (c) An experiential processing strategy where judgments are based on the experience of the processing action.

The Memory-Affect-Cognition (MAC) model argues that advertising stimuli is filtered to access memories of past experiences of trial and a wide range of associated information (Ambler, 2000). There is an ongoing exchange of experience and memory that can result in new

knowledge held in memory (Vakratsas & Ambler, 1999). In this model, affective content ultimately determines communications success.

Hall (2002) advanced the Perception-Experience-Memory (PEM) model that includes three critical characteristics:

- (a) Cognition is subjugated to emotions, feelings, affect, and experience throughout the process.
- (b) Perception is a dependent variable influenced by advertising and prior experience.
- (c) Multiple feedback loops relate perception and marketing communication at each stage of the process.

According to Hall's PEM model there are three distinct phases of marketing communication exposure:

- (a) Framing perception.
- (b) Enhancing experience.
- (c) Arranging memory.

Initially, framing perception creates brand expectation, anticipation, and rationale for the anticipation. Subsequently, during product trial, marketing communication is believed to enhance sensory experience. Finally, memory is organized and marketing communication cues are developed to access memory storage.

The result of the development of these contemporary models is a better understanding of how consumers think and feel. This, in turn, can build upon more sophisticated tools used to segment consumers.

CHAPTER SUMMARY

- Segmentation and communication are two important areas to consider when exploring the relationships between businesses and customers. In contemporary marketing practice, the customer experience is informed by past and present message communication and past and present experiences combined to forming the underlying relationship. Marketing effectiveness depends on the ability to understand the expectations and experiences of the various audience segments.
- Segmentation is the division of consumer markets into meaningful and distinct consumer groups. The purpose of creating these groups is to more effectively deploy marketing-mix strategies

against those meaningful and distinct groups. Segmentation spans the range from basic product segmentation, demographic segmentation, and psychographic segmentation to more complex needs-based segmentation and values-based segmentation that are based on consumer perspectives. Means-end chain theory provides a sophisticated framework for exploring attributes, needs and values by creating a link between tangible attributes and the individual and societal needs of consumers including benefits and values. Attributes are relevant if they allow consumers to achieve specific benefits. A benefit becomes important if the consumer has a higher need for the benefit. The values of the consumer are of the highest order.

- After grouping consumers according to different characteristics, the next step is to think about the nature of communication between businesses and consumers. The traditional communication model, such as AIDA, is essentially one way where a business encodes context and meaning and the audience is left to interpret messages and construct meaning. Models such as AIDA remained essentially unchallenged into the 1990s until questions about market validation began to surface. Several communication models integrate multidisciplinary contemporary thinking on how the mind works when processing information including Meyers-Levy and Malaviya's integrative framework for persuasion and judgment formation, the MEC model and the PEM model.
- The result of the development of these contemporary models is a better understanding of how consumers think and feel. This, in turn, can build upon more sophisticated tools used to segment consumers.

CASE STUDY

CADILLAC SRX LAUNCH

General Motors (GM) emerged from bankruptcy in 2009 with a slimmer portfolio of brands including the luxury brand Cadillac. Founded in 1902 and joining the GM portfolio in 1909, Cadillac has long been associated with prestige and innovation. Cadillac developed the first electric self-starting engine, first mass produced an enclosed cab vehicle, created the first V16 engine, first offered consumer exterior color choices other than black, and led the

integration of computer technology into vehicles. Cadillac's long history has resulted in a variety of fan clubs including the Cadillac and LaSalle Club, Inc. with 7,000 members and 18,000 collectable Cadillac automobiles and the Cadillac Owners Club with 90,000 members. There are also numerous blogs and forums dedicated to the brand. The prestige of Cadillac extended to many other business sectors through the phrase "The Cadillac of (*insert everything from refrigerators to vacuum cleaners to golf carts*)". Cadillac reclaimed that phrase with the relaunch of their entry in the sport utility vehicle (SUV) sector with the tagline: "Cadillac of crossovers—the 2012 SRX".

GM historically practiced segmentation based on vehicle price with Chevrolet at the base level and Pontiac, Oldsmobile, Buick, and Cadillac at successively higher price points. The idea was that personal income would be a major determinant of the vehicle chosen. However, there are many more reasons why particular vehicles are selected. While income may ration eligible consumer choices, segmentation based on needs, lifestyle, or values might provide deeper insight into consumer purchase interests. Understanding the desired attributes, benefits, and values of consumers, vehicle manufacturers such as GM have created individual entries in the various market segments ranging from trucks to SUVs to sport sedans. In Cadillac's case there are sedan, wagon, and coupe versions of the mid-sized CTS, truck, and SUV versions of the large Escalade and the mid-sized SRX SUV. Both small and large sedans are also under development as future portfolio additions.

Vehicle manufacturers then build communication strategies to differentiate their vehicles based on the most valuable characteristics as perceived by each consumer segment. Media channels are then used to communicate relevant messages to different segments. In the case of the SRX, Cadillac can discuss a chiseled silhouette and vertical LED taillamps with those consumers who value design. Alternatively, Bluetooth, USB connectivity, glide-up touch-screen navigation system and a full color programmable driver information center can be communicated to consumers that place premium value on functionality.

The SRX was launched into the financially lucrative luxury SUV segment led by the ubiquitous Lexus RX 300. The relatively high margins have attracted many quality competitors including Audi, BMW, Lexus, Infiniti, Jaguar, Mercedes, and Porsche. The category also contains many loyal customers and it is difficult to

encourage defection from one brand to another. Cadillac reached back to its history by selecting “Cadillac of crossovers” as the chosen tagline. Beyond design and performance features, Cadillac also differentiated its products from competitors by offering the Cadillac Shield. The Cadillac Shield is a bundle of services including warranty protection, premium care maintenance, emergency services, security services, navigation services, remote diagnostic support, roadside assistance, hands free integrated calling, and courtesy transportation.

To support the SRX launch, Cadillac determined that the upscale lifestyle interests of its potential customers included gourmet food. The Cadillac team decided to appeal to their target segments by offering the Cadillac Culinary Test Drive, in partnership with *Bon Appetite* magazine and Epicurious.com, at upscale mall locations across the country including Miami, Atlanta, Los Angeles, Cleveland, Houston, and San Francisco. The idea behind this event was that consumers would be exposed to Cadillac vehicles in a desirable environment while watching a lively competition between nationally and locally known chefs. Consumers would then drive a Cadillac as well as primary competitive vehicles from Lexus, BMW, and Mercedes. The test drive activity is one part of the integrated marketing communication strategy of the Cadillac SRX. The test drive is intended to consistently build upon national and regional advertising using a variety of communication channels supporting the vehicle launch. The result has been an over 150 percent increase in 2010 SRX sales over 2009 and the SRX remains one of the fastest growing luxury SUVs in its product segment.

QUESTIONS

1. Create a means-end chain for the Cadillac SRX and identify appropriate attributes, benefits, and values.
2. Compare and contrast different segmentation models with respect to the launch of the Cadillac SRX. Which do you believe to be most effective? Why?
3. Select a communications model and explain how Cadillac’s actions might fit into that model. Identify any gaps and discuss the implications. What else might Cadillac do to further exploit the respective model?

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2

EMERGING PARADIGMS IN
BUSINESS EDUCATION

WHAT DO EMPATHY AND EMOTIONAL INTELLIGENCE HAVE TO DO WITH CHANGE?

Svetlana Holt

Abstract

Due to the extraordinary economic situation, organizations today are compelled to reduce costs while improving the quality of products and services and seeking opportunities for growth. While the traditional approach to management implies that the company's balance sheet is a measure of the organization's well-being, E. Deming postulates that reducing variability in product is a limited way to run a business, which accounts for only about 30 percent of performance. Organizational culture where price is perceived to be all that matters is an old way of doing business; hence organizations are looking for avenues to engage employees to improve their commitment and productivity. Organizations have to attract people who will stay and give of themselves above and beyond what is prescribed in their employment contracts. This chapter builds a case for empathy as an essential business leadership quality and explains why and how emotional intelligence (EI) contributes to organizational performance.

We are merely reminding ourselves that human decisions affecting the future, whether personal or political or economic, cannot depend on strict mathematical expectation, since the basis for making such calculations does not exist; and that it is our innate urge to activity that makes the wheels go round, our rational selves choosing between the alternatives as best we are able, calculating where we can, but often falling back for our motive on whim or sentiment or chance.

John Maynard Keynes (1964, pp.162–163)

INTRODUCTION

Due to the extraordinary economic situation, organizations today are compelled to reduce costs while improving the quality of products and services and seeking opportunities for growth. While the traditional approach to management implies that the company's balance sheet is a measure of the organization's well-being, E. Deming postulates that reducing variability in product is a limited way to run a business, which accounts for only about 30 percent of performance. Organizational culture where price is perceived to be all that matters is an old way of doing business; hence organizations are looking for avenues to engage employees to improve their commitment and productivity. Organizations have to attract people who will stay and give of themselves above and beyond what is prescribed in their employment contracts. How is it possible? We believe that this path lies through building empathy among individuals and enhancing EI within organizations as a whole.

Why Empathy Makes Sense for Business Leaders

The bleak image of the current business world raises serious questions about the viability of business leaders, even though literature offers substantial insight into how to lead. Scholars keep us updated on the elements that determine effective leadership in contemporary times, and empathy is a frequently recurring theme. Mostovicz, Kakabadse, and Kakabadse (2009), for instance, remind us that leadership is a developmental process that involves thorough reflection, making choices, and “total commitment to the perpetual process of purpose seeking” (p. 571). Mostovicz, Kakabadse, and Kakabadse underscore empathy and ethical behavior as crucial focus points for leaders, requiring continuous effort. Ciulla (2010) concurs that leaders should exert empathy and sensitivity, along with moral solidarity, commitment, concern, and physical presence—especially during or after crises. Ciulla stresses that leaders have a duty to care, and that taking this duty seriously can and should be taught. Schilling (2010) draws a particularly interesting conclusion from a study on some great twentieth-century leaders—John F. Kennedy, Martin Luther King, Jr., Mahatma Gandhi, Mikhail Gorbachev, Nelson Mandela, and Lech Walesa. Schilling finds that, while these leaders are often labeled as charismatic leaders, their levels of empathy, EI, commitment, inspirational motivation, and trustworthiness were foundational in making them the remarkable individuals they became.

“Empathy and social skills involve one’s ability to perceive others’ emotions, feelings, and needs and help others to regulate their emotions to achieve desirable goals” (Polychroniou, 2009, p. 345). In spite of Polychroniou’s assertions, Karnes (2009) confirms that “empathy and social skills are under trained and under developed by organizations” (p. 189), and explains the downward spiral effect that starts with leadership void of EI, leading to less empathy and social skills overall in organizations, expressed through employer-employee abuse, and ending in growing employee disenfranchisement and all its consequences. Considering the challenges of the fast-paced contemporary organizational environment, Mill Chalmers (2010) draws the interesting conclusion that there should be a positive correlation between hard demands and soft skills. “The ‘faster’ the workplace, the more essential it is to inspirational leadership with emotional intelligence and an empathy and understanding of the development needs of their staff” (Mill Chalmers, 2010, p. 270). In support of Karnes’s earlier assertion, Mill Chalmers presents an upward spiral effect that starts with leaders who are willing to create an empowering, vision building climate—resulting in motivated, healthy, well-performing employees—and consequently leading to improved bottom line figures. Expanding on Mill Chalmers’s findings, Taylor (2010) adds that modern leaders need to engage in “21st century enlightenment,” thereby not just responding to modern values, but shaping them. Taylor (2010) reviews the ideology of possessive individualism that has become synonymous with consumer capitalism and democracy—and draws the conclusion that the twenty-first century has presented us with a challenge of the individualistic based mindset for autonomy—and points us in the direction of empathic universalism, whereby we “have a relationship with our reactions rather than being captive of them” (p. 20).

Tom McDonald, doctor in psychology, also feels that empathy is important in contemporary leadership. He stresses, “What are the loving behaviors effective leaders need to develop to have this kind of impact on-the-job? They must show empathy, attunement, organizational awareness, influence, interest in developing others, inspiration, and teamwork” (McDonald, 2008, p. 1). It is McDonald’s opinion that we, human beings, are hardwired to be spiritual and connect to others, particularly at work. He believes that we have entered an era where “survival of the nicest” will be the rule. McDonald (2008) underscores that altruistic behavior instigates a sense of mutuality, and that effective leaders display the qualities he mentioned above in their workplaces. In addition, he mentions that these “soft” behaviors lead to hard results in business, and should therefore not be underestimated.

Donaldson (2008) seconds McDonald's assertions as he emphasizes that business leaders will have "to increase their knowledge and understanding of the changing international scene and the inter-relationship between business, society and the environment" (p. 1). He thereby points out that a broader definition of corporate success is at stake these days, in which understanding of diversity and a long-term view on the consequences of decisions for societies, environments, and livelihoods are key. Among the specific qualities of the new global business leader, Donaldson (2008) lists qualities such as clear vision (to deal with increased uncertainty), empathy (to interact with a wide variety of stakeholders), and humility (to admit mistakes, and deviate from the damaging consequences of arrogance). Washington, Sutton, and Field (2006) bring the popular theory of "servant leadership" in scope, and find that empathy is a crucial factor in this leadership style.

Empathy Can Be Developed

Yet, while empathy seems to be more widely acknowledged as a recognized leadership prerequisite, other sources warn that this quality takes time to develop. A 2006 study from the Institute of Cognitive Neuroscience, University College London (UCL), found that young people are less able of empathy-based emotions than more mature ones. The study—which was conducted by UCL, and presented at a British Association for the Advancement of Science festival at the University of East Anglia—concludes that the medial prefrontal cortex, which is the part of the brain that is "associated with higher-level thinking, empathy, guilt and understanding other people's motivations—is often under-used in such decision-making process of teenagers" (*Blame it on the Brain*, 2006, p. 16). The study further reveals that the maturity process brings about a shift in brain use from the back part to the front, which is where the "soft behaviors"—as McDonald earlier labeled them—are triggered.

Based on the awareness that empathy and other "soft behaviors" are gaining leadership ground, companies are now deliberately looking for these qualities in hiring and promotion processes. Weinstein (2009) reports that empathy-based behaviors can be learned. "Individuals can be taught to ask questions to enhance understanding that builds connection between people and helps them to perceive the emotions of others" (p. 21). Various courses and instruments are being developed and tested in this regard. Investments from companies in these training sessions and resources have delivered encouraging results so far, according to Weinstein (2009).

In support of Weinstein's assertions above, Eriksen (2009) introduces a process that helps students to develop self-awareness, which kindles authenticity and leadership effectiveness. "This facilitation of the development of students' personal leadership principles is accomplished by having students first identify and clarify their values and beliefs and to consider the impact of these on their day-to-day organizational lives and leadership" (Eriksen, 2009, p. 747). Izenberg (2007), Baumeister et al. (2000), and Bower and Forgas (2001) have also found that qualities such as empathy, optimism, and resilience can be taught in the classroom.

Not everyone, however, agrees with the fact that teaching these skills can actually be considered teaching. Some consider it therapy, and argue that teachers of these soft skills should be certified. Other sources even criticize the entire effort and feel that teaching these skills in the classroom takes away time that could be devoted to basic literacy and numeracy. However, there seems to be an upsurge in numbers of those who claim that common sense and moral judgment should be reintroduced in the classroom, and that these values could easily be embedded in existing curricula.

Several other scholars support the notion that empathy can be developed, but refer to alternative strategies. Devay (2010) mentions religious and spiritual practices, with a special emphasis on meditation, while Mahsud, Yukl, and Prussia (2010) suggest management development programs and executive coaching as effective ways to cultivate this emotion.

Emotional Economy?

How do we bring about the necessary change to bridge the gaps between where we are as an economic society currently and where we need to be in order to successfully achieve a prosperous economic future? We believe that in addition to cultivating empathy, training for enhanced emotional management for business professionals is part of the solution. EI is important in organizations for several reasons, and its economic value has been studied extensively in recent organizational behavior research. "From the perspective of work, feelings matter to the extent that they facilitate or interfere with the shared goal" (Goleman, 1998, p. 287). In the age of information and highly specialized work teams, EI is becoming a vital skill as people must accomplish their work by collaborating with each other, and their ability to communicate effectively becomes as critical—if not more critical—as technical skills and capabilities. Within leadership and

organizational behavior, findings suggest that those lower in an organizational chain of command appreciate EI in their supervisors; a positive relationship has also been found between subordinates' commitment to their organization and their supervisors' EI.

Interaction of emotion and thinking has also been studied for many years. With the widespread notion of EI, brain-based theories suggest that emotion and cognition are deeply intertwined, as feelings are related to perceiving, processing, storing, and retrieving information from the external environment, as well as to reasoning and learning. Positive emotions have been found to encourage exploration and discovery, expand our thinking, help generate new ideas, and encourage us to consider various possibilities. Negative emotions also have a place in our lives as they also enhance thinking, but in a different way: they encourage a clearer focus and attention to detail, motivating search for errors. How we feel, then, does impact our judgment (Mayer & Salovey, 1997), and the better the mood is matched to the message, the better we pay attention. Overall, our emotions do seem to make us smarter, helping shape rational thought, and therefore, those who are good at using emotions to facilitate thinking can be more effective motivators of others (Caruso & Salovey, 2004).

Further, there is possibly a correlating factor between emotional development and socioeconomic behavior (Ackert & Church, 2001; Elster, 1998; Keynes, 1964). The basic theories within a free market economic system are tied to supply and demand, which are heavily influenced by emotions (Fama, 1970; McGregor, et al., 2000). So perhaps it would be safe to further suggest that this country's economic system would be better referred to as an "emotionomical system"—meaning supply and demand are not driven only by basic need, but also by emotional tendencies. Perhaps it would not be imprudent to further argue that an emotionally intelligent person—a person capable of recognizing and regulating these subconscious drivers in him/herself and others—would be capable of amassing tremendous power and wealth given the opportunity to properly channel those tendencies into tangible products (Acharaya & Yorulmazer, 2008; Fernandes & Ferreira, 2009).

What is Emotional Intelligence?

Having great intellectual abilities may make you a superb fiscal analyst or legal scholar, but a highly developed emotional intelligence will make you a candidate for CEO or a brilliant trial lawyer.

Daniel Goleman

As the concept of EI is rapidly attracting attention within corporate settings, is it more important than cognitive ability or technical expertise as some authors claim? Or is it increasing internal coherence and balance of a person and/or an organization? “An emotionally intelligent organization needs to come to terms with any disparities between the values it proclaims and those it lives. Clarity about an organization’s values, spirit, and mission leads to a decisive self-confidence in corporate decision making” (Goleman, 1998, p. 281). There are many variables that are part of the organizational capability equation. In addition, not every outcome can be predicted based upon even the most comprehensive analysis of these variables, while yet another set of variables are beyond our control. However, given the importance of emotion and its central place in organizational effectiveness, performance consultants in charge of employee development programs must take the development of emotional skills seriously. Corporate communication, marketing, safety, turnover, leading teams and projects cross-functionally, trustworthiness, influence, organizational awareness, and so on are some areas where it is most evident.

Empathy and commitment start with self-awareness, and without empathy, influence is not possible. Influence means handling emotions in other people, attuning one’s reaction to push interactions in the best direction for the desired outcome. Understanding and appreciating diverse views, being attuned to the climate in the organizations, and commitment to common values and mission—all start with self-awareness.

By enabling employees to raise their level of work performance, organizations become more productive and competitive. Organizational productivity, then, flows from the individual’s productivity, effectiveness, and creativity. Studies suggest that leadership, environment, EI, and motivation drive employee performance. Other studies suggest that managers who are considered more effective according to their performance ratings exhibit higher levels of EI. Individuals with higher EI appear to write better quality vision statements, and when personal commitment is important to success, EI positively contributes to job performance.

EI favorably influences customer relationships, too. Any workplace can suffer from conflict, poor team interaction, low morale, and retention problems that impact performance. EI training can complement any other existing expertise an organization or individual has, and therefore can be used in dealing with change, performance discussion, team building, and so forth. According to A. Lynn (2004), training EI could be a powerful tool in accomplishing strategic business

goals in the areas of hiring, training, and performance development reviews. “Training programs that offer people a chance to practice the desired competence through well-focused simulations, games, role-playing, and other such methods can offer a strong beginning for practice” (Goleman, 1998, p. 329).

Empirical research has produced multiple evidences that EI is crucial to effective worker performance, yet few curricula adequately address the emotional and interpersonal skills that prospective employers most want in their employees. Regardless of how EI may be defined by scholars espousing various approaches, we see tremendous economic value in having performance enhancing professional employ some form of EI training in business operations and schools. By attending to the role of EI in organizational success, a consultant, practitioner, or researcher can improve the quality of both learning and life outcomes for individuals as well as enhance organizational effectiveness in any setting.

Whether it is on the production floor or in the classroom, individuals need to communicate, work in teams, and let go of the issues that interfere with their performance. Several neuropsychological studies suggest that emotional aptitudes may be predictors of cognitive abilities (Goleman, 1995). EI—interpreted and measured as ability—predicts academic performance, the ability to communicate motivating messages, as well as problem behaviors, deviance, and drug use. Furthermore, “the high EI individual can better perceive emotions, use them in thought, understand their meanings, and manage emotions better than others. Solving emotional problems likely requires less cognitive effort for this individual. The person also tends to be higher on verbal, social, and other intelligences” (Mayer Salovey, & Caruso, 2004, p. 210).

One of the most important things our schools can do, then, to prepare students for success in the work environment is to teach EI; in addition, teachers themselves are a most powerful force in modeling motivation, conflict resolution, and other EI skills. R. Haskett (2003) discovered a significant link between EI and teacher effectiveness. Furthermore, the impact of EI on mentoring relationships has been examined in the workplace and in educational environment (Bennouna, 2003). Mentoring relationships have been shown to impact both student retention and staff turnover, as well as successful completion of coursework and other projects. Instructors, therefore, should be aware of the emotional states of the students and try to help them overcome these negative feelings by enhancing their emotional competency and emotional regulation.

Regardless of the situation presented to business leaders, preparation and practice will remain as part of the core principles of successful business transactions. In addition, business professionals need to be trained to recognize that people seek emotional guidance in their decisions and place a varying degree of trust within the professionals that are assisting them; this trust is fragile and is not to be abused. Accordingly, the most valuable service businesses can provide to their clients is to monitor themselves and to encourage self-monitoring in their clients—clear understanding of one's value and the ability to be in touch with one's joy, fear, hope, and other emotions, and to channel them in the most productive direction in order to facilitate decision making consistent with their life goals.

Regardless of how EI is defined, there is definitely tremendous economic value in employing some form of EI training in business operations and schools as a means of improving the quality of learning and enhancing life outcomes for individuals and whole organizations in both types of environment.

CHAPTER SUMMARY

- Empathy is an essential aspect of twenty-first-century leadership and can no longer be ignored if we want to prevent continuation of ethical disasters in the business world. Although naturally developed through brain maturity, it can be taught through formal and informal education, and in various environments. Business educators need to focus more on empathy and other “soft” skills. These kinds of training can and should be included in the existing curricula. Teaching scholars must be proactive in this matter, and approach this problem as members of society and not only as educators. Simple reflection and review of business practices in the past decade should serve as guiding motive for trend amendment.
- Business school faculty, especially those teaching management and leadership courses, should make a concerted effort in infusing greater awareness into their students on the urgency and importance of empathy. The business community is a powerful one in that business enters where no government or nongovernmental entity does. As one of the most influential global constituents, it is eminent that businesses display the right attitude for the sake of future generations and for a restored equilibrium in the quality of life among members of the human race.
- As recognition of EI continues to grow within the economic environment, industry professionals must understand what tools and

personality traits play an important role in that success—especially those within management and leadership. By understanding the nature of the existing environment and changing to meet the emotional tendencies tied to business decisions, the employees and the employer will be able to better meet the needs of their customers and their own.

- It is reasonably safe to assume that the majority of the US economic system is driven by the emotional intent behind financial decisions more than the logical side of things. If this hypothesis is true, it would mean that the better health of the economic system is based on the emotional rather than rational quotient of the society. Simply put—things work when people are in balance, and if not, things start to exhibit the same unstable patterns that are reflected in their emotions. Therefore, as a society, it might be entirely possible for our economic well-being to be determined or influenced through the emotional stability of the average consumer and through recognizing and enhancing emotional management competencies in business leaders.
- Intellectual ability alone is not a guarantee of success in life. EI, therefore, is important in multiple settings, and with appropriate training in EI, students will not only be successful in school, but will develop into well-adjusted individuals in the society. Educational philosophy then needs to emphasize the development of individuals in a holistic manner. An integrated curriculum that stresses acquisition of knowledge, thinking skills, and values—with a focus on emotion and its role in the well-being of a person and success in life—needs to be given proper attention in our schools.

CASE STUDY

Mr. Jones is quickly approaching what most would call the better years of his life, retirement. He and his wife have been planning vigorously: from trips abroad to exotic destinations to quick day trips to visit the grandchildren. Mr. Jones, much like a majority of the tail end of the baby boomers, has invested heavily in preparing for this well-deserved permanent hiatus. He had invested in his company-sponsored retirement plan and done very well for himself; he has managed to accumulate enough tenure at his company so that he has also become heavily invested in the company stock options. Mr. and Mrs. Jones had consistently saved to further invest

private capital in various investments within the markets and purchased rental property in well-traveled vacation spots. Their plan has been to use tenant-rental income to subsidize the mortgage payments and to help supplement the income for their living expenses while they travel. As one can clearly deduce from this scenario, the Joneses are well-equipped for the retirement; if anything, they are over prepared. They have also maintained diversity within their investments to hedge risk. To the average individual this plan for retirement is very well-thought out and had been devised so that once executed, it can maintain itself on an almost perpetual basis. Now let us discuss the reality that the Joneses must now face—with one year left until their retirement... About a year ago Mr. Jones received an announcement from his company—a well-known investment company—that it is sustaining losses that continue to increase in mortgage-backed securities, and as a result, the company's board has determined to cut contributions and stock options to all employees, effective immediately. At first Mr. Jones shows little concern as he is well-vested with the company and even if all contributions stopped today the residual value of his investments would still continue to survive. Mr. Jones is showing little concern at this point as he has lived through financial crises before, such as the savings and loan crisis in the 1980s.

A month or so passes and another announcement is made by the company concerning recent audit findings by the Securities and Exchange Commission (SEC), which are to be available to the public within the coming week. This news of course is troubling, but still manageable; the company has been able to manage bad press in the past and will be able to avert any issues of concern. Mr. Jones later receives a call from Mrs. Jones stating that she saw on the financial news the findings by the SEC on the company, and that the stock within the company had begun to demonstrate a shaking in investor confidence. The amount of capital tied up in Mr. Jones's retirement in company stock options and the length of time until he is set to retire could severely hurt his retirement income return, not to mention change the income stream forecasts to his other investments.

As time continues to pass and the financial climate begins to become more uncertain, Mr. Jones notices his funds beginning to sustain losses as a portion of the mutual funds that Mr. Jones had invested in were tied to mortgage-backed securities. Mr. Jones also receives notice from his property management company that several properties he is renting out may become vacant soon as large-scale

layoffs were just announced by local employment, and as a result, Mr. Jones will need to supplement the mortgage obligations from his own income if he wishes for these properties not to go into default with the bank.

By this point Mr. Jones is reacting to these initial blows with emotional responses of fear and anger. His entire retirement is falling prey to tremendous loss and financial ruin. As a result of these initial responses, Mr. Jones goes against most of his rational judgment and quickly begins to withdraw his funds from the markets to stick them in bank side products that are protected by the Federal Depository Insurance Corporation (FDIC), even with the full understanding that while those products provide safety they don't provide growth. Mr. Jones then begins to call the banks to discuss short-sale options, instead of considering alternate plans that may be initiated to save a majority of his real estate interests. Mr. and Mrs. Jones's first priority now is to stop the losses and worry later about how to make the retirement work, along with entertaining the possibility of continuing to work well into the later years of their lives.

In this perilous situation, the Joneses turn to Mr. Smith—their long-term, trusted, CPA, and certified financial planner (CFP)—seeking professional insights into how to protect what little is left of their retirement dreams and even the not-so-affluent lifestyle they had become accustomed to. Without giving the situation any emotional evaluation to realize that any money-related issues may carry a highly emotional charge, Mr. Smith—the CPA—proceeds to demonstrate to the Joneses—financial calculator in hand—that they cannot continue on the well-familiar path of relative financial security and comfort. Item by item, he goes over their monthly expenditures, pointing out that discretionary bills as those for their grandchildren's birthday parties, veterinarian treatments for their pets, and holiday gift exchanges will need to be drastically curtailed, if the couple were to be able to afford to keep a roof over their heads.

Throughout this somber interaction, Mr. Smith appears to be addressing directly to Mrs. Jones, while Mr. Jones seems to be hovering in the background, watching his wife getting more and more visibly upset. Even though this was the last thing intended by anyone, Mrs. Jones feels that her husband and her financial advisor are ganging up on her, blaming her profligate spending habits for the family's precarious financial situation. She feels betrayed by her husband and unduly criticized by the CPA. Over the past ten years she

had actually been the bread winner, steadily pulling in an income at least twice as great as that of her husband's, and the CPA knows it. Mrs. Jones leaves the offices of Mr. Smith, the CPA and CFP, in tears. On the way home from their appointment, Mr. and Mrs. Jones have a screaming match on the topics that spill way beyond finances. Mr. Smith, the CPA and CFP, loses another client—the fourth this month.

Only a couple of days prior to this painful interaction, Mr. Smith had received a tough talking-to from his own boss, about the firm's health and performance, and now he is really worried about his job. Mr. Smith is married to a preschool teacher and has three daughters in college. With a growing sense of anxiety, he returns to his office, searching in his mind for the explanation of what went wrong and frantically going through the dwindling options on what to do next.

QUESTIONS

1. Do you believe Mr. Smith made any mistakes in handling his client's case? Please explain.
2. Do you believe that emotions should play a role in decision making of any kind? Please explain.
3. Have you ever encountered a situation at work where you felt that you did not have the right skills to handle your customers in a set of unique circumstances? What kind of skills were they?
4. Why do you believe some business people reject empathy as a valuable quality for effective leadership?

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CHANGED LEARNING NEEDS: SOME RADICAL REFLECTIONS ON B-SCHOOL EDUCATION

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Abstract

The world is changing at an accelerating pace. Business schools have an opportunity to prepare graduates who can cope with this change and help shape it. But how? Gandhi said: "Be the change you want to see in the world." This is good advice for business schools. Students go to business schools to prepare to lead and manage organizations; their goal is professional. However, research shows that the primary, de facto purpose of many business schools is to produce research that promotes the careers of faculty and the standing of the business school. Instead, b-school graduates should be prepared in three dimensions: knowing, doing, and being. The "knowing" dimension requires faculty who are conducting research and who have professional experience. The "doing" dimension requires an emphasis upon experiential education and the use of practice fields. The "being" dimension requires faculty who can mentor students and help them become the change the business school wants to see in the world.

INTRODUCTION

Knowledge is increasing exponentially, and the world is shrinking and changing at an accelerating pace, blurring our vision, and preventing us from taking a mental snapshot of the new changes before everything has changed again. The population doubled again recently, this time in only a few short years, surpassing 7 billion. New technological advances speed communications, reduce product life cycles to veritable half-lives, destroy and create industries almost overnight,

and utterly reshape the globally networked constellation of organizations. And yet, population growth and new technology are only two of the innumerable and exceedingly diverse drivers of change today; together, they defy attempts to inventory and comprehend them all, and yet traces of their systemic connections are ubiquitous. These forces weaken nation states, roil traditionally stable economies, and confound the efforts of regional and world leaders even to understand what is happening, much less respond in time and govern effectively. Future shock is here.

Business, however, seems to feed off these forces of change like storms feed off the energy of warm oceans. It is becoming ever more global, more competitive, and more powerful. And, in a type of self-reinforcing feedback process, the globalization of business is itself becoming one of *the* most powerful forces driving dramatic worldwide changes. While media reports in recent years have highlighted business scandals, greed, and exploitation, the dominant reality may well be that successful business organizations are bringing people together all over the world, breaking down barriers to cooperation and success, motivating better cross-cultural understanding, spreading prosperity, and lifting the lives and fortunes of billions. Indeed, as Prahalad (2005) and others have noted, successful business organizations have the potential to do worlds of good to the most needy of all, if only they are led with heightened consciousness, creative intelligence, and a keen eye for pursuing self-interest only in a manner that also serves the interests of others.

Many of tomorrow's business leaders are in business schools today. This means that business schools have a golden opportunity to be at the center of changing the world for the better. They have leverage. They have an opportunity to shape the minds, hearts, and behaviors of those who will shape the way businesses do business around the globe, and business will shape the world of tomorrow even more powerfully than many governments and other nonbusiness organizations. The world is changing dramatically and at breakneck speed, to be sure, but business schools can equip leaders and managers who can cope with this change and indeed help channel it in positive directions. But how?

Gandhi said: "Be the change you want to see in the world." This is good advice for business schools. The vision, mission, character, and culture of business schools—not in theory but in practice—can affect students profoundly. Some things are better "caught than taught," it is said, and business schools with a clear, dominating, existential purpose focused upon preparing graduates who can be successful and

make a difference in the world could enable them to do just that. What will be needed for graduates to be successful and make a difference? Going forward, the businesses that can learn, change, and successfully adapt the fastest will possess the most critical and sustainable competitive advantage over their rivals. The highly effective leaders and managers of tomorrow will be those who can learn, change, and successfully adapt personally, and who also possess the skills to enable their organizations to do so too. To the extent that this is so, business schools need to *be* this for their students; they need for their vision, mission, character, and culture to model continuous and innovative learning, transformative change, and successful adaptation to the currents of change in the world.

The opportunity here for business schools and their faculty is historic, strategic, pivotal, and meaningful. Doing the job right, though, is critical to seizing the day, and it is not at all clear that business schools are keeping up with changing needs, serving students well, and maintaining their credibility as the place to prepare to lead and manage. Even consummate academic insiders like Mintzberg (2004) and Pfeffer and Fong (2002) have raised questions. It is time for business schools and their faculty to engage in some self-reflection and to consider if some course changes are required.

What Students Want from a B-School Education

Students typically go to business schools to get a degree that will help them get a good job, or a better job, and will help propel them through their career with increased status and an advantage over others. Business schools often compete to attract the best and brightest to their campus with the idea that their business school is highly regarded, draws influential recruiters to campus, helps students land jobs with high starting salaries, and has successful alumni willing to network with future alumni through the course of their career. All of this caters to the professional motivations and aspirations of new students, whether or not the primary focus of faculty members in actual practice is aligned with students' professional purpose.

Students enroll also because they want to acquire knowledge that will enable them to perform effectively after they graduate, and even though they know that some of their knowledge will become obsolete over time, they hope they will be able to draw upon their studies through the years ahead. While a few want knowledge for its own sake and an even smaller number want to develop eventually into business faculty members who spend their priority time conducting

research and producing new knowledge, most want to acquire knowledge they can use professionally.

B-school students also want to acquire the know-how and skills they will need to apply their knowledge to real world, practical business situations in order to achieve success. Studying business is not the same as studying, say, history. From the beginning, the whole point is to use the studies, immediately and directly, to do things with it that lead to business success. Students know that business is about performance and results, and this is what will be expected of them. Knowledge will be important, but skill will be important too. One can read about the perfect golf swing from a book, but it takes practice and coaching to acquire the skill. Students make great personal sacrifices of time, energy, money, and opportunity costs lost to attend business school, and they expect to get a return on these investments. Developing some of the know-how and enduring skills needed for business success is an implicit part of their expectations, whether or not it is on the radar screen of the faculty or even possible within the traditional structures of the business school.

In addition, most students are also looking to grow personally, that is, to *become* more than they would have been without the b-school experience. They want to *know* more, and to be able to *do* more, that is true, but they also want to *be* more. Further, they want to gain a clearer understanding of their place in the world, their purpose in their work, and the contribution their work can make to the meaning of their life (Lindholm, Golberg, & Calderone, 2006). Instinctively, they understand that this is a necessary foundation for them to be able to exercise increasingly effective leadership, and they hope that the business school will help them in this continuing transformation. As it does, they grow in confidence, and they become more prepared to lead and manage.

Actually, what most students instinctively understand and want from their business studies is just what the research by the US Military Academy at West Point discovered about how future leaders need to be developed. Datar, Garvin, and Cullen (2010) discuss the research in an important recent work on how business education is at a crossroads. They describe how West Point used its study to develop a framework to guide a series of curriculum reforms at the military academy, and they suggest using the same framework to guide changes they feel should take place in b-school education for leadership of twenty-first-century-business organizations. Datar, Garvin, and Cullen (2010) note that “leadership always involves three interrelated components: ‘knowing,’ ‘doing,’ and ‘being,’” and

they assert: “Professional education must focus on those same three components, whether it is aimed at military officers, doctors, lawyers, or businesspeople” (p. 104). *Knowing* relates to the “facts, frameworks, and theories that make up the core understandings of the profession” *Doing* relates to the skills, “capabilities, and techniques that enable successful practice in the profession.” *Being* relates to the “values, attitudes, beliefs,” commitments, and character needed for success in the profession (Datar, Garvin, & Cullen, 2010, p. 104).

What B-School Students Today Need to Learn for Tomorrow

“Knowing,” “doing,” and “being” give us a good framework to capture what students need to learn, and this framework provides b-school faculty with good guiding stars to sail into the changing future of business education. Our reflections here will not be complete or exhaustive regarding what business students today need to learn for tomorrow. Instead, we will selectively focus upon some broad themes we feel are extremely important, and yet strangely underemphasized or neglected in most contemporary business schools.

Knowing

The “knowing” dimension of the framework for leadership development means that students will need to learn up-to-date theories of leading and managing business organizations and how those theories work in contemporary business practices. Since leading and managing businesses is a professional practice, this dimension will require faculty who are conducting original research and who have meaningful professional experience. As McHann and Frost (2011) point out, the kind of knowledge pursued and taught in business schools needs to be based upon a “theory of knowledge . . . as an iterative intellectual construct (or dialectic) of theory and practice” (p. 19). For example, “medical science considers surgery a *field of knowledge*” (McHann & Frost, 2010, p. 18), and a medical-school faculty member in surgery may well have a PhD in anatomy and physiology, in addition to her MD degree and continuing experience in surgical practice; she may also conduct scientific research in surgery-related topics in anatomy and physiology, as well as research and publish on the practice of surgery.

Students also need to “learn how to learn,” to learn how to teach others to learn, and to learn how to lead and manage continuous learning in a business organization. Little emphasis is put on this in

most business schools, if at all, though it is becoming critically important in today's rapidly changing world, where the most competitive organizations are becoming ever more knowledge intensive. While it will always be important for students to develop some degree of mastery of the subject matter in functional disciplines like international business, strategic management, marketing, operations science, business information systems, finance, accounting, and so on, and while some of this knowledge will be enduring, a great deal of what is taught in any two-year MBA degree, for example, will be obsolete within a few years. In addition, new knowledge and new practices are developing every day; graduates need to catch a passion for lifelong learning, and they should have a cultivated ability to find meaning and joy in it. Further, success is often driven by learning unique and organization-specific knowledge that can only be developed by people with growing capacities in individual and organizational learning, people who possess innovation-directed learning skills and research skills, and people who know how to find and/or develop useful knowledge just when it is needed.

One of the most powerful learning skills that students need to acquire is the ability to think and work scientifically. Every student has taken some science classes in high school or college, and most have read about and been exposed to the scientific method, but this does *not* mean that they have absorbed the ability to think deeply with it and to use it extensively in daily life and work. This learning skill created the modern world, and the ubiquitous use of it should not be reserved just for scientists or people in the R&D department. Every employee in a business can and should learn how to think scientifically in the way they go about their work, which sounds impossible, but isn't, in fact it has already been done.

For example, faculty at Harvard Business School (HBS) did an exhaustive, four-year study of what made the Toyota Production System unique and what enabled it to propel Toyota to a dominant position. They observed that competitors mimicked various traits of the system, but they failed to replicate its success because they didn't understand its essence, its DNA. Spear and Bowen (1999) summarized their research this way: "We found that, for outsiders, the key is to understand that the Toyota Production System creates a community of scientists... Indeed, in watching people doing their jobs and in helping to design production processes, we learned that the system actually stimulates workers and managers to engage in the kind of experimentation that is widely recognized as the cornerstone of a learning organization" (p. 98). The entire Toyota Production System

is designed so that all employees, from the highest to the lowest, continually engage in scientific experiments, whether they know it or not, in the way they go about their daily work. As Pfeffer and Sutton (1999) observe, truly successful organizations like Toyota “make the process of doing into an opportunity to learn” (p. 141). B-school students need to learn how to think scientifically, how to use scientific thinking in work, and how to teach others to do so too. Further, they need to learn how to design organizations, systems, processes, projects, teams, and jobs so that scientific thinking is thoroughly engaged in work and the “process of doing” is turned into “an opportunity to learn,” improve, compete, and win.

A similar but different learning skill that business students should learn is the ability to think hermeneutically or interpretively as it is colloquially called. This is a discipline more familiar to Europeans than Americans, and it has been having an increasing, if indirect, influence in management studies and practice. Hermeneutics is a philosophy or methodology within theory of knowledge that is focused upon how human beings learn and come to understand truth in constantly changing contexts, how they construct *meaning* in their understanding of the relation of parts to wholes, and how they communicate meaning to one another across time, languages, and cultures.

Whereas the primary movement of science is analytical, the emphasis of hermeneutics is synthetic. Science has proven extraordinarily productive in understanding the physical world, or nature, whereas hermeneutics has enriched our understandings of the human “mind” and its products and actions. In the humanities, hermeneutics strives to provide adequate theory and methods for the interpretation of the meaning of *human action* found in works of art, music, performance, literature, and so on (Foucault, 1982; Gadamer, 1975; Hirsch, 1967; Palmer, 1969). In the social sciences, especially on the continent, hermeneutics is often considered the common method fundamental to all the social sciences, which includes management, regardless of their discipline-specific variations, or it is seen as a complementary and necessary approach to understanding alongside science (Bauman, 2010; Bernstein, 1983; Betti, 1972; Lee, 1991).

The value perceived here is the way hermeneutical or interpretive approaches take sufficient account of the dynamic, iterative, and intentional nature of human mind and actions. With every revolution of the “hermeneutical circle” (or spiral), the meaning of human thoughts and actions can be better understood, communicated, shared, and corrected by data/reality and by the workings of a “dialogical community” (Bernstein, 1983), for example, the employees in

a work team or organization. The approach is similar to the “action science” of Argyris (1985; 1993; 1999), which aims “at exploring the reasoning and attitudes which underlie human action and produce more effective learning” in individuals, organizations, and other social systems.

The know-how and skill to lead the employees of an organization to develop a collective and purposeful meaning, to develop a shared vision and mission for their organization, is a critical capacity for tomorrow’s business leaders, who must ensure that their organization periodically and continuously formulates, implements, evaluates, and reformulates a successful strategy. The faster the world changes, the more dynamic and systemic must be this process. In the context of ongoing human action and the reflexive interpretation of it, hermeneutical thinking can iteratively construct meanings, concepts, or what Norman (2001) calls organizational “artefacts,” that is, mental memes. These shared thoughts can be about many things, but a truly operative organizational vision or mission provides a good example. As Norman (2001) describes, a vision or mission that is developed in this way “becomes so much of an ‘attractor’ that it mobilizes the attention and energy of many players and coordinates their actions in such a way as to make the concept a self-fulfilling prophecy. In such cases the invention of a concept formulated as a vision about a mission can mobilize many people, thus producing action which actually transforms the abstract concept into a concrete, manifested reality” (pp. 278–279).

Senge (1990/2006) calls the capacity to develop a “shared vision” among employees the “the third discipline” of the learning organization. Systems thinking is the fifth discipline, and systems thinking and systems dynamics are also critical learning skills that b-school students today need to acquire to be successful leaders. Senge et al. (1994) says: “Systems thinking [is] a way of thinking about, and a language for describing and understanding, the forces and interrelationships that shape the behavior of systems. This discipline helps us see how to change systems more effectively, and to act more in tune with the larger processes of the natural and economic world” (pp. 6–7). Systems theory (Bertalanffy, 1951; 1968; Boulding, 1956), system dynamics (Forester, 1981; Sterman, 2000), and systems thinking (Checkland, 1981; Georgiou, 2007) are closely related ways of seeing reality as an interconnected system of systems and of understanding more deeply the dynamic workings and interdependent behavior of these systems. It is a way of seeing what the world *is* and how the world *works*, and it is especially suited to perceiving the complex nature of

reality (Tsoukas, 2005; Tsoukas & Chia, 2011). Organizations are social systems (Luhmann, 1995), and they have a dynamic, autopoietic nature (Marturana & Varela, 1987; Maula, 2006).

When business students get “eyeballs” to see organizations as systems within larger systems, and when they gain an existential understanding of how these systems work together interdependently and how they can use this understanding of the system(s) as leverage to manage within it, they are profoundly better equipped to lead twenty-first-century organizations. Business students who become skilled in systems thinking are considerably more capable of sailing their organizations through the everchanging weather and sometimes turbulent waters of global business.

The influence of systems thinking has begun to pervade the consciousness of most people, so that the terms “system” and “systemic” are used constantly in common speech, but this is quite different from being capable of using systems thinking to lead and manage an organization. It is akin to the common understanding people have of “science,” though in reality most executives do not engage in “scientific thinking” in the way they lead and manage their organizations. Business professors too talk about systems thinking more and more often these days, but research has shown that few actually teach it to their students.

Learning to use systems thinking necessarily leads to another important learning skill that business students need to acquire, which is the ability to think in an interdisciplinary and synthetic manner. Science is primarily analytical, and the way science is understood and done often leads to reductionism. In a scientific culture or milieu, the focus over time tends to become smaller and increasingly specialized. This can lead to “silo thinking” and a studied incapacity to think across disciplines, to integrate knowledge from many different disciplines, and to create new knowledge through synthesis.

Indeed, analytical and reductionist thinking can eventually even lead some to an irrational undervaluing of synthetic and interdisciplinary thinking. For example, many b-school professors are conditioned to focus their research agenda within a narrow range and publish in a narrow range of high-quality, subject-similar journals. Writing on a variety of somewhat related topics, publishing in a range of journals, including largely interdisciplinary journals, is often viewed as a dissipation of efforts and a career diminishing approach, rather than as an enriching intellectual strategy. Business schools can’t teach students interdisciplinary thinking very well, if business professors are programmatically conditioned into disciplinary silos.

University-based business schools have a strong scientific culture today, but they did not begin this way. At the beginning of the twentieth century, only three university-based business schools existed in the United States. As a truly academic discipline, management was an infant, or worse, an ill-defined, eclectic amalgam of intellectual threads from this and that field. As business schools multiplied and tried to figure out how to prepare students for their careers, they were influenced by the practices of a number of trade and commercial schools, and the tendency was for successful practitioners to tell “war stories” and teach lessons from their experience without much regard for how it was grounded in sound, research-based theory. By mid-twentieth century, studies by the Carnegie Corporation and Ford Foundation described American business education as largely an assortment of trade schools without a strong scientific foundation (Pfeffer & Fong, 2002, p. 79).

University-based business schools reacted with a vengeance. They programmatically adopted the scientific methods of social science departments, they stressed quantitatively oriented studies, and they focused upon ever more demarcated and specialized disciplines. Bennis and O’Toole (2005) contrast the development of law schools and business schools, and they suggest that business schools “succumbed to physics envy and the scientism it spawns” and that today they tend to view good research as only the research that possesses “the presence of a scientific patina” (p. 103). This culture of “scientism” may be influencing the lack of interdisciplinary emphasis in most business schools.

Accreditation standards do so too, especially in the United States where Association to Advance Collegiate Schools of Business (AACSB) is dominant. To be academically qualified to teach, b-school faculty must have their PhD “in field,” that is narrowly in the subject of the courses they wish to teach, or attend an AACSB-approved post-doctoral “bridge-to-business” program. Depending upon how these standards are interpreted and applied, they can be helpful, or they can turn “in field” into “in silo,” which can foster a narrowness in employment and in ongoing research that hampers interdisciplinary thinking.

As students learn to think scientifically, hermeneutically, systemically, and in an interdisciplinary manner, they begin to see the world more objectively and more empathically, they perceive it as a system of interconnected systems where everything, even little things, affects everything else in an interdependent fashion, and they oscillate as needed between analytical thinking and synthetic thinking that

recognizes larger horizons. This process prepares them to think more in an others-centered and customer-centered manner. It also prepares them to think beyond their national and cultural horizons and to develop an increasingly global perspective, to become “world citizens,” and to lead and manage a business that is globally engaged.

Doing

Business schools spend most of their time teaching students business subject matter, even though much of it becomes obsolete rather quickly in today’s world. We have argued above that in addition to teaching students the subject matter of various functional business disciplines, a greater emphasis should be put on teaching students how to learn. However, this addresses only part of the changing needs of business students.

A growing body of literature argues that business schools are teaching students a great deal *about* business, but they are not developing students’ ability to put this knowledge into practice (Chia & Holt, 2008). The result shows up in the inability of businesses to execute. Bossidy, Charan, and Burck (2002) say that the ability to execute is a “discipline to be learned.” Pfeffer and Sutton (1999) report on the results of their multiyear-research study at Stanford Business School and assert that the greatest problem in most businesses is that of “knowing too much and doing too little” (p. 135), and they call this problem the “knowing-doing gap” (Pfeffer & Sutton, 2000). How can business schools teach students to be able to overcome the knowing-doing gap, so that as graduates they can help businesses overcome the knowing-doing gap? McHann and Frost (2011) argue that the answer lies in changing the culture, curriculum, concept of knowledge, and common pedagogy of business schools, so that there are practice fields and more experiential education. This sounds radical, but some other professional schools already do this.

Medical schools, for example, have a culture of high intellectual rigor combined with the actual practice of medicine, and they prepare medical students to become doctors through an educational experience that integrates studies with increasingly more experience in real-world application of the theories and knowledge acquired through traditional academic study. They have practice fields too, namely the medical centers or hospitals where the medical faculty—most of whom are practicing doctors—work. In effect, they have what Raelin and Coghlan (2006) call an “epistemology of practice” or engage in what Schon (1995) calls “knowing-in-action,” that is, they “learn by doing,” so that they can “learn to do.” This is in sharp contrast

to most students' business school experience. As Pfeffer and Sutton (1999) point out, "In surgery, there is an old saying that describes how residents learn a procedure: 'Hear one, see one, do one.' In business education, the saying would go, 'Hear one, talk about one, talk about one some more'" (p. 137). Business schools need practice fields too in order to integrate the knowledge and practice necessary for professional preparation. Bennis and O'Toole (2005) ask, "Why shouldn't business schools operate ventures that function like the equivalent of medical-school teaching hospitals?" Radical idea, isn't it?

The totality of what needs to be done is fairly radical, and it will require some fundamental structural changes in business schools that cannot occur easily or overnight. In the meantime, what can individual faculty members do that is within their "circle of influence" or their control? The answer is to try to learn, invent, and utilize more experiential learning approaches that fit with business. For example, McHann and Frost (2010) describe how they began to require weekly "learning journals" of 1–3 pages in an introductory graduate management course and the powerful impact it had upon the students. These "learning journals" are guided or structured journal entries where students learn how to "learn by doing" through use of an integrated learning model.

The learning journal assignment asks students to briefly describe an insight or concept they *acquired* from their studies that week, to *interpret* its relevance to their personal and/or professional life, and then to report on how they *applied* the concept or insight in their lives and/or on their job. In the application stage, they are expected to utilize Deming's Plan, Do, Study, Act (PDSA) model. The assignment forced students to think more about what they had studied, about how it related to their life and work, and especially how they

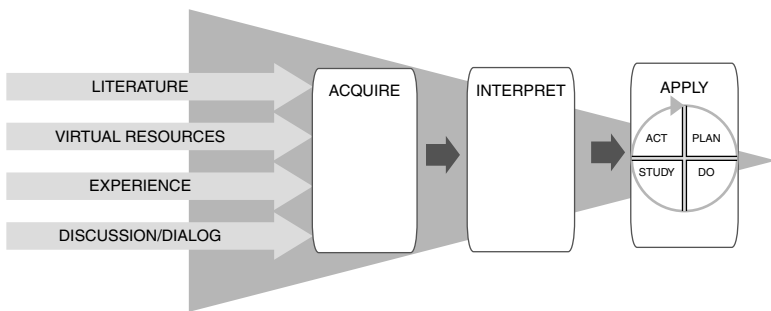


Figure 6.1 An Integrated Learning Model.

could apply it in some manner or another today. Faculty graded the journals according to a rubric that reinforced the learning process and provided specific, personalized feedback, coaching, and mentoring to students on each journal entry.

At first, the whole experience of having to pick a concept or insight themselves from their studies, rather than have it selected and assigned by faculty, proved to be challenging, but students learned to do it. Translating the meaning of the concept or insight in a way that illuminated its relevance to their life or work was more challenging still, but students learned to do it. Most daunting of all, however, was actually overcoming the “knowing-doing gap” and applying the concept to some aspect of their life or work. This proved utterly foreign to most students; they lacked the skill to purposefully put something they learned into real time, real-world practice, but eventually most of them learned how to do this too. Some went further; they would recycle a concept for a second or third journal entry, except that they would apply it in a new, deeper, or more effective way than the first time. As they *practiced* the application, a new habit of behavior would start to take hold, and many students found this empowering and exciting. As one student remarked, “I’m clarifying my vision and mission for my life and my work, and more importantly, I’m catching on to *how to get it done!* I’m learning how to become the person I want to *be* and to achieve the goals I am setting for myself.”

Being

It takes time to grade all those learning journals, to give specific and personalized feedback to each student on each journal, to keep coaching them on how to do the assignment better next time, and to mentor them wherever possible. While it is gratifying to see the powerful changes occurring in their lives and careers, no extra pay or consideration of any type is given for these efforts. Indeed, it is clear to most of us that the real rewards come from doing research and publishing. Consequently, every semester the temptation comes to just deliver some stock lectures and give a midterm and final exam to assess whether or not they have acquired the information and can repeat it back to us, so that we can focus our priority time on research and publishing. However, the “being” dimension that students need to develop requires faculty who will mentor students and help them *become the change* the business school wants to see in the world.

Most traditional textbooks have a brief section early on that describes “managers and managing” or something similar. When

expressed well, the idea conveyed is that self-management leads to the capacity to manage others. Senge (1990/2006) sees this too and says that “personal mastery” is the first discipline of the learning organization. If we take, for example, the concept of learning that we have discussed so much in this chapter, we could make the point this way: if a leader has not herself “learned how to learn,” then how will she teach or lead others to “learn how to learn”? If a leader cannot overcome the “knowing-doing gap” personally, how can she lead an organization of dozens or tens of thousands to overcome that gap? If a leader has no personal vision or mission for their life and career, then how skilled will the leader be in helping an organization to develop an effective vision or mission? One could go on endlessly with such illustrations, but the truth they convey is not as obvious or vapid as it might appear. After all, beyond the inclusion of an academic course on ethics, or corporate responsibility, or environmental sustainability here and there in the business curriculum, how much focus and attention do business schools really give to help students *become* the people they want and need to be?

Datar, Garvin, and Cullen (2010) say that *being* relates to the values, attitudes, beliefs, commitments, and character needed for success in the profession. This is a huge challenge! While exposing students to the subject matter of business disciplines is the main event in today’s business school, we have argued above that an insightful appreciation for the “knowing” dimension leads us to consider that it is even more important to develop their thinking and learning skills. While so much attention is given to the “knowing” dimension, a host of thought leaders argue that it is even more important to teach students how to execute, that is, we need to put much more attention on the “doing” dimension. However, a strong argument could be made that the most impactful b-school education would be one that gave priority to the “being” dimension.

Covey (1989/2004) completed an MBA at HBS and a PhD at Brigham Young University (BYU). His lifework has focused on leadership development, and he is famous partly for his international best seller, *The 7 Habits of Highly Effective People: Powerful Lessons in Personal Change*. In the beginning of this book, Covey describes some extensive research he did into the literature on leadership and success from the beginning of US history to the present. As the research proceeded, Covey began to notice a dramatic shift in emphasis. During the first 150 years of US history, the focus was upon character as the foundation for success. The literature talked about how

to integrate enduring principles and habits deep into one's nature, so that the eventual fruit would be success. Covey called this the "character ethic." However, during the last 50 years of US history, the focus starkly changed to an emphasis upon attitudes, techniques, manipulative interaction skills, and other approaches that Covey called the "personality ethic." Covey's book is clearly a presentation of the character ethic. It apparently struck a chord and met a deep need. It has sold over 15 million copies, has been translated into 38 languages, and was named the #1 Most Influential Business Book of the Twentieth Century.

While the book is based upon years of broad, in-depth, and competent research, Covey wrote it in a simple, self-improvement genre, so many business school professors would tend not to use the book in any courses, except maybe as a supplemental reading. However, the content and direction of the book remain highly valuable as a guide to business faculty who want to give more attention to the "being" dimension of what students need for future leadership success. It can also serve as a starting point for lines of further research.

For example, one of Covey's seven habits is "sharpening the saw," by which he means giving priority to who you *are*, striving to integrate and balance the "four dimensions of your nature"—the physical, mental, social, and spiritual dimensions—and taking time to continually renew oneself in each of these dimensions. Though one could argue that business school research and teaching tends to neglect all of these areas as foci for student development, the area one could expect to be most ignored would be the spiritual, particularly given society's contemporary interpretation of the "separation of church and state," and the tendency toward secularization of civil society and business affairs.

However, as Trott (2011) encouragingly points out, a "growing body of literature in management education has informed the teaching of workplace spirituality (Delbecq, 2000, 2005; Groen, 2010; Harney and Linstead, 2009; Haroutiounian, et al., 2000; Karakas, 2011; Kernochan, McCormick, and White, 2007; Lips-Wiersma, 2004; Pielstick, 2005; Schmidt-Wilk, Heaton, and Steingard, 2000; Steingard, 2005)." Of course, spirituality is defined broadly in these studies, and it by no means can be equated necessarily to religion. In fact, as spirituality is defined in many of these studies, it could be seen almost as a synonym for the "being" component of leadership. (For example, Puchalski et al., [2009] defines spirituality as: "The aspect of humanity that refers to the way individuals seek and express

meaning and purpose, and the way they experience their connectedness to the moment, to self, to others, to nature, and to the significant or sacred.”) In other words, while it might at first seem radical to focus more b-school research and teaching on the “being” dimension, especially the spiritual component at the center of this dimension, the academy is already moving in this direction. One doesn’t have to take this journey alone.

Conclusion

Business schools are professional schools, and the purpose of a business school education is to prepare professionals who can successfully lead and manage tomorrow’s businesses. Keeping this purpose in mind should put our focus upon what today’s business student needs to learn for tomorrow’s challenging world. The world is changing rapidly and dramatically, so our students need to learn how to change rapidly, and when necessary, radically. Business schools need to *be the change* we want to see developed in our students. This means business schools should be willing and able to undergo change too, even radical change.

One of the concepts we strive hard to teach our students is that serving customers effectively is a profound principle for success. Adam Smith was right all along. Our future success as business schools will be determined largely by our willingness to serve our students’ wants and needs before serving our own interests. It sounds so obvious and simple. And yet, a good deal of research and writing by some of the most esteemed members of the business academy tells us that our “espoused theories” and our “theories in use” are not lining up with regard to our real priorities. Our vision and mission statements, our student recruiting materials, and our fund raising appeals convey one thing, but our institutional culture and structures, our faculty reward systems and priorities, and our investments of time and energy say something else.

Bennis and O’Toole (2005) note that most business schools “espouse the theory” of a dual mission, that is, of preparing future leaders and managers and of creating knowledge through research, but they argue that the “theory in use” switches the *primary* focus from being professional schools to conducting scientific research without a sufficient commitment to how it can be applied in practice or how it helps prepare students for future practice (p. 98). Or, as Walsh (2011) describes it, the real world of business faculty has tended to become a secular, audit-culture world of publications for publications sake.

The culture, structures, and reward systems of contemporary business schools may conspire to squeeze faculty into this mold, but the greatest meaning and gratification will come from renewing our vision and mission for our work of preparing students to be successful leaders and managers in an increasingly challenging world.

CHAPTER SUMMARY

- Future shock is here, and the world of business thrives by becoming more global, more competitive, and more powerful, making the globalization of business one of *the* most powerful forces driving dramatic worldwide changes.
- Many of tomorrow's business leaders are in business schools today, so business schools have a historic, strategic, pivotal, and meaningful opportunity to be at the center of changing the world for the better by teaching these future leaders to learn, change, and successfully adapt personally, and to enable their organizations to do so too.
- Students expect business schools to: (a) grant them a degree that will help propel them through their career; (b) transfer to them useful knowledge, which they can use professionally; (c) instruct them how to actually apply the knowledge they acquire, so that they can become successful business leaders; (d) provide them the tools to grow personally. In other words, they want fulfillment in *knowing, doing, and being*.
- Business schools of today need to learn that, (a) "knowing," "doing," and "being" provide a good framework to capture what students need to learn, and to actually be applied in business education.
 - "Knowing" entails, for instance, acquiring up-to-date and practical leadership and management theories, learning how to learn and lead longitudinally, and being trained in thinking and working in a scientific, hermeneutic, systemic, and in an interdisciplinary manner, so that they understand the how, why, and what of what they do, so that they can build a shared vision.
 - "Doing" entails teaching students how to apply theory or put theory into practice. This will require a change in culture, curriculum, concept of knowledge, and common pedagogy of business schools, so that there are practice fields and more experiential education.
 - "Being" requires faculty who will mentor students and help them *become the change* the business school wants to see in the world. Being therefore relates to the values, attitudes, beliefs, commitments, and character needed for success in the profession.

CASE STUDY

An introductory class in management needed to be updated and refitted for the new MBA curriculum at a midwestern business school. Previously, a standard management textbook of about 800 pages had been used. It was widely adopted, since it touched on all the “common denominator” topics that have been taught through the years. However, almost none of the topics or concerns discussed in this chapter were covered at all. Previously, the course consisted of reading assignments from the textbook, faculty classroom lectures over the textbook material, a midterm and final exam with questions drawn from the publisher’s test bank, and a course project, usually a case study analysis and write-up on a corporation like Disney, Southwest Airlines, or McDonalds.

We took a different approach. The course name was changed from “Principles of Management” to “Management, Organizational Learning, and Change.” To cover some of the management subject matter, we adopted *The Leader’s Handbook: A Guide to Inspiring Your People and Managing the Daily Workflow* by Peter Scholtes, who was one of Edward Deming’s protégés. The book is a best seller and has become a kind of “Bible” in the Deming community. To cover some of the individual and organizational learning subject matter, we adopted *The Fifth Discipline: The Art and Practice of the Learning Organization* by Peter Senge. This book has sold millions of copies. The *Financial Times* called it “one of the five best business books of all time.” Senge was named a “Strategist of the Century” by the *Journal of Business Strategy*. To cover some of the personal and organizational change subject matter, we adopted *The 7 Habits of Highly Effective People: Powerful Lessons in Personal Change* by Stephen Covey. As mentioned in the chapter, the book has sold over 15 million copies, has been translated into 38 languages, and was named the “#1 Most Influential Business Book of the Twentieth Century.” The total number of pages of these three books was roughly equivalent to the standard management textbook.

Instead of the professor giving class lectures over the standard textbook, and in order to cover important management content that might not be treated in the three books we adopted, we chose a number of classic journal articles as well as some chapters from the standard textbook and divided these among the students. Each student was to (1) give a short presentation on the article or chapter that would convey its essential content, (2) interpret how the content could be relevant to students’ real work experience, and (3) give

some specific examples of how to apply it at work. The students were told that the primary purpose of their presentation was to inform, entertain, and catalyze rich classroom discussion over the topic, so that the class could practice the listening, discussion, and dialogue skills they were reading about in the course's three textbooks. The student presentations were used also to help the student presenters develop their communication and presentation skills. After each presentation and discussion, the class engaged in an After Action Review (AAR) with an emphasis upon using "appreciative inquiry" techniques. Almost all student presenters felt successful and developed increased confidence. Because everyone heard the AARs, the presentations got better week over week.

Instead of giving a midterm and final exam, a short quiz was given each week over the assigned reading material to assure students they were acquiring the basic information needed from the readings. The accumulated quizzes accounted for far fewer points than a typical midterm and final exam, however. In their place, we gave a weekly learning journal assignment, which was discussed in the chapter above. This assignment constituted the heaviest percentage of the students' course grade, so they took it seriously. The rubric used for grading the assignment is given below, and in addition the professor would write a paragraph of specific, personalized feedback that referenced the details of the journal, and therefore further "taught" the student.

As students worked on these journal entries, the content of the readings was imprinted much more deeply in their memory than merely learning it for an exam. In addition, they gained practice in interpreting and applying the content to their personal and professional lives. Also, their learning became more lucid as they needed

Points	Criteria
10 pts	Communication: Logic & English Composition of Journal Paper
10 pts	Acquire: Accurate Understanding of the Concept Discussed
10 pts	Interpret: Valid & Relevant to CURRENT Personal/Professional Situation
10 pts	Apply: A Clear Plan for Execution
10 pts	Apply: Evidence of Specific Action Steps Actually Initiated/Taken
50 Points	Total

Figure 6.2 Rubric Used for Grading Learning Journals: McHann and Frost (2010).

to think clearly and write their journal entry briefly with good logic and English composition. For more detailed information on learning journals and how to use them, see McHann and Frost (2010).

Instead of their course project being a traditional analysis and write-up of a theoretical case study from HBS or some other source, we developed a template that guided most of the students into doing a “living case study” on the company where they worked. (About 80 percent of the students worked part time or full time. Students who were not working were paired with students who were, or they were given a traditional case study to use, which was selected for its appropriateness to the course and assignment.) The electronic template was divided into three sections: (1) Findings, (2) Recommendations, and (3) Appendix. The template began with these instructions:

Complete the findings and recommendations sections LAST. You must first take an inventory of information about how the content of this course is at work positively, negatively, or not at all within your own current organization. Document your findings in the Appendix area below. The Appendix can be of any length necessary.

After you have finished taking an inventory of information about your organization, and recording it in the Appendix below, then fill in this template with your Executive Summary of findings and recommendations. Like any executive summary, this section should be very concise, namely, it should be *no more than two pages*.

The Appendix section went through the key content, concepts, and principles taught in the course and asked students to analyze and summarize within the template how the course content was at work in their job and organization. Students were told: “The Living Case Study Final Paper enables you to demonstrate your mastery of the course material in a *living case study* where *you* are existentially involved, motivated, and engaged to make a positive difference.” For more detailed information on “living case studies” and how to use them, see McHann and Frost (2011).

QUESTIONS

1. In terms of acquiring information and subject-matter content, do you think the pedagogical approaches described in this case would result in an increase or decrease in information acquired?

Why? Do you think the information acquired in the manner described in the case will be remembered longer than usual? Why or why not?

2. Do you think the pedagogical approaches described in this case can help students in a traditionally structured business school learn how to overcome the “knowing-doing gap” better?
3. How do learning journals and living case studies create no-additional-cost “practice fields” for student learning? In what other ways might similar “practice fields” be created within the structures of traditional business schools?
4. In your experience, what structural impediments do traditional business schools have to providing students the kind of preparation discussed in this chapter?
5. What change or improvement do you think would make the greatest difference in business school education? How do you think this change can be achieved?

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WHAT MAKES ADULT EDUCATION COMPELLING? DIVERSITY AS ENRICHMENT STRATEGY

Joan Marques

Abstract

In the last decades of the twentieth century, continuing in the first decade of the twenty-first century, tremendous changes became visible in all segments of human society. On one hand, businesses came to realize that they were now serving a global customer base. On the other hand, educators saw increasingly diverse groups of students in their classrooms. These are only two of the many environments in which diversity could be discussed, but they are the two that will be the focus of this chapter. Human diversity manifests itself in a broad sense: age, ethnic, geographic, ability, religious, educational, political, and any other thinkable form of divergence. It brings many positive aspects, but also many complications. A much greater awareness is needed, for instance, in approaching student communities in each higher education institution today, due to the multiple dimensions of diversity they represent. This chapter will briefly review some of the changes that occurred globally in recent history, from the many foundational reasons such as the Internet, increased traveling, social networking, expanded mass media, and business entrance in many corners of the world, to the opportunities and points of caution to be observed when educating a diverse team of students that needs to be prepared to creatively and successfully improve the quality of life in a diverse global workplace.

INTRODUCTION

Homogeneous societies are a rarity today. While homogeneity is not entirely eradicated, we have already witnessed tremendous shifts in

almost every human society on our globe. Two of the important support mechanisms toward this trend are the opportunity of inexpensive traveling and the Internet. With the increased competition among airlines worldwide, and the growing awareness among human beings about other countries and continents than the one they were born in, airfares have significantly been reduced in the past few decades. The growing awareness can, of course, for a large part be attributed to the Internet. In fact, it is more like a dynamic cycle: people surf the net, participate in social networks, make new friends all over the world, and learn through communication what is available on the other side of the fence. And since we are mentioning fences here: the lifting of the Iron Curtain, and the reopening of previously inaccessible borders in Europe and Asia, have played an important role in the augmented intermingling of cultures, ethnicities, and many other types of divergence as well.

The Business Influence

While all segments and disciplines experienced the change, it is particularly the business world that has witnessed remarkable expansion in opportunities through all of these developments. It may not be immediately apparent, but corporations have inroads where governments and nongovernmental entities don't. The business world is often seen as the deliverer of developmental opportunities, even if host countries and their governments also display appropriate skepticism and caution at times. While Multinational Corporations (MNCs) have often been labeled as exploitative and ruthless, many countries still realize that they can add a degree of value to their labor market and general living standard that would otherwise be lacking. While it plays out more advantageously for some economies than for others, business entities have infiltrated markets and built bridges in areas that were almost hermetically closed to governments before.

The diversity aspect of business infiltration can be explained as follows: an MNC enters a market, bringing in industry specialists to set up their operations, and using local labor to assist therein. Oftentimes, such an MNC has clear arrangements with the local government about hiring and educating local community members in order to help elevate the living standards. This is how the human interaction starts: locals get educated, not only in the corporate units on location, but often in other geographically located quarters of the MNC as well. They get exposed to the corporate environments in those "new" locations, as well as to the local cultures and standards.

The knowledge and insights gathered are often dispersed among other locals, and with that, general awareness is on the rise.

Another aspect of bringing MNCs in is through their products and services, which are not only produced but also used in the host country, thus creating a new group of stakeholders. And then there is the dimension of MNCs encouraging certain suppliers and other closely related constituents to follow, igniting an entire developmental revolution, which can lead a country in many ways depending on how the change is handled by government and people. Oftentimes, there is also an attraction of members of adjacent communities to the location where the MNC builds its premises, leading to regional diversity, aside from the international dimension.

The Communication Influence

Closely related to and supportive of the business influence, is the development of the Internet. While that sometimes happens along less professional lines, there is often also the aspect of people shopping online, and ordering products from the locations where they are least expensive. It often happens these days that students of higher education, when shopping on Amazon.com for their books, decide to review the used books market, and then enter a world with used book suppliers from the entire globe. The shopper often doesn't even consider the location from where his or her book is being shipped anymore. That has become an insignificant issue today, so the flow has expanded far beyond continental borders, and well outside the realm of formal corporations and stores.

Competition is no longer defined by one corporation versus another, but by entities in all shapes and forms: businesses in different sizes, and sometimes from different industries, among each other; businesses and individuals; and individuals among each other, oftentimes located in widely diverging parts of the world. This type of exposure also instills a healthy curiosity in customers, who want to learn more about the places, people, and entities they are dealing with. And here is where the loop closes once again: traveling becomes the logical consequence, as people want to learn and see more, and become aware of new opportunities to explore.

It is this continuously expanding degree of exposure to other cultures, habits, living standards, degrees of knowledge, cultures, and insights, that inspires people of all ages to gain more knowledge in formal ways: they return to school and are no longer embarrassed to sit in classrooms at ages of thirty-five, fifty-three, or even seventy-six.

One major advantage that the Internet has brought in that regard is, of course, distance communication. It doesn't matter anymore where one lives; there are ways to be educated by instructors in entirely different locations. It is how corporations operate today, but also increasingly how educational institutions perform. And with that, we have landed at the compelling nature of adult education, and its rich and enriching diversity.

THE MANY DIMENSIONS OF DIVERSITY IN ADULT EDUCATION

Just like diversity in general, adult education has grown into the rule rather than the exception in the past four or more decades. It is completely normal for members of the workforce to change careers multiple times these days, and therefore just as normal to return to school for the necessary education in the new direction. In the United States alone, more than 80 percent of all college students are considered adult learners, because they all work while obtaining their education, knowing that a degree without work experience will not place them very favorably in the job market.

The beauty of it all is that adult educational environments are by default more diverse because their members derive from widely dispersed backgrounds. Their age difference may be the least compelling form of diversity they encounter. They often also interact with classmates from different cultures, disciplines, ideologies, levels of preparedness, and other distinctions. This brings an interesting blend of advantages and challenges along, some of which are briefly discussed below.

Advantages

Expanded View

When interacting with people from such a broad array of experiential and cultural backgrounds, one cannot escape learning at multiple levels: not merely about the topic that is officially on schedule, but also from the perspectives shared by classmates, who harbor well-considered, sensible viewpoints that might have otherwise never been addressed. The depth of understanding in an environment with adult learners from divergent backgrounds is therefore an absolute asset in today's world of constant change, adaptation, and understanding. Adult educators are often aware of this advantage in their courses, and ensure optimal utilization of this advantage by making their courses

highly interactive, and encouraging students to take ownership of the course. By doing so, these adult learners find themselves in a teaching rather than a learning mode, which in and of itself serves as a powerful encouragement to perform at their very best.

Networking

Exposure to members of different industries could also serve as an important networking opportunity that would otherwise rarely occur. People have made career leaps, simply by informally talking to classmates, and realizing what the alternatives are to their current circumstances. When finding themselves in a precarious situation, where they may be laid off or are unhappy with their work, they may run into classmates who can be instrumental in helping them find a solution. As these learners have often long surpassed the traditional college age, and have experienced their share of crucibles in life, they also feel more confident and willing to help one another.

Opportunities

Aside from the opportunities described above, such as learning from a wide array of industry members, and finding unexpected assistants or mentors on their career paths, adult learners also experience the opportunity of optimal learning, as they have returned to the educational environment more deliberately, and are therefore far more focused than younger post-high school students. There is more depth in their entire learning process, as they eagerly absorb viewpoints presented in the course material, by the course facilitators and through their fellow course participants, resembling a “potluck” approach. A potluck is a gathering where every participant brings in something that everyone can use. Their awareness of other cultures and ways of approaching problems increases, and they come away with levels of learning that far transcend the degree they ultimately earn. The knowledge they gain through this process often proves invaluable in their future careers, and can help them make decisions at levels that they were previously incapable of.

Challenges

Slower Progress

Where there are advantages, there are always disadvantages to be noted as well. For instance, the greater degree of interaction that often occurs in adult educational environments often causes such in-depth dialogues about segments that may not necessarily have been

considered important. More importantly, however, when people who have been adhering to particular mental models (ideas/notions) for a long time get confronted with different notions, they may be more reluctant at first to adopt these. This may cause stagnation in the general learning process. Overall, diverse environments are known to provoke deeper effects in the long run, but take more time to start producing those effects, simply because there is more time needed to get everyone on the same page. As earlier mentioned, many adult classes also face wide discrepancies in levels of preparedness among their participants. Contradictory to post-high school courses, there are members in this environment who have exposed themselves to a far broader range of education in a far greater fluctuating time frame. This may cause some members of the class to be slower in moving toward the level of performance that is expected.

Greater Confusion

Elaborating on the mental models: this notion may require some explaining. We all develop mental models, instilled by our culture, backgrounds, education, and other environments in which we live and work. Mental models are the ways of seeing the world. They are not necessarily the same as those of others. Our perceptions are tainted by all the aspects mentioned above, and our willingness to let go of these perceptions differs from one person to another. First and foremost, it requires awareness that mental models exist and that we have them. Only then can we start working on adjusting them. Regardless of the depth to which the mental models are rooted within an adult learner, and the degree of reluctance that he or she may have to face them, question them, and possibly revise them, there will be confusion, and even rejection in adult learning environments. Educators should be aware of that.

Increased Ambiguity

Excessive structure does not work too well in adult educational environment. Educators who have been exposed to these environments for a number of years will readily admit that. Where traditional, post-high school class environments may do well with in-class tests and memorized quizzes, adults who have reached an increased level of maturity don't feel that they learn much that way. Memorizing is usually a strategy that only results in short-term memory storage, and rapid erasing of what is learned as soon as the test is completed. Adult learners do better in environments with less structure, work that is more reflective based, and can be done in their own time. This is how

their output improves, and their understanding deepens. The problem is, that many educational institutions still struggle with this fact and may question the rigor, legitimacy, and creative approach that make adult educational endeavors successful.

Awareness from the Adult Educator

The most important piece of awareness to be instilled in any adult educator is the fact that there is a difference in educating adults and educating children. Knowles, Holton, and Swanson (1998) explain this difference extensively in their book *"The Adult Learner: The Definitive Classic in Adult Education and Human Resource Development."* In this book, Knowles, Holton, and Swanson present the foundations of "andragogy," which entails the teaching of adults, as opposed to "pedagogy," which entails the teaching of children. The main difference is, of course, that adults come to the learning environment with a much greater portion of preexisting knowledge, which should not be wasted, but instead utilized as enrichment to the course. Unfortunately, there is still relatively little awareness of the andragogical approach, and many adult educators still adhere to pedagogical concepts in their course structures.

This lack of awareness is actually the cause of a widespread misnomer regarding the structure and performance of adult learners and their courses. When an educator tries to apply strict teaching methods to an adult learners' environment, he or she will encounter opposition and dissatisfaction, even if the adult learners may not be able to define what the cause of their dissatisfaction is.

When, on the other hand, an adult educator applies the facilitative approach that andragogy advocates, adult learners perform much better. The discrepancy that exists in almost every educational institution, whereby some educators utilize (either consciously or unconsciously) the andragogical approach, while some utilize the pedagogical approach, often causes confusion and a misperception that the facilitative (andragogical approach) is "too easy," because most students get As in those classes. There is, unfortunately, still a misconception that "good" equals "hard," and "excellence" equals "difficult" in education. An educator that has an abundance of C, D, and F grades in his or her class, is therefore considered a better one than the one who grants predominantly As to the same group of students. It is hard to comprehend the nuance difference that causes this to happen, and it is very similar to the problems that surface when comparing accelerated courses with semester-long ones in higher education. The

problems are consistently rooted in unawareness of adult educators about these two main strategies of education.

Awareness from the Adult Learner

As may have become apparent in the earlier discussed advantages of diverse adult educational environments, the best results are attained when adult learners are exposed to a facilitative technique, which allows them to reflect, implement, and share their learning. Lecturing, on the other hand, could be compared to making a bank deposit: the lecturer is the account holder, who makes a deposit of knowledge on the students, treating them as passive accounts, and therefore not expecting any feedback or challenge.

Knowles, Holton, and Swanson (1998) explain that the andragogical approach rests on six pillars: (1) The need to know, which should be clearly identified and explained in order to fuel the will to learn; (2) The learner's self-concept, which may not necessarily be that of an adult learner to start with, but could be reshaped through clear communication and proper motivation; (3) Integration of work and life in the learning material, which enables students to gain deeper understanding and greater interest; (4) Readiness to learn, which is usually present prior to the course in case of adult learners, since they made a conscious choice to return to school; (5) Orientation to learning, which is highly dependent on the way the learning material is presented. If brought within the scope of issues that interest them, their learning deepens; and (6) Responsibility and ownership to students, through which they understand the importance of their role in the course, and get more motivated to perform well.

Using the theory and concepts of Knowles, Holton, and Swanson as a guideline, Marques (2006) recommends the andragogical concept in college courses with inclusion of a number of flexible strategies that may further enhance motivation and learning depth: (a) an approach of openness to reduce teacher-student barriers; (b) multiple feedback options; (c) making it contemporary and reflective; (d) encouraging student input in the course structure; and (e) creating submission options for exams and tests.

Awareness about Adult Education Formats

In most instances, adult learning works best in intensive learning formats, because of the higher pace and the shared responsibility between the facilitator and the participants. Intensive learning formats were

actually developed to enable each individual in becoming increasingly self-directed in his or her learning process, while using the reduced formal course meeting time to exchange and learn from each other's reflections and experiences in the presence of a course facilitator (the instructor).

Once we start looking deeper into the phenomenon of accelerated learning formats, a wealth of information surfaces. Swenson (2003), for instance, suggests that authors should make such courses optimally useful by ensuring: (a) that students have ample opportunity to do their own learning; (b) that students are encouraged to include lots of reflections in their work; and (c) that students get the chance to engage in such reflections (hence, the reduced course meeting time).

Kasworm (2003) brings the concept of mental models into the picture. Mental models, as described earlier, are the ways in which we see the world. Oftentimes people don't realize that their notion of reality is based on a mental model, which was encouraged by their culture, the way they were raised, their education, beliefs, and all other factors that influenced them till that point. Adult education, and specifically within the realm of accelerated learning formats requires a shift in mental model for educators, and that may immediately explain why there is still opposition about this relatively new way of educating. The shift is dual. First, about 50 years ago it was pretty unusual for adults to return to school to get a degree. It was actually considered downright embarrassing, so very few adults were bold enough to bite the bullet and upgrade their education formally. Second, there is the intensive format, which is grounded in the greater maturity of adult learners, and manifested in their enhanced readiness to learn actively, reflectively, and rapidly. Kasworm is therefore a major advocate of adult learning and the formats in which it is mostly executed, because she feels that these formats consistently sort better outcomes, simply because they are more effective, more engaging, thus more encouraging for today's adult learners.

A very interesting illustration of how adult learning works can be found in two doctoral studies on the topic.

The first study, which was conducted by Armstrong (2007), focused more on MBA programs in intensive formats. Armstrong found that, while a majority of these students enter the programs for sheer extrinsic reasons, for instance, a desired change in career or a promotion on their job, they get increasingly inspired while going through the program, and end up with a tremendous intrinsic gratification as well, not only due to the increased skills that will enable

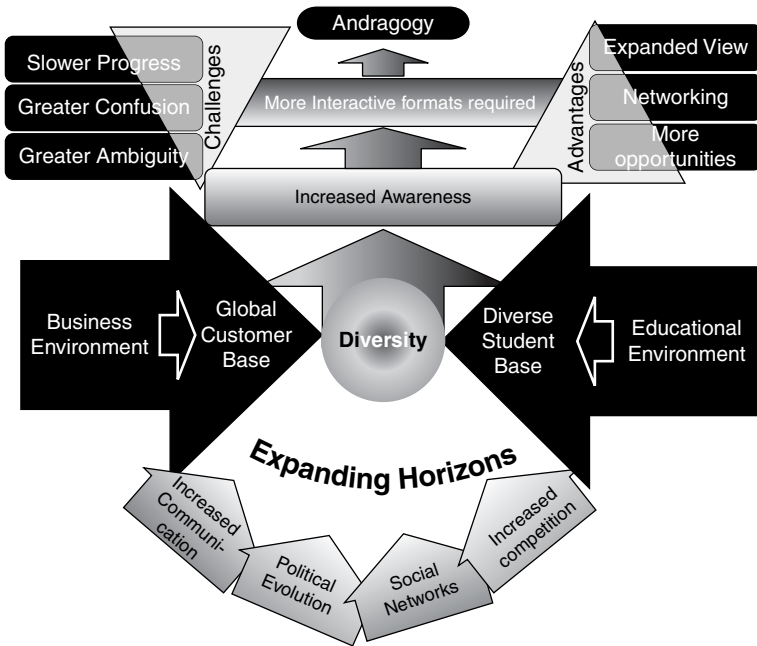


Figure 7.1 Diversity as Enrichment Strategy in Business and Education.

them to achieve their goals, but also because of the expanded insights they gained from all the interaction with fellow classmates.

The second study was from Manjounes (2010), who focused on undergraduate intensive formats, and found that they have a positive effect on retention rates, especially when a good relationship and a high level of mutual trust and respect exists between instructors and students.

CHAPTER SUMMARY

- Diversity is more widely established today than homogeneity. Increased traveling and the Internet are two of the most important contributing factors toward this trend, but global political integration, and business expansion are also powerful factors.
- The business world deserves tremendous credit for an increasingly interconnected and interdependent world, because it is often seen as the deliverer of developmental opportunities based on the fact

that business entities have infiltrated the markets and instigated a lively exchange of people, products, and services, even in areas that were almost hermetically closed to governments before.

- The Internet has contributed to diversity in multiple dimensions: at the personal level, through social networks, and at the professional level through unlimited business to business and business to consumer networks. At the educational level, the Internet has contributed to an expansion of alternatives, which have changed the entire educational climate.
- The educational aspect of diversity is not only visible through increased physical differences among student groups, but also through the means and structures in which education is offered today. A critical shift that has occurred in the past decade is that of increased adult education.
- Some essential advantages of diversity in education are: (1) it expands participants' views; (2) it positively influences networking opportunities; (3) it opens up a broader array of opportunities, through enhanced interactions with people from various backgrounds.
- Some essential challenges of diversity in education are: (1) it can result in slower overall progress for the diverse group, due to a wider variety in participants' preparedness; (2) it can cause greater confusion among participants, as they find their mental models being challenged; (3) it requires greater ambiguity by its very nature of being diverse, which may not always be received as well by all participants in the learning process.
- Adult educators often struggle with the awareness that there is a difference in educating adults and educating children, and the way this should be implemented. Andragogy, the process of educating adults, is built on different assumptions than pedagogy, the process of educating children.
- Adult learners usually have a greater willingness to learn, and therefore prefer learning formats with active engagement and lots of reflection. Learning, for the adult learner, does not only happen inside, but mostly outside the classroom, and not only from the course facilitator, but mostly from interactions and reflections with fellow students.
- In most cases, adult learning works best in intensive learning formats, because of the higher pace and the shared responsibility between facilitator and participants. Adult learners may start with extrinsic rewards in mind, but often find tremendous intrinsic gratification as well in intensive, interactive formats.

CASE STUDY

Dr. Sylvie Wymans learned about andragogy in her doctoral program and was highly enthused to apply all the concepts of this specific model, geared toward facilitating adult learners, in her business courses from there onwards. Dr. Wymans had been teaching before her doctoral degree, and while she had always tried to make her courses interactive, she had mainly reflected on her own experiences as a student, and basically implemented much of those teaching concepts in her style as well.

When she first got confronted with the concept of andragogy, she felt as if she had discovered a long-lost friend of which she had not even been aware in the past years. It all made so much sense to her, and she went to work immediately. She revised her course syllabi, and reformatted the structure of her sessions. She shifted the concept from a lecture to a seminar format, and embedded ample interaction and reflection opportunities in her courses. She replaced in-class tests with take-home exams, and made sure she explained the reasons for her course strategy, which now clearly deviated from many of her colleagues, to her students in the first session of each new course.

As she expected, students quickly picked up on what was expected from them, and while she encountered better results in some courses than in others—predominantly the evening sessions seemed to perform better than the day sessions—the trend was overall rather positive. There were two specific ways in which Dr. Wymans' changed strategy became obvious to the college community where she was teaching: (1) her end-of-semester student evaluations were glowing; and (2) students in her courses earned better grades overall.

The reactions to these changes were also dual: while some of Dr. Wymans' colleagues were eager to find out what she had changed in her strategy, and started implementing it as well, there were others who started questioning the merit of her actions, accusing her of lowering her standards, and using a flawed method that deprived students from all the information they needed.

Yet, no matter how rigorous the reviews from her opponents, Dr. Wymans' andragogical approach started spreading, and the faculty members who adopted it started receiving similar raving reviews from students, and assigning higher average grades to their students as well.

One of the Department Chairs filed a formal complaint against the strategy that now seemed to be spreading among a number of courses and faculty members, and stated that the level of the

college was deteriorating and that rigor and structure needed to be restored.

The Steering Board of the institution decided to call Dr. Wymans and some of her fellow faculty in to explain their deviating approach. Nervous, but determined to stick to what they believed in, the small group of about 5 faculty members, now generally known as “students’ favorites,” entered the impressive board room, where 19 board members were seated with somber and concerned faces.

The first question that was presented to the small cohort of faculty was: “Could you please explain to us what this is all about?”

“Respected board,” started Dr. Wymans, “I was an adult when I decided to earn a doctorate to be able to better facilitate students at this institution. During my study, I got confronted with a style that highly appealed to me, even though I did not understand at first what it was. Then I took a course in Andragogy, and learned about the differences in learning and, hence, facilitating of courses. I came to the understanding that today’s reality requires large numbers of workforce members to return to school and earn higher education. However, these adults don’t want to be treated as if they were kids. Many of them have a lot of insights to bring to the table and are eager to share. By allowing them to do so, we inspire them, and they start feeling as if they are co-responsible for their class.”

“We actually emphasize that from day one, so that they know what we expect and feel less inhibited to bring their reflections to the forefront,” added Dr. Hollingsworth, one of other the faculty members in the team. “We found that a ‘better’ course is not necessarily a ‘harder’ course, and that ‘excellence’ is not a substitute for ‘difficult.’ It is quite the opposite: people gain excellence when they are passionate about what they are doing, and they perform better when they consider it enjoyable.”

Encouraged by the two previous speakers, Dr. Lopez, who was usually on the quiet side, also felt the need to add his two cents: “While it does not count for 100% of the cases, I found that the majority of my students really appreciate the shared responsibility format that we implement in these courses. Even students that come from backgrounds where they were required to remain quiet and passive. I increasingly find that it is normal for people to interact if they feel they have some valuable information, and instead of inhibiting this, we should encourage it. We, as course facilitators, don’t know everything. For one reason: most of us spend the largest part of their working time in this environment, which is detached from the corporate world. By allowing our students, of who most

are corporate workers, to bring their experiences to class in the form of reflections to their reading, we suddenly achieve a much higher level of applicability of the course material.”

There was silence in the room after the professors had spoken. The board members, most of them current or retired corporate leaders, could not deny that the statements of the faculty members made a lot of sense. After a few more questions and equally well-considered responses, the decision was made for a small delegation of the board to attend a few of the courses from the andragogy proposing faculty. The interactions they had with students during these sessions convinced them that the approach was a highly valuable one, so the board notified the Chair, who had filed the formal complaint, about their decision to refrain from undertaking any actions against the faculty members.

Unfortunately, a large group of faculty members still refrain till this day to even consider the merits of the andragogical approach.

QUESTIONS

1. Do you think the andragogical approach will have equal success in homogeneous as in diverse groups? Please provide well formulated reasoning for your response.
2. Why do you think the evening student groups may have delivered better results with the andragogical approach than the day school student groups?
3. Reflect on your own education: were you mainly exposed to the andragogical or the pedagogical education model? What were the advantages and the disadvantages of the model you mainly experienced?
4. What types of diversity can you think of when thinking about adult learning in higher educational institutions?
5. Reflecting on the last sentence of the case: why do you think that many faculty members in higher education refuse to apply the andragogical approach?

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AN INTERDISCIPLINARY APPROACH
ON WISDOM TRANSFER IN WORK
AND LEARNING ENVIRONMENTS
USING STORYTELLING TO
INSPIRE POSITIVE CHANGE

Satinder Dhiman

Abstract

From a time immemorial, all the wisdom and spiritual traditions of the world have been involved with passing on learning to the next generations via parables, tales, and stories. No matter what God we pray to or what ethnicity we belong to, teaching stories have been (and continue to be) an abiding part of our common heritage. As folkways of learning, stories and parables represent the distilled wisdom of humanity and deserve to be studied and widely disseminated. The purpose of this chapter is to explore moral, psychological, and developmental dimensions of stories as wonderful learning tools and demonstrate their power in inspiring positive change. As such, the chapter will draw upon the wisdom traditions of the world such as Zen, Buddhism, Sufism, Hasidism, Hinduism, and others and present a working template to understand and foster change within the context of higher education and workplaces. To bring it full circle, this chapter will also draw upon some modern stories to illustrate the perennial power of stories as a learning tool of unmatched tenor.

INTRODUCTION

The World Is Made Up of Stories!

Muriel Rukeyser once said, “The universe is made up of stories, not atoms.” We concur and know no better way to underscore a theme

than by using illustrative stories and illuminating anecdotes. Stories have been used universally to crystallize an abstract idea since times immemorial. Teaching stories have frequently been used in the wisdom traditions of the past for their entertainment, moral, and developmental value. In a classroom setting, stories may be introduced to crystallize an abstract point, to illustrate the underlying message, to enhance students' attention span, and to sharpen their conceptual skills. *This chapter illustrates the use of stories to promote positive change and to enhance teaching effectiveness in the subject areas of leadership and management.*

Most teaching stories contain an element of humor that ensures their longevity. The humor is also used as a *cloak* to conceal the profounder meaning underlying a story. The humor (in which Freud found something "liberating," "sublime," and "elevating"), in fact, is used as a skillful *device* for *precipitating deeper understanding* and as an expression of new levels of insight. Ludwig Wittgenstein, a pre-eminent twentieth century philosopher, is reported to have said that he could teach a philosophy class by telling jokes. According to Idries Shah, "The blow administered by the joke makes possible a transitory condition in which other things can be perceived."¹ As Plato has also pointed out, "Serious things cannot be understood without laughable things." But to stop only at the humor level is to miss their real meaning of the story. Robert Anton Wilson explains: "If you don't laugh, you've missed the point. If you only laugh, you've missed your chance for illumination."²

Multiple Dimensions of Teaching Stories

Psychologically speaking, stories have the following key dimensions:³

1. *Intuitive*.- The moment the speaker says "let me tell you a story," the listener shifts gears (figuratively speaking) and a different faculty of comprehension is brought into play. In scientific terms, a better harmony between the left/right hemispheres of our brain is established. We are able to see the nonlinear and subtler layers of meaning in a totally new way.
2. *Participative*: A story is a sort of invitation that prods the listener to participate in its proceedings by identifying himself/herself as one of its characters. Reading/listening to a story is really a collaborative experience in which the author/speaker and the readers/listeners cocreate the meaning as the story unfolds. Therefore, stories are essentially participatory in nature. And it is a matter of common knowledge that participation enhances the quality of learning.

3. *Multiplicity of Impacts*. A good story carries a constellation of impacts within its fold and thereby creates multiple impressions on the listener's mind. This enables the listeners to view things from numerous perspectives, which, in turn, facilitates holistic thinking and learning.
4. *Tip of the Iceberg Phenomenon*. At the surface level, a story presents its message in a simple, straightforward manner. However, this meaning represents just the tip of the iceberg, so to speak. At a deeper level, there are several underlying messages in a story. The reader/listener receives the nourishment for which he or she is ready. Like the skins of an onion, one will peel off one depth after another, revealing the inmost layers. Thus, a story offers something to all levels of experience. This is the reality behind the concept that we cannot really exhaust the entire meaning of a story. And probably this is the reason that all great teachers choose to speak in parables.
5. *Element of Shock*. A good story also contains an element of "shock"—an unexpected incongruity to wake the reader from the slumber of habitual thought patterns. By an unexpected turn or twist, a good story is able to tease a greater attention span out of the reader or listener, besides preparing a way to a deeper understanding of the intended message. To quote Harvey Cox, "A parable is a story that draws the listener's attention to the normal events of ordinary life, but then introduces an unexpected twist, a surprise inversion that undercuts the audience's normal expectations and pushes them into looking at life in a new way."⁴

The parables of Jesus provide a classic example of the element of shock. For example, the extra-welcome reception of the younger son in the parable of the Prodigal Son, the extraordinary help offered by the Samaritan in the parable of the Good Samaritan, and the payment of the same wages by the vineyard owner in the parable of Vineyard Laborers are sterling examples of the principle of unexpected shock in operation. One can only imagine the feelings of the listeners of these parables—the feeling as if the rug has been pulled out from under them unexpectedly—after having been drawn into the very fold of the story!

6. *All-at-once-quality*: Finally, stories have a special quality that can be termed as "all-at-once-quality." At the end of a story, the message becomes crystallized *all-at-once* without further need for any stepwise, linear process. There is *no gap* between the *delivery of the message* and figuring out the *meaning behind the message*. When the story ends, its moral holistically captures the essential meaning of the story, all-at-once.

Idries Shah, who has written over 25 books on various aspects of teaching stories and a master storyteller himself, likens a story to a ripened peach:⁵

- Its color, odor: entertainment value.
- Its nutrition: moral value.
- The kernel: the psychological/symbolic value.

The following tale may serve as a good illustration of various dimensions of stories:

On one occasion, a neighbor found Mulla Nasrudin down on his knees looking for something.

“What have you lost, Mulla?”

“My keys,” said Nasrudin.

After a few minutes of searching, the neighbor said,

“Where did you drop them?”

“Inside my home,” said Mulla.

“Then why, for heaven’s sake, are you looking here?”

“Because there is more light here!” said Mulla.

The entertainment value of the story is quite obvious. One moral of the story is: don’t look for things at wrong places. Now let’s dig further into the tale for its deeper dimensions of symbolic meaning.

Here are a few of the underlying dimensions:

Mulla Nasrudin is trying to demonstrate that:

- There are *keys* (solutions to the problems).
- Keys are *not* conveniently located (i.e., they are not placed next to the door).
- Mostly, keys are *inside*. It’s “management” *relevance* is obvious: the solutions to the problems of an organization *lie inside* the organization.
- *Looking* is the key.
- To know *how* (and *where*) to seek is to find it.

Peter F. Drucker, widely acknowledged as the father of modern management, has pointed out that most organizations are very good at solving the wrong problems. This story, in a very subtle way, indicates just that. The teaching story methodology, used where appropriate, sharpens learners’ conceptual skills and helps to develop a habit of mind so critical in life and leadership: *the ability to look beyond the surface*.

HOW DO STORIES ENHANCE LEARNING AND INSPIRE POSITIVE CHANGE?

As the foregoing explanation clarifies, stories are wonderful learning tools and have a great potential to inspire positive change. Their power to trigger constructive change springs from their unique quality of presenting the message in a holistic way rather than following a linear, step-by-step methodology. First of all, the “participative element” ensures to attract and maintain the interest as the story works in its magic. As stated earlier, they have the so-called all-at-once quality that crystallizes the key message in an immediate fashion and leaves an indelible impression on mind of the reader/listener. There is another element that joins hands with this “all-at-once” quality to further solidify the impact of a story’s message. This is called “shock value” of a story. Each story, as stated above, has an unexpected element worked into it that shakes the reader/listener out of the habitual patterns of thinking and precipitates a state of readiness of mind receptive to seeing things in a new light. The message delivered tellingly by a story sits quiescent in our mind ready to resurface and trigger change whenever and wherever it is most necessary. This is in nutshell the alchemy of teaching stories as active change agents.

Management and organizational communication experts are beginning to acknowledge the effectiveness of storytelling in communicating information and in illustrating concepts in a meaningful way (Allen et al., 2002; Brown et al., 2004; Denning, 2000, 2004, 2005; DePree, 1989, 1992, 2003; Foster et al., 1999; Gold, 1997; Hinterhuber, 1996; Jabri, 1997; Kim & Mauborgne, 1992; Kleiner & Roth, 1997). Leong (2005, p. 3) opines: “Storytelling stimulates learning and enables students to apply course materials to real world problems. Story telling enhances curiosity as well as participation.”

EXAMPLES OF STORIES STIRRING POSITIVE CHANGE

By way of illustration, we present the following stories with comments at the end illustrating how stories act as powerful learning and change agents:

The Tale of the Sands

A river, aware of its existence, runs towards the sea, but arrives before that at a stretch of sand, and starts to run away into nothingness, to

become at best a marsh. Terrified of losing its identity, but with no real alternative, the river allows itself to be lifted up by the wind: though only after much debate and soul-searching. The wind carries it out of danger and allows it to fall, as water, safely against a mountain, at the other side.

Comments. . . . and the river, thus, is able to continue its journey towards the sea. Metaphorically, the river in the above story (cited in Shah, 1978, p. 116) represents the individual entity and the sea, its final destination. Likewise, the sands represent life's various challenges and the wind signifies the unerring wisdom with which life carries us along, if only we let go of our too much ego-centeredness. The winds of *grace* are always blowing. But, first, we have to free ourselves from the *gravity* of our loaded egos. This story is an ample illustration of the necessity of *letting go* as a prelude to allowing the change or transformation to take place. In the change theory as presented by Kurt Lewin (1890–1947), it is expressed as three-step process involving unfreezing, moving, and refreezing. This story demonstrates the need and importance of “refreezing” to allow for the remaining two steps for change to take place.

A Parable Regarding Sharing of Ideas

Two neighboring merchants were engaged in conversation while the business was at a standstill. “Look,” one said, “there are no customers today. I sell vegetables; you sell linen. Let us exchange our merchandise.” This they did. Upon completing the transaction, the second merchant said: “We did something, but what did we gain? I have your thing and you have mine. However, I have a suggestion that will really benefit both of us. This morning I studied a chapter of Bible and I know that you studied another chapter of Bible. You teach me your chapter and I will teach you mine . . . and we will end up knowing *two* chapters each.”

Comments. This story (cited in Mandelbaum, 1966, pp. xv–xvi) underscores the importance of sharing information in the workplace. Margaret Wheatley in her celebrated book *Leadership and New Science* interprets the word “information” as “in-formation” and thus alludes to the “formative” quality of information. The sharing of information assumes added importance in our postcapitalistic, knowledge society. Free-flowing information among the concerned parties seems to be the best way to ensure a smooth change process. In an information age undergirded by cyberspace, there is no room for close-fisted withholding of information.

A Story of a Fish Out of Water

There was once a man who agreed to train a fish who begged him to help, to live out of the water; being desperate to take up a life on land. Little by little, a few seconds and then a few minutes, then hours at

a time, he managed to get it accustomed to the open air. In fact, the fish went to live near him, with its own damp but open air space in a flowerbed in the man's garden. It was delighted with its new life, and often used to say to him: "This is what I call real *living!*" Then, one day, there was a very heavy downpour of rain, which flooded the garden—and the fish was drowned and died.

Comments. This story (cited in Shah, 1978, p. 107) presents a classic example of an organization that tries to copy the management style of a successful organization without due regard to its own culture and then wonders why it is not working. Organization culture experts have always indicated that "nothing really transfers" since each organization is a unique combination of talents and resources. Like the fish in the above story, when we try to do things that are inimical to our very nature, it violates the very core of our essence and augurs our downfall.

Two Stories about Mahatma Gandhi

A mother once brought her son to Mahatma Gandhi and said, "Sir, please tell my son to stop eating sugar."

Gandhi looked at the boy for a long time and then, turning towards mother, said, "Bring your son back to me in two weeks."

The mother did not understand the rationale of the delay in instruction, but she did as she was asked.

Two weeks later she and her son returned. Gandhi looked deeply into boy's eyes and said, "Stop eating sugar."

The mother was grateful, but puzzled. She asked, "Why didn't you tell my son to stop eating sugar two weeks ago when we were here?"

And Gandhi replied, "Two weeks ago, I was eating sugar" (cited in Millman, 1980).

There is a story of Mahatma Gandhi in which, as he was boarding a train, one of his sandals slipped from his foot and landed near the track. Suddenly the train began pulling away leaving him no time to retrieve it. Immediately, Gandhi removed the other sandal and tossed it back to lie with the other along the track. When his astonished fellow passenger asked why he did this, Gandhi replied, "Now the poor man who finds it will have a pair he can use" (cited in Hagen, 1995, pp. 300–301).

Comments. These are excellent stories to underscore the importance of "walking the talk" for those in leadership positions. At another occasion, Gandhi was asked by a journalist, "Sir, what is your final message?" Gandhi replied, "My life is my message." The ability to *connect one's voice with one's touch* goes a long way in the making of a great leader. There is a great message underlying these two stories for all leaders interested in initiating change. Too often, we are tempted to wear a "social reformer's hat" and start making changes around us

without considering to first enshrine those changes in our own lives. This breeds lack of trust and short-circuits the whole change process. As humans, we have yet to discover a more effective method of inspiring change than role modeling.

Honesty is Still the Best Policy!

A successful business man was growing old and knew it was time to choose a successor to take over the business.

Instead of choosing one of his directors or his children, he decided to do something different. He called all the young executives in his company together.

He said, "It is time for me to step down and choose the next CEO. I have decided to choose one of you." The young executives were shocked, but the boss continued. "I am going to give each one of you a SEED today—one very special SEED. I want you to plant the seed, water it, and come back here one year from today with what you have grown from the seed I have given you.

I will then judge the plants that you bring, and the one I choose will be the next CEO."

One man, named Jim, was there that day and he, like the others, received a seed. He went home and excitedly, told his wife the story. She helped him get a pot, soil, and compost and he planted the seed. Every day, he would water it and watch to see if it had grown. After about three weeks, some of the other executives began to talk about their seeds and the plants that were beginning to grow.

Jim kept checking his seed, but nothing ever grew.

Three weeks, four weeks, five weeks went by, still nothing.

By now, others were talking about their plants, but Jim didn't have a plant and he felt like a failure.

Six months went by—still nothing in Jim's pot. He just knew he had killed his seed. Everyone else had trees and tall plants, but he had nothing. Jim didn't say anything to his colleagues, however, he just kept watering and fertilizing the soil—He so wanted the seed to grow.

A year finally went by and all the young executives of the company brought their plants to the CEO for inspection.

Jim told his wife that he wasn't going to take an empty pot. But she asked him to be honest about what happened. Jim felt sick to his stomach, it was going to be the most embarrassing moment of his life, but he knew his wife was right. He took his empty pot to the board room. When Jim arrived, he was amazed at the variety of plants grown by the other executives. They were beautiful—in all shapes and sizes. Jim put

his empty pot on the floor and many of his colleagues laughed, a few felt sorry for him!

When the CEO arrived, he surveyed the room and greeted his young executives.

Jim just tried to hide in the back. “My, what great plants, trees and flowers you have grown,” said the CEO. “Today one of you will be appointed the next CEO!”

All of a sudden, the CEO spotted Jim at the back of the room with his empty pot. He ordered the Financial Director to bring him to the front. Jim was terrified. He thought, “The CEO knows I’m a failure! Maybe he will have me fired!”

When Jim got to the front, the CEO asked him what had happened to his seed—Jim told him the story.

The CEO asked everyone to sit down except Jim. He looked at Jim, and then announced to the young executives, “Behold your next Chief Executive Officer!

His name is Jim!” Jim couldn’t believe it. Jim couldn’t even grow his seed.

“How could he be the new CEO?” the others said.

Then the CEO said, “One year ago today, I gave everyone in this room a seed. I told you to take the seed, plant it, water it, and bring it back to me today. But I gave you all boiled seeds; they were dead—it was not possible for them to grow.

All of you, except Jim, have brought me trees and plants and flowers. When you found that the seed would not grow, you substituted another seed for the one I gave you. Jim was the only one with the courage and honesty to bring me a pot with my seed in it. Therefore, he is the one who will be the new Chief Executive Officer!”

Author Unknown

Comments. This story underscores the value of honesty and truthfulness in human conduct. It also illustrates the need for courage when things seem not to be working favorably for oneself.

CHAPTER SUMMARY

- Stories contain the distilled wisdom of humanity and can play superb role in enhancing the learning experience and thereby inspiring positive change.
- Stories have several dimensions such as intuitive, participative, developmental, and moral. Each dimension is geared toward serving a definitive role in the taxonomy of learning and teaching.

- When used effectively, stories serve as harbingers of positive change by releasing an energy triggered by a profound psychological process. This process undercuts the linear categories of rote learning and helps us see things in totally new light.
- The change precipitated by stories is more lasting than brought about by almost any other process due to the holistic nature of the stories.
- The message delivered tellingly by a story sits quiescent in our mind ready to resurface and trigger change whenever and wherever it is most necessary.
- Like old friends, they become more precious with every passing year. They continue to inform the mind and sooth the heart.

CASE STUDY

THREE ZEN STORIES: KINDNESS EFFECTS CHANGE IN PEOPLE

1. The beloved Japanese Zen poet Ryokan filled his life with the spirit of ordinariness and transformed those whom he touched. It is told that Ryokan never preached to or reprimanded anyone. Once his brother asked Ryokan to visit his house and speak to his delinquent son. Ryokan came but did not say a word of admonition to the boy. He stayed overnight and prepared to leave the next morning. As the wayward nephew was lacing Ryokan's straw sandals, he felt a drop of warm water. Glancing up, he saw Ryokan looking down at him, his eyes full of tears. Ryokan then returned home, and the nephew changed for the better (cited in Kornfield, 1993, p. 320).
2. When Bankei held his seclusion weeks of meditation, pupils from many parts of Japan came to attend. During one of these gatherings a pupil was caught stealing. The matter was reported to Bankei with the request that the pupil be expelled. Bankei ignored the request.

Later the pupil was caught in a similar act, and again Bankei disregarded the matter. This angered the other pupils, who drew up a petition asking for the dismissal of the thief, stating that otherwise they would leave.

When Bankei had read the petition he called everyone before him. "You are wise brothers," he told them. "You know what is right and what is not right. You may go somewhere else to study if you wish, but this poor brother does not even know right from

wrong. Who will teach him if I do not? I am going to keep him here even if all the rest of you leave.”

A torrent of tears cleansed the face of the brother who had stolen. All desire to steal had vanished (cited in Reps, 1958, pp. 60–61).

3. Many students were studying meditation under the Zen master Sengai. One of them used to arise at night, climb over the temple wall, and go to town on a pleasure jaunt. When the wanderer returned, not knowing that Sengai was the stool, he put his feet on the master’s head and jumped down into the grounds. Discovering what he had done, he was aghast. Sengai said: “It is very chilly in the early morning. Do be careful not to catch cold yourself.” The pupil never went out at night again (cited in Reps, 1958, pp. 101–102).

Reflections. The above three stories have a common denominator: *the practice of kindness in effecting the behavioral change.* The change produced in the behavior of the pupils is complete and lasting. An impartial observation of human conduct will show that force and harsh criticism are seldom the best means to change people. In wake of criticism, people become defensive and obstinate. Whereas, the alchemy of kindness has a quality that seems to address the deeper recesses of human psyche.

Here is another example of the unfailing power of kindness in changing human behavior. A modern Sufi master, Idries Shah (1977, p. 18), recalls the following incident about his childhood:

When I was a small boy and went into my father’s study one day and left the door open, he did not tell me to close it. Instead he said: “Oh, I seem to have left the door open. Would you kindly close it?”

That memory has stayed with me for over forty years.

QUESTIONS

1. Do you believe that the practice of kindness is more effective way to effect lasting change in human behavior as compared to subjecting people to harsh criticism? Why or why not? Explain briefly.
2. Do you believe practicing kindness may be misconstrued as a sign of weakness in the modern Darwinian world?
3. What is the biggest hurdle in practicing kindness in workplace?

NOTES

1. Idries Shah, *Neglected Aspects of Sufi Study: Beginning to Begin* (London: The Octagon Press, 1977), 37.
2. Cited in Camden Benares, *Zen without Zen Masters* (Berkeley, California: And/Or Press, 1977), 13.
3. Idries Shah's numerous books such as *Learning How to Learn*, *Elephant in the Dark*, *Perfumed Scorpion*, *Seekers After Truth*, *Tales of Dervishes*, *Caravan of Dreams* amply demonstrate these aspects of stories. This writer is indebted to Idries Shah for the discussion of these elements of stories.
4. Cited in Arvind Sharma, ed., *Our Religions* (New York: Harper San Francisco, 1993), 368.
5. Idries Shah, *The Sufis* (London: The Octagon Press, 1982), 78.

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3

EMERGING PARADIGMS:
NEW HORIZONS

INCLUDING THE GLOBAL CONTEXT: ENLARGING OUR HORIZONS THROUGH CULTURAL TRAINING

Taira Koybaeva

Abstract

Markets are becoming increasingly borderless. There is a more fluid exchange of financial instruments, labor, business products, and services. Global context in all business transactions requires understanding of differences in values, beliefs, and norms of the target markets. Culture could be defined as a unique combination of values, norms, and beliefs of any given group of people. Many failures in international projects and increasing level of complexity of global businesses call for developing cultural awareness. Cultural intelligence (CQ) is a key factor of a successful global strategy and cultural training. CQ can be developed through various types of training all of which need to include the basic theory of cultural dimensions.

GLOBALIZATION REALITY

Borderless Markets

Asia's rise is the economic event of our age. Should it proceed as it has over the last few decades, it will bring the two centuries of global domination by Europe and, subsequently, its giant North American offshoot to an end.

Martin Wolf, chief economics commentator
for the *Financial Times*

Globalization has been happening for years before we learned about it from Thomas Friedman in *The World is Flat*. It was the book "heard

around the world,” or at least so we, in the United States, thought. Perhaps, it was just the book heard around the Western world. He aptly named one of his chapters “While I was Sleeping.” Indeed, it shook us out of the assumption that Western countries are the key economic players of the world. It is no surprise that most products Americans consume are made in China and that many tech companies outsource to India. One only needs to visit Dubai with its famous Burj Al Arab “sailboat” hotel and an equally famous mall, housing an indoor ski resort to understand that the twenty-second century has already arrived and might have landed in the East! We have become accustomed to thinking that North America, Canada, and Western Europe are economic leaders of the world, however, as of 2010 the top five of the world’s fastest growing economies (based on GDP) were Paraguay, Singapore, China, Ethiopia, and India. The highest percentage of regional GDP growth in 2010 was in South Asia (The World Bank, 2010). The unchallenged dominance of the Western Hemisphere is coming to an end. Those who do not “sleep through” the paradigm shift of the global economy can and should capitalize on it.

Globalizing of Human Capital

Now I see that a whole lot of American industry has come to Bangalore [India]... Why should I go to America?

Anney Unnikrishnan, a personnel manager at
24/7 call center in India

The role of nationality is becoming less significant in employment opportunities. A citizen of India and a citizen of the United States will have the same chance of getting a job at an American company, especially if their education was from an equivalent institution. Consider the annual survey report published by the Institute of International Education on international student enrollment in US institutions—there was an 8 percent increase in 2008, 16 percent increase in 2009, and despite the economic downturn, 3 percent increase in 2010. Nearly half of international students in the United States come from India, China, and South Korea. The most popular subject of their study is business, closely followed by engineering. Among domestic US students, only 31 percent are pursuing engineering degrees, as compared to 60 percent in China (Institute of International Education, 2010; National Science

Board, 2004; US Department of State, 2009). Given the development of the high-tech job market where such skills are needed, more and more companies will turn to fill their vacancies with non-US citizens.

Foreign students tend to seek advanced degrees in their education. Compare a current list of doctorate students at an Ivy League school to that of just a generation ago. Today, a domestic undergraduate student in the United States might look around and see mostly American faces, however, at a graduate level, that same student might be the minority (Freidman, 2005). Those who cannot afford to come to a premier US or European institution will soon be able to attend one of an equivalent stature in their home country. In the Gulf States, many millions of dollars are poured into opening satellite campuses of top US and European universities such as Cornell (Qatar) and the Sorbonne (Abu Dhabi). King Abdullah University of Science and Technology opened in Saudi Arabia with a \$10 billion endowment, which surpasses that of all but five American universities. A new liberal arts college affiliated with the National University is planned to be built in Singapore. In India, the Education Ministry intends to build 14 universities of “world-class” level (Levin, 2010). From 1998 to 2009 the number of institutions of higher education in China has more than doubled (National Bureau of Statistics, 2009).

Given the rise of education, and therefore, educated labor force, in foreign countries, as well as the need to minimize costs, US companies have been outsourcing many jobs. For example, 1,700 engineers, designers, and scientists are employed by General Electric in their biggest research facility in Bangalore, India. Most of the customer service for American Express, Delta, and Avis is based in major Indian cities. Boeing and Lockheed-Martin have outsourced some of their research to Russian aerospace engineers (Friedman, 2005). In just one year, from January 2009 to January 2010, the number of companies that expect to grow their outsourcing has increased by 20 percent. Outsourcing is growing and the trend has been toward high-skilled labor (The International Association of Outsourcing Professionals, 2010).

Non-US employees are not the only ones benefiting from globalizing companies. Americans are also joining in: over 2 million Americans are employed by multinational companies (MNC's). The number of non-American companies who hire Americans is rapidly growing (Chaney & Martin, 2000).

Globalization of Financial Markets

The world economy is “borderless” and markets are becoming essentially one.

Susumu Yoshida, Managing Director of Sumitomo
Chemical Asia Pte Ltd

Wealth redistribution is another side effect of globalization. According to Forbes, in 2011 only four of the ten wealthiest people of the world were from the United States, as opposed to nine in 2002. In 2010, almost half of foreign direct investment was absorbed by developing economies. The largest sources of foreign direct investment were Hong Kong and China (UNCTAD, 2011). For more than hundred years the key players in the global economy have been the same—countries of North America and Western Europe. The poorest countries were those of Asia. By 2015 an opposite picture is going to emerge. If the current trends continue, China is predicted to be producing 27 percent of the world’s wealth (Newman and SASI Group, 2011c). India and China’s middle class has been steadily growing. The stark difference in the fiscal well-being between North America and many Asian countries is rapidly decreasing (IMF, 2011).

Globalization of Business

The modern business enterprise has no place to hide, it has no place to go but everywhere.

Lane, DiStefano, and Maznevski, authors of
International Management Behavior

Today’s business reality assumes that any entrepreneurial endeavor will encompass multiple countries. Global is the norm, domestic is the exception. Even if the sales are primarily domestic, the production will, most likely, be overseas. Many of the largest companies in the world get almost half of their operating income from their international operations. Nike’s global market contributes to 40 percent of its revenue. About 45 percent of operating income for Coca-Cola and 41 percent for Bayer come from outside of the United States (UNCTAD, 2011). Procter & Gamble’s Russian division is now one of the fastest developing subsidiaries of the company (Procter & Gamble, 2011). Emerging economies such as India and Brazil have provided a market for companies whose products have saturated their domestic market.

Utilizing international markets can diversify risk and reap benefits from increased economies of scale. For example, Hyundai could only

achieve reasonable cost and develop economies of scale by including markets outside of their domestic market—South Korea. (Hitt, Miller, & Colella, 2009). Using several different supply chains may increase the stability of the bottom line and decrease the cost of production. A company's presence in various markets increases its reach to consumers and more diverse potential employees. A company that expands to developing countries can capitalize on the emerging middle class with increasing residual income to spend (Capon & Hulbert, 2007).

Starting Out Global

Globalization has changed us into a company that searches the world, not just to sell or to source, but to find intellectual capital—the world's best talents and greatest ideas.

Jack Welch, CEO of General Electric.

Young entrepreneurs in the United States are beginning to design their financial models for start-ups with the world in mind. Josh Light is a young university student in Utah whose venture involved making coffee cups. Not knowing any overseas manufacturing firms, he still wanted to take advantage of them. Alibaba.com was his solution. Alibaba is a Hong Kong based company that has become a virtual bazaar linking the world's manufacturers of goods and services to their potential customers from anywhere in the world. By simply typing in "plastic cups" he was able to begin the process of finding factories in China that could manufacture the cups. Neither knowing any other language but English, nor having sufficient funds to travel to China, Josh was nonetheless able to choose the factory, negotiate prices, investigate the quality, and finally, have the product delivered to his US residence. At present, tech support for Josh's company—CupAd—comes from Ghana, his products are manufactured in China, and his customers are from the United States and Canada.

Not only companies utilize the opportunities of a global market, but the very ideas for their start-ups are often of global origin. Take Andrew Kingsley, an American student who noticed a unique office-supply product as he was traveling through Switzerland for a university program. He believed this product could be modified and become successful in the US market. He arranged for it to be manufactured in Asia and successfully introduced it to the American market.

It took \$23 an hour to employ a production worker in the United States versus 61 cents in Sri Lanka in 2007 (US Department of Labor, 2009). Given those numbers, why would a starting entrepreneur,

who often lacks available funds, manufacture anything domestically? It is advantageous for companies to be moving toward what is called a “boundaryless organization” by General Electric’s Jack Welch. A “boundaryless organization” wants to remove the geographic boundaries that would impede productivity (Ashkenas, et al., 1995). Openness of markets, low costs of advanced technology, and reduced regulations on foreign firm operations have all allowed for small companies who are just starting out to survive and thrive alongside mature and established firms (Hitt, Miller, & Colella, 2009). In order to take advantage of these opportunities a company needs a globalization strategy.

GLOBALIZATION STRATEGY

Effective Globalization Strategy

The thing I have learned at IBM is that culture is everything.

Louis V. Gerstner, Jr. former CEO, IBM

An effective globalization strategy is one that is able to utilize the resources of the global marketplace, as well as take advantage of a borderless world. An effective globalization strategy should be able to identify and effectively resolve complications that come from a globalized setup. It might seem simple, but research shows that out of all expatriates sent on foreign assignments 20 to 40 percent return home before the completion of the project (Black & Mendenhall, 1989; Kim & Slocum, 2008). This results in costs to the multinational enterprises between 40,000 and 1 million of US dollars per failed assignment (Hawley, 2009; Vögel & van Vuuren, 2008). Usually, one would assume that space and time are major causes of international project failures. It is true that both distance and time difference between locations add a layer of complexity to any global business. However, consider Dell computers: it may take as little as four days, with 30 key players from as many as 10 countries, from the moment a computer is ordered to the moment a customer receives it (Friedman, 2005). Given the new technology that makes it easy to track any part of the production process, as well as technology that allows for almost instantaneous transfer of information, time and space are problems with an expiration date.

Since, the primary problem for globalization strategy isn’t space and time, then what is it? It has been found that one of the primary

reasons for multinational corporation project failure is the inability of a manager to adjust to the new culture that they were sent to manage in (Chew, 2004; Qi, et al., 2005; Swaak, 1995). When you consider that your new customers and employees speak different languages and have vastly different views and preferences in all aspects of work and life, the business implications are significant; they translate into major adjustment of your products and managerial methods. Let's look at McDonald's that has always been known for its uniform standards of their menus. A customer could come to a McDonald's in New York City and expect the same menu as at the one located in Las Vegas. The uniformity of cooking standards and menus is one of the defining characteristics of McDonald's and was the pinnacle of their successful marketing strategy. However, since the commencement of international operations in 1967 a customer at a McDonald's in Russia will get a cherry pirog, seaweed seasoned fries in Beijing, rice burgers in Hong Kong, burgers with pancetta in Italy, high end pastries in Germany, a McVeggie (a vegetarian burger) in India, and a McBeer in France. (Hitt, Miller, & Colella, 2009). Coca-Cola is another brand associated with a standardized product, yet out of the 200 brands the company owns, only 4 brands are global and the rest are available only in a specific region or country (Capon & Hulbert, 2007).

Culture and Globalization

Advertising is about norms and values, aspirations and prejudices. It is about culture.

Anil D. Ambani, Chairman, Reliance Industries, ranked as 8th richest man in India in 2011 by Forbes.

Understanding preferences of multinational customers and employees defines an effective globalization strategy. The question is: How can one learn to understand and relate to the different preferences? The answer is both simple and very complex: learn to understand cultures. Culture is at the foundation of shared preferences. It has been described as "collective programming of the mind," "something that shapes behavior," or "the way in which a group of people solve problems" (Hofstede, 1980a). One can observe outward manifestations of culture as differences in kinds of food people eat, preferred designs of cars, types of roads and road signs, government systems, management styles, marketing methods, and so on. The list

is endless. Implicitly these differences are symbolic of values, beliefs, and norms that the members of that culture hold. These attributes are shaped very early in life through the process of enculturation. Approximately at the age of two the process of enculturation begins and defines our patterns of thinking. Because enculturation happens even before cognitive skill development, these values, beliefs, and norms are mostly subconscious and taken for granted (Haviland, 1983; Trompenaars & Hampden-Turner, 1998). This makes it very difficult for a person to identify their internalized values and norms in themselves.

In the past, blunders in international business highlighted the obvious lack of knowledge in dealing with foreign markets. For example: Apple's failure to translate their manuals to Japanese when selling their computers in Japan; diaper packages too large for Japanese households by Procter & Gamble; as well as Pop-tarts being unsuccessful in the United Kingdom due to them not being accustomed to having of toasters as part of their kitchen equipment (Ricks, 1999). Today, a US company would translate their manuals into Japanese, but unfortunately, this would no longer be enough. Similarly, it is insufficient to merely understand the differences in preferences of product dimensions. Marketing a product to appeal to a given group requires a much more sophisticated understanding of customer preferences. Apparent and subtle differences can be traced to the cultures of the countries in which the business is attempted.

The ability to understand and read underlying values, beliefs, and norms is the cornerstone of a successful global strategy. The importance of the above statement is illustrated by the infamous failure of the Euro Disney project. Ignorant of the European traditions of sitting down at meals, they failed to provide adequate seating at lunchtimes. There was not enough lodging available due to a miscalculation of longer vacation times of European visitors. Walt Disney Company's failure to understand the underlying reasons for the employees' uproar about dress requirements and unpredictability of work schedules also contributed to the project's demise (Loveman, Schlesinger, & Antony, 1993). Implicit, yet lifestyle defining differences in cultural values and beliefs were overlooked by the Disney management team. Disney is not alone, as many as 70 percent of international ventures are unsuccessful (Yan & Luo, 2000). Learning how to function in a globalized world and develop a global business strategy necessitates the need to identify and successfully bridge cultural differences.

The Need For Cultural Training

Un-adaptive cultures will have an even larger negative financial impact in the coming decade.

John Kotter and James Heskett, Harvard Business School,
Corporate Culture and Performance

Just as the business playing field was heavily influenced by the US and Western culture, due to their economic dominance it will be heavily influenced by the cultures of the future key economic players. The play on words of the “Golden Rule”—“he who has the gold—rules” may explain why United States and other Western economies may have been blissfully unaware of other cultures. There just seemed to be no need to learn others’ “rules.” Given the new financial picture emerging, other areas of the world will have an increasing amount of the world’s “gold.” Understanding foreign “rules” should be part of any business curriculum.

IBM has 150 global account managers. Their job is to serve customers from around the world (Capon, Potter, & Schindler, 2005). Citicorp has about 44 percent of its employees around the world. Nestle employs as many as 140,000 from various countries around the world. It is expected for managers of these and other global companies to sustain economic gains and add to the existing market share. A manager is the glue that allows multicultural employees to work well together. He or she accomplishes this by being culturally flexible, possessing culturally savvy people skills, and being able to direct and motivate across cultures (Konopaske & Ivancevich, 2004).

Before globalization, most individuals working with foreign entities were called diplomats. It was customary for a diplomat to learn up to five languages or more and travel extensively around the world. Now, each global manager is a diplomat without the benefit of a diplomat’s education nor the luxury of the time required for it. In addition, a diplomat was only required to deal with representatives of other cultures on a personal and political level, a manager has to do that and much more! Here are just some of the challenges of global management:

- A setting with a wider ranging diversity.
- Wider and more frequent boundary spanning both within and across organizational and national boundaries.
- Greater need for broad view that spans functions and nations.
- More stakeholders to understand and consider when making decisions.

- A more challenging and expanded list of competing tensions both on and off the job.
- Heightened ambiguity surrounding decisions and related outcomes/effects.
- More challenging ethical dilemmas relating to globalization. (Pless, Maak, & Stahl, 2011, p. 237)

The situation for global managers is even more complex in that they are dealing with various different customs, traditions, and economic systems—in short—many different cultures (Earley & Peterson, 2004; Konopaske & Ivancevich, 2004). Clearly, even culture-specific knowledge and foreign language proficiency will not suffice.

Education on cultural differences has not kept up with the pace of globalization. The rest of the world may at least know some English language and Western history. Americans, by and large, have neglected to study any foreign languages and history of other countries. The Western world, especially the United States, is considered oblivious to the rest of the globe (Cohen, 1997). Great political blunders have been made in establishing relations with the so-called developing countries. Even the label “first world, second world, third world, or the developing world” would be considered insulting to many of their inhabitants. China and India have only recently been recognized as key players in the world game, mostly due to their rapid economic rise. Unfortunately, this situation doesn’t apply only to politics. Because the majority of the managerial research and literature comes from North America, it has given US managers an unconscious ethnocentric view of what constitutes as efficient business practices. Given the failure rate of MNCs and international projects, it is evident that what may be efficient in the US cultural environment may not be so elsewhere. Failures in multinational ventures, historic lack of cultural education, and the cost associated with the above clearly demonstrates that cultural training is no longer a choice, but a necessity.

The cultural divide that exists between managers of multinational corporations and its employees can be summarized as “ethnocentrism.” This word is mostly associated with prejudice that exists in cross-cultural projects. But in this case, ethnocentrism refers to the assumption of one’s culture’s methods being most effective in business. As one manager stated:

At least I understand why our managers make mistakes. With foreigners, I never know.

(Konopaske & Ivancevich, 2004, p. 45)

Very often ethnocentrism is also caused by the ignorance of one's own culture.

Consider the following anecdote:

A young fish are swimming past an older fish. The older fish addresses the younger fish:

“So, how's the water?”

The younger fish swim past the older fish, look at each other in a perplexed manner and ask:

“What water?”

This illustrates that in most cases, representatives of a given culture cannot recognize their own cultural conditioning. Such a manager may think, as George Bernard Shaw dryly put, that “...the customs of his tribe are the laws of nature.” Managers are often unable to recognize the culture they “swim” in and conversely the cultural environment of others. The phenomenon we term “cultural colonialism” is the result of “my way is the only way” thinking. Unfortunately, it “is a common phenomenon that must be recognized and addressed in order to insure the success of any international collaboration.” (Koybaeva & Sites, 2008, p. 23). The assumption that one's way is the only available method of life leads to many, well-meaning mistakes and conflicts in project management. The following fable illustrates the dramatic effect of such assumption:

Once upon a time there was a great flood; and involved in this flood were two creatures, a monkey and a fish. The monkey, being agile and experienced, was lucky enough to scramble up a tree and escape the raging waters. As he looked down from his safe perch, he saw the poor fish struggling against the swift current. With the very best of intentions, he reached down and lifted the fish from the water. The result was inevitable. (Adams, 1969)

Quite often, although the intent to help a culture to become more effective and efficient in business is well intentioned, the results are disastrous. Transferring a method that is effective in one culture into another is full of pitfalls and requires a thorough understanding of the cultural setting.

“People are people everywhere” is an oft-used statement. However, research shows that ignorance of cultural differences is what often causes failure in global teams and projects. Consider a very important aspect of management and leadership motivation of employees: in

Japan the number one motivating factor is the person-job match, in the United States it is having interesting work, and in the Netherlands it is autonomy (Harpaz, 1990). Furthermore, even if representatives of one culture can grasp the differences in cultural values they still react emotionally if a value important to them is not honored at the level they are accustomed to. One only needs to observe the reaction of a time and schedule-sensitive American manager in a nontime sensitive culture such as Nigeria where “a watch did not invent man.” This Nigerian saying demonstrates direct conflict with the value of the oft-repeated US statement “time is money.”

Fortunately there has been a growing awareness of a need for management and executive global business training (Koybaeva & Sites, 2008). Traditional management theories, the majority of which have come from the Western world, have begun to be questioned (Ghoshal, 2005). More and more executives recognize the need for training to deal with a global environment. For example, in a survey of 4,000 executives there emerged a disparity between the executive’s acceptance of the need for effective global leadership and the lack of a clear path of how to achieve it (McKinsey, 2006). There is a growing recognition that international projects need a cultural facilitator (Koybaeva, 2003). In short, there is an acute need to develop a comprehensive global business training through cultural intelligence.

Cultural Intelligence

I believe my concepts are more than just business, they are about our culture.

Minoru Mori

Language is a major carrier of a given culture and encapsulates cultural knowledge (Haviland, 1983). The traditional pattern for cultural training was to study a foreign language and to learn relevant cultural material through the vehicle of that language. This method of cultural study gives one deep understanding and high fidelity of cultural knowledge. However, managers today are spending much shorter periods of time in any single culture and are moved often from one location to another. This makes country-specific knowledge less relevant (Earley & Peterson, 2004). A FedEx director when interviewed in regards to his cultural training and whether he spoke any foreign languages answered: “If I would be able to stay in one area long enough, I would study that language, but I am one week in Paris and the next week I am in Beijing.” (Author’s interview, 2008).

There are many cultures in the world and each one of them has a unique pattern of cultural characteristics. Before the era of globalization, a cultural anthropologist would analyze culture by the techniques such as immersion and nonbiased observations. Today the situation has changed radically in that a global manager cannot expend time studying culture; he or she needs to “hit the ground running” and produce quick results. Managers are required to cultivate a metaskill that is able to transcend culture-specific details and enables them to understand patterns applicable across several cultures. This comprehensive skill is now known as cultural intelligence. Cultural intelligence, sometimes referred to as CQ, is defined as the ability to function effectively across national, ethnic, and organizational cultures (Ang & Van Dyne 2008, p. 3). Research shows that CQ helps define successes or failures in cross-cultural ventures and has been used as a predictor of effectiveness in international assignments (Kim, Kirkman, & Chen, 2008; Groves & Feyerherm, 2011). Since CQ is an individual’s cultural consciousness and awareness during interactions with those from different cultural backgrounds, it enables a person to define the underlying values and beliefs of any culture and how they shape human behavior (Ang & Van Dyne, 2008, p. 17). Through it a global businessman is able to not only survive in the ocean of varying cultures, but take advantage of its diversity (Livermore, 2010).

There are several types of training that build CQ:

1. Training based on the language acquisition and specific knowledge about a given country/culture.
2. Experiential seminars based on role-play negotiations aimed at introducing a person to other ways of thinking and relating to the world.
3. Sensitivity training that develops communication skills.
4. Field experiences that give you practical exposure to how cultural dimensions, values, and norms manifest in a destination culture (Konopaske and Ivancevich, 2004).

All of these training methods are aimed at increasing the ability to cultivate cross-cultural relationship skills, resilience to stress due to adapting to unfamiliar norms, becoming global business savvy, as well as the capability to inculcate values (Mendenhall & Osland, 2002).

Recently, cultural immersion has begun to be developed as a systematic process of training. Several companies are successfully

employing this method through “field experience” training method. IBM’s teams travel around the globe to work with local agencies to solve environmental problems, thereby developing global leadership and communication skills (Colvin, 2009). There is an increased understanding for the need of service-learning projects as a vehicle for global business education. PricewaterhouseCoopers (PwC) runs a program where teams of three or four individuals from various firms spend time with Nongovernmental Organizations (NGO’s) and social entrepreneurs in developing countries and attempt to solve pressing world problems (Pless, Maak, & Stahl, 2011).

Cultural Dimensions, Values, and Norms

To effectively communicate, we must realize that we are all different in the way we perceive the world.

Tony Robbins

Regardless of what method of building CQ is employed, it is pivotal to address the very basic foundations of the definition and classification of cultures. Just as understanding basic human characteristics helps us in dealing with the plethora of humanity, cultural dimensions help to acquire a basic idea of any cultural “personality.” The notion of cultural dimensions was first introduced by Geert Hofstede. He conducted a widely publicized field survey of over 116,000 IBM employees across 40 countries. He came up with five basic characteristics of a culture that he called cultural dimensions (Hofstede, 2001). Kluckhohn and Strodtbeck’s research focused on six value orientations (their term for cultural dimensions). A Dutch researcher Fons Trompenaars further developed the notion of cultural dimensions in his research of 15,000 people in organizations in 47 countries (Trompenaars & Hampden-Turner, 1998). All of these are attempts to define cultural characteristics that would apply to more than one culture. Studying these dimensions allows a manager to develop a systematic understanding of cultures as systems. Once a manager understands a culture as a system, he or she can recognize the business implications that follow.

The key to successful globalization strategy is to aptly and viscerally understand the dynamics of any culture. The ability to grasp the essence of a given culture combined with the ease of acculturation is the product of CQ. CQ knowledge is developed through the study of cultural dimensions, which are beliefs about the way the world

is. Values and beliefs of a given culture are derivatives of its cultural dimensions. These summarize the basic characteristics of various societies' assumptions about existence (Trompenaars & Hampden-Turner, 1998).

Values reflect what a given culture holds as very important. Cultural values manifested through accepted behavior are known as cultural norms. Often cultures might value the same idea, but it manifests in such an unrecognizable manner in another culture that it could be perceived as an offense. Case in point: in the United States, if a student is late for a class he or she would enter the classroom silently and take a seat. This is a norm reflecting a value of respect to the professor and not interfering with the lecture. This behavior would be interpreted as lack of respect for the professor in many European countries. There, the norm of stopping and greeting the professor and asking permission to enter would be considered respectful.

Drawing on the example of Disney's failure in France, it can be stated that if the managers knew the cultural values and norms of the French, they would not have made as many mistakes. For example, the French like to sit down when they eat. They are known to do so with their friends and family. They are also accustomed to much longer vacations than their US counterparts. These are examples of a process/social oriented society. Given the values of the French, the ritual of sitting down with friends and family at mealtimes and longer vacations could have been anticipated. Another mistake involved not posting the employee's schedule at least four weeks ahead. Not only was this a violation of the French labor law, it also violated the fundamentals of a culture that values predictability and stability in the workplace. (Smet, 2001). Understanding cultures would have allowed Disney and other companies to dramatically increase their rate of success in international ventures.

CHAPTER SUMMARY

- Globalization is not an overnight event. It has been happening gradually and has begun to be recognized as an inevitable phenomenon at the beginning of this century. Through it, many of our old assumptions about the economic standing of various world regions are dissolving.
- Place of birth and nationality are becoming less important as a factor for employment opportunities. Education at premier US

institutions has become more accessible to individuals coming from other countries. There are more and more opportunities for companies from developing nations to compete with those from established economies. This is causing a redistribution of wealth in the world economy. Much of foreign investment is absorbed by developing countries. Asia is the fastest growing part of the world and is predicted to take over the world's production.

- Most of today's business entities are assumed to involve multiple countries. The ability to sell and manufacture in more than one country is providing companies with multiple benefits such as diversified risk and economies of scale. Lower cost of production and labor in foreign countries offer small companies a chance to compete with large, well-established firms.
- Entrepreneurs today are designing financial models for companies with the world in mind. In addition to that, the very ideas for start-ups often stem from global experiences. Openness of markets and advanced technologies are enabling companies to move to what is termed a "boundaryless" organization.
- Many companies do not succeed in their international efforts. Most of the failures result from lack of cultural knowledge. A company needs an effective globalization strategy to take advantage of a "boundaryless" world. This means being aware of the multicultural market. Culture is the foundation of various customer preferences and employee needs. It explicitly shows up in differences that we can observe in food, government systems, speech patterns, and so on. It implicitly shows up in values and norms. A successful global strategy necessitates the need to identify and bridge cultural differences.
- Global business education has not kept pace with globalization. Foreign language study, a traditional method of cultural education, is no longer sufficient because managers are required to work with many different cultures. Lack of cultural awareness causes ethnocentrism where "one way" is the only way. Up to now, management theories and methods have been Western centric and awareness of other approaches to business is needed. Culture-specific methods are desirable, but even they are not sufficient.
- CQ prepares a manager to function across various cultures. CQ is trained in various ways all of which need to include the basic theory of cultural dimensions. Cultural dimensions summarize societies' values, beliefs, and norms. Through cultural training a company can increase its likelihood of success in the global arena.

CASE STUDY

Bollywood and Hollywood

Inspired Movies is a company that produces movies in England. The company wanted to revive the British film industry by making several movies in the United Kingdom. The CEO and producer of Inspired Movies, Mynoo Blackbyrn, grew up in India and England, thereby becoming naturally acquainted with those cultures. In her previous career, as an IT manager, she dealt with high-tech projects involving specialists from India, United States, and Saudi Arabia. From her experiences, she understood that each culture develops different professional strengths based on their varying points of view on one and the same issue. She chose various teams due to their respective excellence in the areas of their work and understood the potential benefit of bringing the “best of all worlds.” Management teams were hired from Britain, actors from Hollywood, and the filming and technical teams from India.

Directors hired for each film did not think that such a mingling of various cultures was possible. Every movie had both limited time and budget. Each person recruited for various positions was an independent agent and very likely did not know anyone else working on the film. None of the members of the team had the time of getting to know each other before the start of the movie. Due to the nature of the work, every filming day was extremely expensive, and delays of any nature had to be avoided. No “getting to know each other” was possible before the film, and the time to do so during filming was quite limited.

On one particular movie the Indian and British teams went on a strike on the third day of filming. The producer was told by the Indian team that they were being mistreated. The British team told the producer that they felt the Indians were disregarding the safety laws in the United Kingdom. After investigating further, the producer discovered that since the lighting equipment was not working the Indian team tried to climb the lighting rafters to manually hold the lighting equipment in place. However, in the United Kingdom their efforts were considered a hazard to the crew. The British team was very concerned about the legal ramifications if anything were to happen to any of the crew on the set. The British team felt that their requests were ignored and that the Indian team was willfully dismissing their concerns. On the other hand, the Indian team felt that their efforts were not only unappreciated, but that the British acted “superior.” In Bollywood (where most of the Indian teams

came from), it is customary for the crew to be unpaid for the extra days of filming. The Indian team was accustomed to do whatever it took to continue the filming, thereby insuring that the crew got paid for their work. Also, in India, there are comparatively little, if any, legal ramifications if anyone gets hurt during filming. Due to mutual misunderstanding a simple matter escalated into a full-blown strike that threatened to last several days—prohibitive considering the cost of each day on the set.

The producer spoke to the Indian teams and British teams in Hindi and English in order to understand what really happened. Once she understood the situation, the producer subsequently explained each side's motives and reasons to the other. In addition, she orchestrated social outings on the days off where the British team would invite the US and Indian film crews to spend time together. During these social outings all members shared history and culture of their nations. In turn, the Indian team members would invite the British and US team members on their spontaneous social occasions held in the evenings. The teams came to understand and appreciate each other's background and expertise. Because the British were very meticulous at keeping the project on track and making sure that everyone was at the right place and time, the Indians came to appreciate their sense of order and schedule. When there were unexpected challenges, the British came to appreciate the Indians' ability to come together as a cohesive unit to solve problems through their creative thinking and collective efforts. American sense of individual responsibility, independence, and "out of the box" thinking was appreciated by both Indian and British teams. The project was successfully completed with a much higher quality result than if it had been filmed by a monocultural team.

QUESTIONS

1. What was the producer's role (other than being the producer) in making sure this project would be completed?
2. Do you think the project would have been accomplished without the producer's cultural facilitation?
3. How was cultural knowledge used to the project's advantage?
4. Can you anticipate other problems that might have resulted given the combination of three different cultures?
5. What other benefits can you predict with the combination of these three cultures?
6. What are the advantages and disadvantages of a monocultural project versus the multicultural?

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WE'RE NOT IN KANSAS ANYMORE: GOING GLOBAL WITH AN (AFRICAN) AMERICAN BUSINESS

Vernon L. Andrews

Abstract

For many academics, teaching and researching on topics we love has a direct correlation with changes we want to see in individuals, institutions, and society. For instance, teaching a course in sustainability might strongly correlate with a professor's interest in the environment. Classes such as, managing diversity, social entrepreneurship, and corporate entrepreneurship—in addition to a survey of marketing class—are all courses the author of this chapter has a connection to academically and personally. He has chosen, therefore, to write this chapter in a more informal, personal, and direct tone. The creation of a BBQ sauce venture outside of academia while teaching in New Zealand allowed him to hit the triple nexus of (a) practicing skills he would later teach his students, (b) gaining insight into how diversity and inclusion issues are revisited overseas with the branding of an ethnic market-niche product, and (c) adding some connectivity between his personal life and the New Zealand society (where he lectured and introduced his product) via a small company intent on doing good with the customer and the retailers. Starting a venture in Kansas City—a Mecca of BBQ culture, would be one thing—but New Zealand? What the author's experience taught him was that overseas travel, entrepreneurship, and adaptation are the ultimate “change” for any future manager. A measured, patient approach to friendship, cultural intelligence, and business development, are warranted.

INTRODUCTION

My US students never cease to be amazed when I tell them that “Thanksgiving” and the “Fourth of July”—Independence Day—are

not celebrated in New Zealand.¹ What's more, students seem shocked to hear that January is the middle of summer in the southern hemisphere. These are a few of the many cultural and social shocks expatriots face when living abroad for any length of time. I spent the better part of 14 years living and teaching in New Zealand, and what I learned about starting and growing a business overseas taught me the need for developing a global consciousness when it comes to diversity and acceptance.

My story begins with participating in a BBQ competition in 1997 and ends with me moving back to the United States and anticipating developing my "overseas" product for a US marketplace. This is a reverse of the business model in the United States of "going global," which usually involves manufacturing a product in America² and then reconfiguring the good or service for a global marketplace full of language, value, ethical, and currency differences. But this is a cautionary tale to insure you do consider international customs and practices and that, as several of the authors in this book have noted, we should exercise caution when judging other cultures through our own cultural sieve. I have also written about cultural misinterpretation elsewhere regarding sport and cultural differences.³

Equally important is that we practice smart, socially conscious, and ethical management of our business with long-term sustainable results in mind over short-term, quick profits. My experience as a manager at Hewlett-Packard Corporation in Silicon Valley positioned me for consideration of the community I lived and worked in, rather than simply what I could take out of the city or local region.

Chapter Topics

I thus highlight the three key lessons—learned about starting an entrepreneurial venture abroad as an American—that can serve as a formula for others either starting or continuing their business in a foreign land: (1) develop a global/local consciousness and learn to respect local practices, however strange they might appear to be, (2) recognize your own cultural values and ethics and develop an understanding of local diversity and insights into the local marketplace (highlighted in the case study), and (3) recognize the stereotype many might have of you of the get-rich-quick American, and strive for sustainable growth and high-quality products and services as a long-term business management strategy.

*Develop a Global/Local Consciousness and Learn to
Respect Local Practices*

Respecting local practices is not as easy as you think. As a matter of fact, this process can be downright frustrating and confounding. Such was my first reaction when the annual Brews, Blues & BBQ's competition committee sent out a notice that said: "No individual sauce would be allowed in the BBQ competition." "What? Isn't this a BBQ competition?" I thought. "How can you have a BBQ sauce competition and have the winner flown from New Zealand to Memphis for the international competition and not have a BBQ sauce?" Well, there I go, thinking like an American. Welcome to the tall poppy⁴ syndrome in New Zealand society.

To be honest, at first I thought it was a "black" thing. I mean, I had won fourth place in the Blues, Brew & BBQ competition in 1997, won second place in 1998 (specifically in the "pork" category), and was told that if I teamed with a group with a good "booth" (part of the judging criteria), I was a shoo-in to win it all in 1999. I teamed with a great booth of rugby players; we had a great theme camp, and were poised for victory. One month before the festival, the competition committee sent out its notice that sauce was no longer welcome.

Every contestant was to show up at a tent, be given a box of the same items, and prepare them as best they could. Judging would be on presentation, use of the knives, official chef's uniforms, and other such insignificant criteria. Where I came from, the "sauce was the boss." It didn't matter what you looked like or how fancy your clothes were. But I was missing the point. It wasn't about my blackness, *or* my next thought—my Americanness. It was the fact that I was a foreigner, or rather, *not* a New Zealander.

The tall poppy syndrome is about egalitarianism and everyone having the same chance. You are not better than me, and I am not better than you. If you think you are better than me, I will cut you down—like the tallest poppy in the field. The Japanese⁵ have a similar saying, "The nail that sticks out gets hammered down." Studying this further, New Zealanders have a strong negative reaction to the overt class system of England and since its early days in the mid-1800s, the country has strived to achieve some sort of socially induced neutrality that manifests itself in what might seem many bizarre ways. Athletes⁶ are awarded no special treatment. If a world-famous athlete is sitting next to you in a restaurant, you pretend they do not exist. Why? Because they are not special. They aren't better than you.

At the University of Canterbury, in Christchurch, my students rarely raised their hands to speak, and others could not tell their friends they got an “A” grade. Speaking up in class was some sort of subtle implication that you knew more than me—or more than the teacher; letting others know of your prized grade you worked hard to achieve was akin to doing an end-zone dance and showing everybody up—standing out. By virtue of being new to New Zealand, I had not yet been knocked down, humbled, and leveled out like everybody else.

Who was I to win a competition after only having been in New Zealand for three years? Therefore, instead of being meritocratic in the judging process, the committee opted to change the rules. My group took last place. We were not chefs from the major hotels like the others; we were weekend cooks who wore Converse Allstars and baseball caps. Talk about humbling.

Over the next few years I honed my teaching and writing skills as an academic, began my study of rugby and cricket culture, attended sporting events throughout the country and abroad (England, Scotland, and Wales), befriended many Kiwis (the nickname for New Zealanders), and thought little more of BBQ sauce. I should say here that I am sometimes a very quiet and observant social scientist, and at other times loud and expressive and a jokester. New Zealanders appreciate the quieter Americans and foreigners. But they reserve the right to be loud and boisterous themselves as, well, it is their country. And since humility is, I feel, the national religion of New Zealand, one best observe the canon.

So, I observed, lived among New Zealanders, appreciated their humility and easygoing ways and they appreciated my measured Americanness. That is, they had a strong stereotype of the traveling American who spoke loudly (as if Kiwis could not understand English) and always demanded special treatment—like your eggs or bacon cooked a certain way. “Just take what you get and don’t complain—don’t stand out as being ‘special,’” is the Kiwi rebuttal. This disrespect for the rights of the customer hit me square across the forehead. *I am special*. And so are my eggs and bacon.

I struggled mightily with the tall poppy syndrome,⁷ thinking Kiwis were holding themselves back from entrepreneurship, high achievement, and a more global status regarding business ventures and sporting success. Indeed, many overachieved in spite of the syndrome—and some because of it. And many big achievers kept their humility (their religion, in essence), which astounded me when comparing to high-achieving and often egotistical American stars.

So, there was some benefit to the tall poppy syndrome—you kept your perspective even in success. You were always gracious to others, you made others feel they were on the same level as yourself, you always attributed your own success to others, and you thanked everyone around you for whatever you had achieved. While it all seemed to be false humility to me, it was a ritual I came to admire and, dare I say, began to practice and appreciate.

New Zealand's Transition from Flowers to Food

I walked into Whitcoulls bookstore and stationary shop and noticed something very, very new. This was a seismic shift in the New Zealand cultural landscape. I had been gone on sabbatical for all of 2001—back to California. The books that bombarded you at the front of the store were always books on flowers, gardening, lawns, and such. New Zealanders—especially Christchurch residents—were obsessed with their gardens. Flower shows were everywhere. Prizes and awards, and bragging rights (such as they were) all centered on how neat and tidy your garden appeared.

But that was no longer the emphasis in Whitcoulls, as over the next few years the front of their stores and windows featured, yes, cookbooks, recipe books, celebrity-chef coffee table books, books on specialty coffees, and travel cookbooks by traveling chefs. Life was all about food. The new century had brought with it a new cohort that was more interested in entertaining on a Saturday than gardening. Gardeners were now hired to maintain one's dirt patch; property was now subdivided, so there was less land to tend. More apartment/condo living spaces were created and thus more single people and young couples who valued entertaining versus starting families. By 2004, Dr. Vernon L. Andrews saw an opportunity to morph into "Uncle Vern."

Strive for Sustainable Growth and High-Quality Products and Services as a Long-Term Business Management Strategy

By 2004, another culinary boom was in full bloom. Thai and Indian restaurants had all but taken over Christchurch, and people were eating out far more often—or taking the food home to entertain in the backyard. Spicy and foreign food had taken hold, and I saw this as a ripe time for a spicy Louisiana BBQ sauce to emerge and begin production. My original idea was to develop an organic product, but there was a shortage of ingredients I needed, so I decided to move toward a "whole food" that was not as esoteric (and expensive) as an organic

product, but sourced with ingredients from as many local producers as possible, and crafted in small, manageable batches by hand.

Now that there were more “foodies” in New Zealand—and more money and entertaining—a high-end sauce would work just fine. And it did. But the reasons for success were more than the novelty of an African American professor selling a New Zealand-made BBQ sauce based on a Louisiana family recipe. People tasted the sauce and loved it. They should have, as obsessive-compulsive and exacting as I was about the ingredients. I grew frustrated with creating a sauce that tasted like Uncle Willie’s—he wouldn’t give me the recipe in spite of the Budweiser six packs I used as bribery. So I fell back on my years of finicky food tasting and buying: Do what you love, do it well, and others just might like it too.

In the spirit of Hewlett-Packard Company, where I worked as a public relations manager and corporate historian in the 1980s, I determined that I would follow their lead and produce the highest quality product I could with the best ingredients, and sell at an above-market price to a smaller clientele. I went crazy. Instead of basics such as tomato sauce, vinegar, brown sugar, and Tabasco, I added molasses, pure Manuka honey from New Zealand, pineapple, fresh apples, apricot jam, pure Canadian maple syrup, garlic, cracked pepper, fresh hand-squeezed lemons I purchased at farmer’s markets, and on and on. I wanted to make the best sauce in the world.

I had a full-time job, so I could fund the venture and didn’t really need to make money. Of course, New Zealand entrepreneurial businesses are being designed to “flip” (like the story of *42 Degrees Below* Vodka), so my idea was to sell to the highest bidder after a few years of production. But somewhere along the way, I became aware that the venture was more about the intricate crafting, the labor of love, the joy a company could produce, and the smiles my free bottles of sauce to all workmen and women I met would create. After a while, I made the sauce not for the money but for the pleasure of serving.

This is odd, I know, and not keeping with most business models of growing fast and furious. But something about New Zealand culture and their business ethos yelled, “Slow down and get it right” more loudly than “Make all the money you can as soon as you can.”

*Recognize the Stereotype of the Get-Rich-Quick American,
and Strive for Sustainable Growth and High-Quality
Products and Services as a Long-Term Business
Management Strategy*

While I do not begrudge those that do make a swift buck while helping others, I am aware that it lives as a stereotype in New Zealand

that *all Americans* have this “I’ve gotta get mine—now” ethic. The slow pace of life in New Zealand, coupled with my favorite Hewlett-Packard saying, “Slow growth is smart management,” shifted me in the direction of thinking ten years into the future rather than ten months.

I adapted a quite humble approach when people said, “Man—this sauce would do well in Australia—go there!” and “You should ship to China and the USA.” “Maybe someday,” was my usual reply. Small was good, local, and sustainable with my current teaching job, and didn’t warrant me selling out to other investors who would have profit as their singular motivation. And friends did offer money for a “piece of the action.” I declined. Besides, who wants to be a tall poppy?

The notion of quality was—and continues to be—an issue when choosing ingredients. Because my maple syrup is shipped from Canada and my tomato sauce from the United States, my costs are enormous. Those two products (of the 28 ingredients I use) account for 75 percent of the total costs of ingredients. I often get advice about substitutes that are cheaper and nearly no compromise in taste. Nearly. I can taste the difference and have declined each time.

Where to Best Market My Product?

My product has been sold primarily in gourmet shops, butchereries (they still exist in nearly every neighborhood in New Zealand), wineries, and delicatessens. I also travelled around to food shows and did weekly farmer’s markets in Canterbury and around Christchurch. The only way to “flip” a product in New Zealand is to have it competing on grocery shelves. But if you are on grocery shelves, their pricing undercuts the very people who have helped grow the business. Specialty shops cannot sell at lower costs as their volume is not as high as chain supermarkets. And supermarkets demand a volume discount. Thus, whenever I approach a new winery, their primary question is: “Do you sell in the local supermarket?” I always answer “No.”

After seven years of visits, correspondence, orders, and such, I’ve developed a relationship with retailers that I am loath to part with, though moving back to the United States has obviously seen me part ways physically. Selling to supermarkets would end all relationships with my specialty shops and wineries in all but a very few places. Yet, this might also mean more profit for me—at least in the short term.

I have also kept the price—\$7 wholesale—the same for the past seven years, even though my cost of ingredients have obviously increased. It is much more important that my customers can obtain

a decent product at a reasonable price versus fewer customers paying more for the product (and the possibility of earning just a few more dollars off of roughly 3,000 bottles sold each year). I am indebted to one retailer for my \$7 price, as Steve—owner of Cashmere Cuisine delicatessen—told me my initial charge to him was too low. He was my second customer, a friend of a friend. He said, after my humble sales pitch, “How much per bottle?” I replied, “\$6.40.”

He said, surprisingly, “This is a good product. You should charge me more.” “OK, how about \$7.00 per bottle?” He said, “That’s better,” and paid me in cash on the spot for four cases, one each of mild, medium, hot, and fire. That was a beautiful lesson in Kiwi culture: fair and honest.

Getting to Know Kiwis: Redux

Once the sauce was launched—during my seventh year in New Zealand, something quite special began to happen. All the people I had taken the time to get to know, suddenly, became champions of the sauce. Tracy, my flirtatious bank teller, left the bank, opened her own restaurant, and let me use the industrial kitchen for free. Fiona, a friend of my then partner Hildres in New Zealand, recommended a bottler as the company grew. Hildres, a jewelry wholesaler, recommended over 15 different outlets she noticed during her travels. Wilson, a world traveler and adept foodie, suggested other locations for my sauce and possible pitfalls as I grew.

Rachel Alexander, a friend from a large group of 30-something single people who all traveled on holiday weekends, had by now become the best female entrepreneur in Canterbury and the owner of her own marketing company. At reduced rates, she designed the label, suggested varying the flavors to get more shelf space, and was harsh in her criticism of sauce names I came up with (that don’t bear repeating).

Jenny Alexander (no relation), a former graduate student, was also helpful as she and her co-owners allowed free use of the “Green Room Cabaret” kitchen for me to develop the BBQ sauce recipe from 1998 to 2004, as I made it for friends. Indeed, social networking by another name in New Zealand is simply being a good person, being helpful to others, being a friend, and—most importantly — being humble. By 2004, I had obtained citizenship. Indeed, I believe this aided my transition into entrepreneurship. There are 20 more people—friends I knew through various networks—that aided my transition into business. Suffice to say the slow growth through cultural intelligence

and gradual adaptation of local norms gained me acceptance in the community. When I was ready to start the business, those who had seen me around—some of whom were former students—were there at the ready.

Conclusion

When moving to a foreign country it is best to get to know the people and customs. I hasten to say that it is not necessary to agree or to adopt those customs, but you would do well to put aside your biases if you ever hope to develop meaningful relationships. Reserve your criticisms and complaints for the ritual that all American expatriots engage in—sitting around with other Americans criticizing the things you don't like about your adopted country while recounting the things you love (food!) back home. It is a ritual that I entertained many, many times and served as a release valve for all the latent frustrations we have as we transition to somewhere foreign, alien, and at times scary.

If you harbor any ambitions for starting a business, make sure you put in your time as a local, helping others with altruism, and put people ahead of future profits. And if and when you do decide on opening up a business, rest assured people are watching and gauging how Machiavellian you are regarding price, product, service, quality, and all those idiosyncratic facets that define a good start-up.

Do right by the country you inherit. And remember the sieve you evaluate them through is not necessarily “right” in any real sense. The sociologist in me is well aware of class and cultural differences that are mistaken for the wrong way of doing things. New Zealand is not wrong, merely different. And those differences, once learned in their context, can serve to enhance one's day-to-day life as well as—some point down the line—enhancing a business venture.

CHAPTER SUMMARY

- There is no one-size-fits-all model for doing business overseas or anywhere. The experiences presented in this chapter demonstrate that a business venture may arise anywhere at any time if one nurtures an entrepreneurial spirit. Openness to the possibilities, social consciousness, and ethical soundness are therefore critical prerequisites.
- Respecting local practices is not as simple as many people think. It is very tempting to become ethnocentric and consider the way things

are done in our country of origin the only right way. The author refers to the tall poppy syndrome, a New Zealand way of thinking entailing egalitarianism and everyone having the same chance.

- The start of a new product or venture may not always be a raving success, but in order to grow and sustain any entrepreneurial endeavor, it is important to continue striving for sustainable growth and high-quality products and services as a long-term business management strategy.
- Focus on the right thing: making money as the main purpose of any entrepreneurial venture is the quickest way to fail. Passion for what you do and wanting to make your product or service the best in the world are much better and sustainable motives for long-term performance.
- It is no use to be overly concerned about stereotypes that others may have about you, but be aware of them. The only way to change them in a positive sense is to engage in honest and diligent performance, with proper sensitivity to the culture(s) in which you perform.
- Every producer of any product should be aware who his main customer is and how this person can best be reached. This, then, will serve as a guidance in determining whom to approach for the product and how. It will also provide an important indication about the price to be charged, which should be reasonable and stable, and with caution for falling in the trap of greed.
- Just as important as the quality of a product or service is, so too are connections. A friendly, respectful attitude will change friends, customers, suppliers, and others into major champions for your product or service.

CASE STUDY

What's in a Name?

Creating "Uncle Vern's Authentic Louisiana BBQ Sauce" in a Nonhostile New Zealand Environment

Names are tricky things, as any marketing manager knows. So how do you name your BBQ sauce in a foreign land? "Uncle Vern" is what my nieces and nephews called me, and the name was my favorite title, as I had decided that "Dr." was not humble (keeping with my new Kiwi ethos). I walked into my nephew's workplace in Iowa and everyone addressed me as "Uncle Vern." Seems that since I was

living in nearby Wisconsin while getting my PhD, my nephew had warned them about my arrival more than a few times. I thought it was quite funny, and even endearing. Thus, "Vern's BBQ sauce" was a bit too familiar and simple.

But Uncle Vern's? Yes, as a tribute to my now deceased Uncle Willie, who had always cooked our family BBQ sauce for picnics and celebrations. He had taken his skills from Louisiana to California with the rest of the family after World War II and brought with him all the southern traditions we held close in the family. He was the lone man participating in the cooking as all others were women—sisters, aunts, cousins. I respected that. So, Uncle Vern's it would be -- as a tribute to my nieces and nephews and to my own Uncle Willie.

But the word "Uncle" is one of the most volatile words in African American culture, behind the "N" word and Tom, as in *Uncle Tom*. This is the worst thing any African American can call another African American. It implies that one has lost his love of culture and indeed despises black culture. It originates with the book *Uncle Tom's Cabin*, by Harriet Beecher Stowe, and situates blackness as living to take care of white needs while not caring about one's own self-worth or efficacy as an African American. So, Uncle might be tough sell. What was worse, "Uncle Ben's Rice" existed as a familiar brand and reinforced the docile black male servant image, right alongside "Aunt Jemima's Syrup" and "Aunt Jemima's Pancake Mix." The big black mammy was a figure just as negative to the black image as Uncle Tom was, and its usage in the direction of a contemporary black woman can be deemed hurtful.

So I was faced with a cultural and ethical dilemma: I have always been determined to improve by action the image and respect of African American culture, but was I demeaning my own sauce, my image, and the larger image of black people by regressing into past stereotypes of the servant black male? Was I selling out to appease white consciousness? Was I a defacto Uncle Tom by co-opting a happy, smiling face on the front of a BBQ sauce bottle? I was confronted about this by another scholar of black American culture, right after I launched my label. Here was my reply:

"Yes. I understand your point. I know the image of post-civil war blackness has been appropriated by less-than-altruistic marketing and sales departments, intent on helping whites recall a period when blacks were 'in their place.' But there was no Civil War in New Zealand; there were no black slaves; New Zealanders respect black people and the Maori revere our culture as it helped them actualize

their own rights after the 1960s black power movement. And really, if I can't use the word uncle here in New Zealand, where can I use it? I'm reclaiming it. Like Madonna reclaimed sexuality." Madonna had noted that it was not the sexuality in videos or female images that were the problem; it was that women were told what to do, exploited, and often received little compensation. She was reclaiming her body and image for herself, setting her own agenda, and marketing and managing herself: ownership was key, she implied.

I went on to say, "Blacks always have to be conscious of the use of the word Uncle. We also can't name our kids 'Tom,' for obvious reasons. When can we ever do this? We are on international waters, and I think the rules here are different. I am going with my gut and sticking to the name Uncle Vern. I love being an uncle, I love my Uncle Willie, and I love backyard cookouts. People will just have to understand that and move past it to the sauce. The sauce is the boss."

This is all well and fine, of course, in New Zealand. There are few there who would know of such dilemmas of cultural or personal ethics about racial regression, social progress, and marketing images. But as I prepare the product for introduction into the United States, I do have that dilemma. Do I, as another professor noted, move away from the negatively connoted "Uncle" to the more progressive "Dr.?" He notes that African American PhD's are scarce, and to be able to use that moniker with the paper to back it up is not only a cool story from an Oakland native, but a vital image boost that young black kids could admire and model. "Dr." has social clout, he notes, while "Uncle" is passé.

This is a question I—as of yet—do not have an answer to. I am having my US students suggest alternative names and also gauging their connotations of "Uncle" and its social resonance in the United States. What if they think Dr. Vern's is too pretentious? Too arrogant? New Zealand would never accept "Dr. Vern's" BBQ sauce, as it would be considered "skiting" or bragging. Which is why when a Los Angeles man moved to the southern region of New Zealand to open up a BBQ shack in 2009, he was aware of my company and wasted no time in calling his storefront "Uncle Mike's BBQ."

When is the ethical temperament of the owner more important than sales? What if I find out that "Uncle Vern's" would turn black Americans off my product but would not upset white buyers? What if "Dr. Vern's Authentic Louisiana BBQ Sauce and Marinade" was a hit with the black community but bombed with whites who thought it was arrogant and pretentious? "Dr. Vern's," they might say, "Big deal. Doctor. So what. Act like you've been there before." Who is

right? These are some of the dilemmas I have to resolve as I seek to move an “international US product” to the US itself. New Zealand, on the other hand, loves “Uncle Vern’s” just the way it is.

QUESTIONS

1. Considering the stereotypical “Uncle Ben” and “Aunt Jemima,” do you think that choosing the name “Uncle Vern” was, after all, a good idea for a BBQ Sauce? Why or why not?
2. The author presents his reasoning for holding on to “Uncle Vern” for his product. Present your own personal and business analysis on this reasoning and discuss at least one strength and one weakness you can think of.
3. Considering the many dilemmas the author/producer faces in trying to introduce his product into the United States, what recommendations would you suggest?

NOTES

1. New Zealand has been recently complimented as being the least corrupt country in the world.
2. In this chapter, I use the terms United States and America interchangeably, aware that I am excluding Canada, Central and South America. My intent is to break the monotony of one referent rather than to exclude.
3. Andrews 1996, 1997, 2004; Andrews and Majors, 2004.
4. One might argue that the envy component in tall poppying functions like the Derridean concept of “différance” (1978). In other words, the tall poppy cutter defines him/herself by what he/she perceives him/herself *not* to be; that is, he/she is not a tall poppy and, thus, he/she feels envious.
5. These generalities should in no way imply an essentialized view of either Japanese or US society. Many citizens in each country stray far from the norm—often out of spite for the norm. Whiting (1989), in my view, is presenting a “gestalt” of the normative operating value system.
6. See Andrews (1997) for a discussion of the importance athletes put on consistency of behavior on and off the field and the desire to not appear “out of synch” with their “true” personalities by being too expressive during sport.
7. Anna Simcic mentions two male tall poppy athletes who have, on occasions, been severely chopped down. One is fellow swimmer, Danyon Loader, the athlete Aotearoa New Zealanders love to hate. He is also the most successful athlete in ANZ Olympic history, winning two

gold medals at Atlanta in 1996. Loader has a long ponytail and a goatee, which is cause for scorn and ridicule for some who say “What a girl, what ugly hair and goatee” (Andrews, unpublished manuscript, line 3937). Simcic knows him as a friend whom she understands as an individual with “his own sort of brand mark” (Andrews, unpublished manuscript, line 3938). The second athlete is Andrew Mehrtens, who wore the #10 jersey for the Canterbury provincial and Super 12 Rugby teams, and was the perennial first five-eighths for the All Blacks in the 1990s. She noted at one game the contradictory nature of New Zealand fans during one of Mehrtens’ less-than stellar performances at Jade Stadium (formerly Lancaster Park) in Christchurch. Fans yelled all over the stadium “You’re such a loser, you’re overrated” (Andrews, unpublished manuscript, line 3089). But had he converted the kicks, she feels fans would have yelled, “You’re a God!” As she notes, “They just love you and hate you in the same breath” (Andrews, unpublished manuscript, line 3089).

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THE VIRTUE OF INTEGRITY THROUGH
AN INDIVIDUAL OR COLLECTIVE
CULTURAL LENS: ETHICAL LEADERS
MAKE RELIABLE BUSINESS

Denise Gifford

Abstract

The role and influence of collectivist and individualist cultural values on ethical behavior in business is the focus of this chapter. Both ethical and unethical business practices are grounded in cultural values and norms, which are developed and reinforced long before the business professional first enters the workplace. Today's savvy business leaders require an understanding of the culturally specific values and business ethics of the countries and cultures in which they conduct business and of the international professionals with whom they work. Global business leaders must understand that substantial cultural context difference exists between collectivist cultures (China, Middle East, etc.) and individualist cultures (North America, Australia, etc.), and that these contextual values influence every aspect of business and business ethics. Research on university cheating behaviors from different cultures will be used to demonstrate the contrast between how a collectivist lens and an individualist lens can view the same behavior. A large body of research indicates that there is a clear correlation between cheating in school and later cheating in the public and professional arena, and that this behavior is simply one aspect of a larger pattern of adult unethical behavior. Research has further determined that university cheating levels are an important indicator of future business ethics, and the lack of business ethics serves as a barrier to a country's development and economic growth. This cultural value knowledge base will equip business leaders to interpret business behavior through a cultural lens acknowledging that this cultural sieve can result in entirely different perceptions as to what constitutes ethical business practice.

INTRODUCTION

Today's savvy global business leaders must be equipped with a clear understanding of the culturally specific values and ethics held by their international business associates. The global economy and the increase of global trade require that businesses operate seamlessly and efficiently with international partners in a complex business climate. To prosper in today's global economy it is crucial for business leaders to comprehend how cultural characteristics and attributes converge and meld together to create the very distinct cultural lens through which each individual views the world. Business leaders must also be equally aware of the very different cultural lens through which their international colleagues view the multicultural business landscape.

This personal lens-coated reality filters and determines how each individual evaluates the actions and decisions of others. Thus, it is absolutely essential that business professionals understand the assumptions and values of their own culture that meld together to create their personal cultural lens as well as that of their international business colleagues. The cultural lens filters the view of the individual and their relationship to the environment, the nature of reality and truth, and the nature of relationships and society. Every aspect of life is viewed through this individual culture-coated lens even though both lens and its influence are invisible to the wearer. Culturally held values, norms, and assumptions are taken for granted by persons socialized in the culture and only become conscious to them when contrasted with assumptions from others with differing assumptions (Wunderle, 2007).

In order to be successful, the global business professional that interacts regularly with international colleagues must be cognizant of how and why the viewing of actions through a different cultural lens can result in assumptions and conclusions that differ from their own. Of particular interest and concern are those actions that can be viewed as dishonest in one culture but honest and appropriate in another. Certainly distrust, disrespect, and disengagement can easily result when unethical intent is perceived in the actions of an international colleague, and especially so when the colleague views his/her actions as appropriate and honest.

Are business decisions inherently ethical or unethical? Can the exact same action be perceived as ethical when viewed through one cultural lens and completely unethical when viewed through another? Certainly the cultural lens through which the action is viewed directs and determines whether the act is deemed honest and ethical or

unethical and dishonest. To avoid serious misunderstanding and conflict within the international business climate these resultant differing perspectives of the same actions must be analyzed and understood amid the background of cultural difference. Both ethical and unethical business practices are grounded in cultural values and norms that are developed and reinforced long before the business professional first enters the workplace (Forsyth & Donelson, 2011).

The most essential aspect of culture difference to understand is the pervasive impact of the two major types of world culture: *collectivist* and *individualist* cultures. Global business leaders must clearly understand, in particular, that substantial cultural context differences exist between collectivist cultures (China, Middle East, etc.) and individualist cultures (North America, Australia, Western Europe, etc.) and these contextual values influence every aspect of business practice and business ethical decision making (Hofstede, 1991). Business professionals working with colleagues from the other cultural type can easily misunderstand and misinterpret the actions of their colleagues if they don't understand the larger cultural framework embodied in the cultural lens through which they and their international fellow professionals view the world (Triandis et al., 1998). Individualist cultures, such as those of the United States, Canada, and Western Europe, emphasize personal achievement at the expense of group goals, resulting in a strong sense of competition. In these cultures the independent figure of self is dominant. This independent figure is characterized by a sense of self that is unique and relatively distinct from others and the environment.

In contrast, collectivist cultures, such as China, Japan, and Arabic countries are those where an interdependent figure of self is dominant. There is a much greater emphasis on the interrelatedness of the individual to others and the environment, with the self meaningful only as a member of a larger whole. Collective cultures value group gain over individual choice, and due to the tribal and family nature of society, individuals often subordinate personal aspirations for the good of the collective. In short, collective and individual traits deeply pervade every aspect of the culture. In other words, people simply absorb their culture's stance as it is so deeply engrained in the fiber of society as to be invisible to them.

Collectivist Culture Characteristics

Collectivist cultures respect the family, community, or tribe as these groups provide them with expertise, order, duty, and security. The

behavior of the individual in a collectivist society effects the dignity, reputation, and honor of the entire family group with loyalty to one's family as paramount (Kashima, et al., 2005).

Hofstede's seminal work on the categorization of world cultures and cultural dimensions found consistency in the many countries with collectivist cultures that were studied (Hofstede, 1991). In general, collectivist cultures commonly value familial and group morality over individual choice, including acting in a manner that will create a good impression on others, and believe that a person's dignity, honor, and reputation are all of paramount importance as acts by an individual reflect upon the entire group, and that family loyalty supersedes individual interests. Individuals often subordinate personal aspirations for the good of the collective. Collectivism creates a society in which people from birth onward are integrated into strong cohesive in-groups, which continue to protect them in exchange for unquestioning loyalty (Hofstede, 1991).

Individualist Culture Characteristics

Members of individualist cultures tend to strive for independence and have self-concepts defined in terms of their own aspirations and achievements. They value the importance of the individual, the requirement that laws apply to all equally, and that people have a right to individual space and privacy. Individualism creates a society in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family only. People in individualistic cultures emphasize their success/achievements in job or private wealth and aiming up to reach more and/or a better job position. Especially in North America, the competitive spirit and the urge to better oneself by climbing the social hierarchy is common. In the work place employees are expected to defend their interests and to promote themselves for the benefit of themselves and their immediate family (McCrae, 2001).

University Cheating Practices and Attitudes: Comparing Collectivist and Individualistic Views

The differing perspectives of both collectivist and individualist cultures regarding the practice, prevalence, and acceptance of university cheating behaviors is the example used for this study. The research studies cited will demonstrate that collectivist cultures generally report higher levels of cheating over individualist countries. Differing

attitudes toward the act of cheating, or academic dishonesty will be described as well. The divergent collectivist and individualist cultural views toward the practice of cheating may seem unrelated to business activity but is actually closely linked. Research indicates that there is a clear correlation between cheating in school and later cheating in the public and professional arena (Ogilby, 1995), and that this behavior is simply one aspect of a larger pattern of adult unethical behavior. Research has further determined that university cheating levels are an important indicator of future business ethics, and the lack of business ethics serves as a barrier to the country’s development and economic growth (Magnus, et al. 2002).

ACADEMIC CHEATING BEHAVIOR TO BUSINESS WORKPLACE ETHICS

A 2008 study by McCabe, Feghali, and Abdallah concluded that “cross cultural comparisons of attitudes, beliefs, and behaviors regarding cheating across cultures may reveal differences and similarities that have serious implications in today’s global context. Of particular interest may be behaviors that are viewed as dishonest in one cultural context but seen as appropriate in another.”

Tolerance of and Attitudes toward Cheating: Collectivist vs Individualist Cultural Acceptance

A relatively recent study at XYZ University¹ in the United Arab Emirates (UAE) compared cheating levels of 2,600 students in the

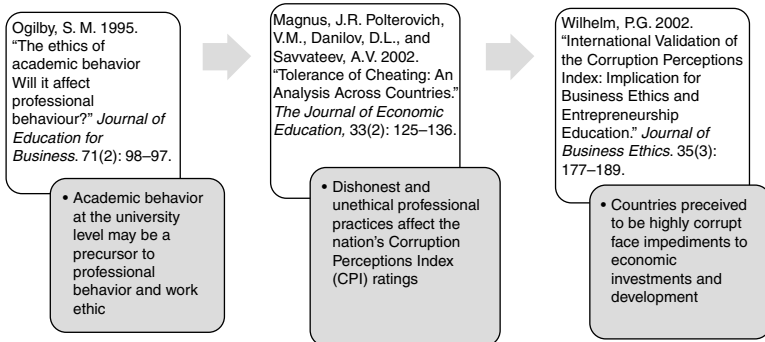


Figure 11.1 Critical Statements on the Effect of Academic Behavior on Workplace Ethics.

collectivist society of the UAE to the results of the same assessment with US individualist society students. The results indicated that XYZ University self-reported cheating rates (53 percent) were over twice the US self-reported rate (20 percent) on both tests and exams. This included copying from one another and using unpermitted crib or cheat notes, or helping others to cheat. On another measure that included cheating on written work, which includes various forms of plagiarism, fabricating or falsifying a bibliography, or submitting work done by someone else, the XYZ University students self-reported that 63 percent had done so in comparison to 49 percent of the US students (McCabe, 2009).

Students at XYZ University when questioned about the high levels of cheating indicated that they felt pressure to help their friends and there was a strong reluctance to report cheating that may have been observed. It was also reported that there was a problematic helping behavior that existed between students at the university (Gulf News, August 22, 2008).

In a 2002 study that compares tolerance of cheating behavior between cultures, the differences between collective and individualist cultural values are cited as an important influence on the differing views of cheating behaviors. This study contrasts the tolerance of cheating behavior between individualist and collectivist cultural views. This research study also found that the larger the number of students that cheat and are tolerant of cheating, the more often they cheat and the more tolerant they are toward cheating behaviors (Magnus, et al., 2002).

In the collectivist Japanese culture, whose citizens are known for their team, group, and familial orientation, a study found that Japanese students engaged in more cheating than did students in the American sample (Diekhoff et al, 1999.). It was also found that Japanese students were much more likely to “neutralize” cheating (the tendency to justify or rationalize cheating) than were American students (Tasker, 1987). Also, due to the immense pressure on the Japanese students for occupational success, which depends in large part by earning a college degree, it was found that when cheating is common and socially supported within the student group, it is very difficult for a Japanese student to resist the temptation to cheat (Diekhoff, 1996).

In another comparison study of academic dishonesty among US and Lebanese students carried out in 2004–2005, three universities in Lebanon were compared to seven American universities. The results of the comparison reflect that 80 percent of Lebanese students

admitted to one or more acts of academic honesty in the past year compared to 54 percent of American students. Further, three times as many Lebanese students (66 percent) self-reported a least one instance of cheating on tests and exams in contrast to (21 percent) of American students on the same measure. “The findings indicated that Lebanese students were strongly influenced by the collectivist societal norms in which they were raised when compared to the more individualistic society in the United States in contrast to collectivist cultures who are expected to tolerate more cheating, as helping other students during an exam is accepted and even encouraged” (McCabe, Feghali, & Abdallah, 2008).

In his study of US versus Israeli university students and cheating behavior, Jacob Eisenberg noticed that in the collectivist Israeli society, “when there is a clash between institutional norms and peer group norms, many students prefer to invest in their relationship with their peers [e.g. helping them during an exam] at the expense of violating school conduct codes” (2004). This action of assisting the group (peers) is a collective cultural characteristic.

While US students cheat today at levels higher than ever before, the competition between students (due to the individualistic traits of the culture) is viewed as having important intrinsic value for students and thus US students condemn cheating because the practice of cheating is seen as an unfair instrument of competition between individuals. Competition between individuals is considered an important individualist cultural value. Haines et al. (1986) found that cheaters tend to be immature and not committed to academics. These authors also found that students who cheat tend to “neutralize” their behavior. That is, the individual engages in a rationalization-like process, the purpose of which is to guard against his or her own disapproval of the deviant behavior, as well as the disapproval of others.

How Could Collectivist Cultural Characteristics Be Associated with Higher Rates of University Cheating?

While there is not yet a direct connection between the two major cultural types and cheating behaviors, the evidence seems to be mounting that there is indeed a correlation between collectivist culture behavior and higher cheating rates. This higher prevalence of university cheating within a society may also be linked to a presumption that there is also more social and cultural support for cheating behaviors. Certainly understanding cheating behaviors within the context of collective cultures makes it understandable that the value of assisting

ones' classmate (in-group member) can be culturally supported. Also, not reporting another student for cheating that can cause shame and embarrassment thus resulting in shame for the entire group also supports the theory that cheating behaviors (when understood as helping another classmate) could, indeed, be aligned with collectivist cultural values and not deemed dishonest or unethical.

The following examples of collectivist characteristics coupled with cheating behaviors as viewed through a collective cultural lens demonstrate how cheating can be viewed as assisting another community member and thus justifiable and not unethical.

- Working with others and cooperating is the norm; everyone relies on each other for support (resisting the pressure of a request by a fellow student to share test information may be impossible when group cooperation is of high value).
- In addition to individual identity, persons are encouraged to identify as a group or tribe (if you identify as a member of a group then standing apart from that group by resisting cheating or assistance to another member may be difficult or result in segregation from the group).
- Any negative act by one person within the community reflects badly on the community as a whole (reporting an incident of cheating will cause extreme shame to the cheating students' entire community).
- Strong cohesive in-groups provide protection and stability in exchange for unquestioning loyalty and support for others within the group. (Is the refusal to assist another student in a test or exam or by writing his or her paper worth the social ostracism?)

These collectivist community characteristic examples described earlier align with the student views reported from the UAE XYZ University, who felt pressure to help their friends and where there was a strong reluctance to report cheating. Similar research results demonstrated that when cheating is common and socially supported within the student group, it is very difficult for a Japanese student to resist the temptation to cheat (Diekhoff, 1996). Based on the research studies cited, which indicate that the levels of cheating are often higher in a community with collectivist cultural values, and that the cultural practice of supporting ones in-group can be the catalyst for this behavior and attitude, it may suggest that in a similar manner the global business world could also serve as a platform for actions that are perceived differently when viewed through a collectivist or individualist cultural lens.

Understanding and acknowledging the global backdrop of collectivist or individualist cultural characteristics will assist business leaders in understanding the motivations and actions of an international business partner. To do this properly, decisions made and actions proposed must be painstakingly evaluated, gauged, weighed, and assessed with cognizance of cultural lens values and cultural type. This knowledge will equip business leaders to interpret business behavior by viewing the actions and motivations through the appropriate lens resulting in, hopefully, a broader and more culturally valid multicultural perspective of what constitutes ethical business practice.

CHAPTER SUMMARY

- Global business leaders must comprehend how cultural characteristics and attributes form the unique personal cultural lens through which each individual views the world and equally cognizant of the contrasting cultural lens through which their international colleagues view reality. This personal lens-coated reality determines how each individual evaluates the actions and decisions of others. Every aspect of life is viewed through this individual culture-coated lens even though both lens and its influence are invisible to the wearer.
- To be successful, the global business professional interacting regularly with international colleagues must be cognizant of how and why the viewing of actions through a different cultural lens can result in assumptions and conclusions that differ from their own. Of particular interest and concern are those actions that can be viewed as dishonest in one culture but honest and appropriate in another.
- The most essential aspect of cultural difference to be understood is the pervasive impact of the two major types of world culture; *collectivist* and *individualist* cultures. Substantial cultural context differences and contrast exist between collectivist cultures (China, Middle East, etc.) and individualist cultures (North America, Australia, Western Europe, etc.)
- Individualist cultures emphasize the individual and affirm personal achievement at the expense of group goals, resulting in a strong sense of competition. In contrast, collectivist cultures emphasize the interdependent role with the self meaningful only as a member of a larger whole. Collective cultures value group gain over individual choice, and individuals are expected to subordinate personal aspirations for the good of the collective.

- The differing cultural lens through which collectivist and individualist culture members view the practice, prevalence, and acceptance of university cheating behaviors is the example utilized for this study. Research studies demonstrate that collectivist cultures generally report higher levels of cheating and may tolerate more cheating, as the collective cultural value of helping other students even during an exam is accepted and often encouraged.
- While there is not yet a direct connection between the two major cultural types and cheating behaviors the evidence seems to be mounting that there is, indeed, a correlation between collectivist culture behavior and higher cheating rates. This higher prevalence of university cheating within collectivist societies may be linked to the presumption that there is also more social and cultural support for cheating behaviors.
- Understanding and acknowledging the differing manner through which collectivist and individualist cultures view the practice, prevalence, and acceptance of university cheating behaviors serves as an example to global business leaders of the necessity of acknowledging the influence of cultural type values on every aspect of global business. Business leaders are encouraged to become equipped to interpret business behavior by viewing actions through the appropriate lens resulting in, hopefully, a broader and more culturally valid multicultural perspective of what constitutes ethical business practice.

CASE STUDY

What constitutes ethical and professional behavior in a world where the employees and stakeholders are multiculturally diverse and where no singular or consensual code of business ethics exists? How can professionals in global corporations interact successfully with one another in an environment replete with culturally value-laden decisions and actions? While global corporations are eager to pursue the opportunities of increased global interaction, they must be increasingly aware of the collectivist and individualist values that drive them and their international colleagues. Without this cultural expertise they have no choice but to tread warily, lacking clear and agreed-upon definitions of ethical business actions. Understanding and acknowledging the global backdrop of collectivist or individualist cultural characteristics assists

business leaders in understanding the motivations and actions of an international business partner. The global business environment is thus a natural platform for actions that are perceived differently when viewed through a collectivist or individualist cultural lens.

Collectivist and individual cultural knowledge will equip business leaders to interpret business behavior by viewing the actions and motivations through the appropriate cultural lens resulting in, hopefully a broader and more culturally valid multicultural perspective of what constitutes ethical business practice.

Mashalla Company

Mashalla Educational Support Company was established five years ago, with a mission to provide tutoring and other educational support for the children of Arab citizens of a small oil-rich Gulf country. The governmental regulations for establishment of new international businesses in this wealthy country require that any business seeking to establish itself must find an Arab business partner to own 51 percent or more of the assets of the business. Thus, in keeping with this regulation Mashalla Company is owned by one Canadian owner, John Gentry, with 49 percent ownership, and one Arab owner, Azzizullah bin Khalifa, who has previous business experience and is closely tied to the royal family of the country. Azziz is primarily responsible for filing all of the registration paperwork required by the government to establish and maintain a business and also participates in day to day functions of the company. The 45 employees include Arab women and men as well as Canadian women and men. The training and background of the Canadian employees includes educational tutoring as well as classroom teaching, and some have experience in educational administration primarily in Canada and Europe. The Arab employees have worked before for short periods and have higher education and some have experience and credentials in education or tutoring.

During its first five years Mashalla Company has grown from less than the original ten employees to the current level. Each year new tutoring services have been expanded as the market necessitated. The primary market for Mashalla's services in past years has been the grade and middle schools in the nearby area. Azziz has personal contacts at the schools and has personally visited with the administrators of each school to market the services

of Mashalla. Almost all past customers have come through this approach, however, the influx of new customers has slowed in the past quarter. Marketing efforts have been limited outside of Azziz' efforts and thus a decision was made to solicit input from all employees at a series of meetings intended to generate new and creative approaches to marketing the tutoring services. While the recent meetings with staff have been spirited and participatory, no approaches to marketing and advertising have been brought forward that both the Arab and the Canadian staff can support together. Further, the support for differing marketing approaches seems to be divided between the employees and it further appears that the support is divided clearly along national and cultural lines. Some of the comments indicate that not only are the suggestions brought forward not uniformly supported but a few are even deemed unethical or culturally inappropriate by other employees. The following are some of the suggestions that emerged from the marketing discussion. Carefully consider how a collective or individualist cultural lens may view these new marketing suggestions from differing perspectives.

- Azziz should continue to be the representative of Mashalla and use his relationships and contacts to approach educational administrators. This effort should be increased over current levels to include additional school zones.
- Advertise to families in the area with a pamphlet in English and Arabic entitled "Is Your Child Unsuccessful in School?" as well as billboards and posters with the same message.
- Use photos of the faces and first names of Arab students and include a testimonial statement from those students who have successfully used the tutoring services as part of a video presentation for parents shown early in the academic year.
- Create a competition between all employees and provide some kind of monetary reward and award for the one employee who is most successful in generating new clients
- Develop employee teams and create a strategy to personally contact neighbors, relatives, and friends to meet individually in homes to discuss and promote Mashalla services.
- Send Azziz and a few other male Arab employees to the Sheiks evening open house at his palace taking gifts for all attendees and using the venue to explain how the Mashalla services assist the country in preparing students to be well educated and strong leaders.

This case affirms the importance of personal ethics and cultural values and their role in global business decisions. The reader is asked to review the suggestions generated to expand the Mashalla customer base. The multi-cultural employee group strategy meetings brought forward a number of suggestions that when seen through a collectivist or individualist cultural lens can be considered either effective or ineffective due to cultural values. Some suggestions could be considered culturally insensitive and even unethical based on the cultural lens through which the suggested action is viewed.

QUESTIONS

1. Based on the differing cultural characteristics and in particular the collective and individualist cultural types, which recommendations do you think came from collective culture business professionals at the Mashalla Company and which were proposed by professionals from an individualist culture?
2. After the group session for all employees from which the ideas were suggested, some employees went to meet with Azziz and indicated their concern that some of the suggestions were inappropriate for a business environment. What are some of the suggestions made by employees from collectivist cultures that could have been deemed inappropriate by individualist culture employees? What suggestions made by individualist culture employees could be considered inappropriate by employees from collectivist cultures? Some employees also met with John after the meeting and voiced their concerns that some of the suggestions made were not aggressive enough and that the competitive spirit was lacking in some employees. What cultural group would you anticipate would be more comfortable with individual competition among a group of employees? Which cultural group would you expect to be more comfortable with individual competition within a group of employees?
3. A few employees remained after the meeting with John concerned in particular about one of the suggestions that they deemed to be unethical. What would you think those issues could be?

NOTE

1. This is a fictitious name

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CONNECTING WITH THE FUTURE: EMBRACING THE MILLENNIALS

Svetlana Holt

Abstract

Born between 1977 and 1998, the 75 million strong Millennial generation is entering the workforce at full speed. They were raised during the most child-centric time of the American history and therefore thrive on personal attention and believe in their unique abilities. They are team oriented; they assume technology and the Internet and multitask fast. Inspiring, leading, and motivating them, tapping into their hyperconnectivity and their creative potential to shape the future, is a challenge we have to embrace. This chapter explores the values and communication styles of Generation Y and discusses the opportunities lying within revealing and nurturing their leadership potential through multimedia and social entrepreneurship.

WHAT IS WRONG WITH THIS PICTURE? BACKGROUND AND INTRODUCTION

I am addicted to the computer world: gaming, the internet, etc. The high comes from the satisfaction from a job well done—even if this job is meaningless in the real world.

Jack H, a Millennial

Brandon grew up in affluent suburbia raised by well-educated, driven parents who are still doting on him and his younger brother. Brandon excelled in both sports and academics and was part of the “in-crowd” all through middle and high school. Family and friends assumed Brandon was going to college to improve his chances for success in his chosen career—just like the majority of his school friends—and he did. Brandon went to Arizona State to study engineering, spent the next two years “on autopilot,” taking classes and passing

miscellaneous tests—but all he really cares for, and looks forward to, is getting home during long breaks between the school semesters, for holidays and long weekends—so that he can ride his dirt bike in the desert for days on end. Brandon’s friend Alex, whose dad is a real estate mogul, signed up to study for a business degree at a local university—but the only courses Alex can really connect to are those General Education classes on music and poetry. Their mutual friend Mike stunned his parents, both high-ranking partners in a top law firm, by joining the marines the day he was awarded his high school diploma.

Josh struggled with almost every subject (except PE) during his entire academic career—a stark contrast to his younger sister Susan—a valedictorian and an active participant in her private school’s social life. There was such a dark point in Josh’s sophomore year in high school where he was so stressed and discouraged that he tried to take his life. The episode deeply disturbed Josh’s parents, an MD and a homemaker, who love him unconditionally, and caused them to get even more concerned about their son’s future. All that matters to Josh, it seems, is the virtual world of computer games, where he wants to dwell permanently, leading a fantasy life as a made-up character.

Olivia could be described as a model student in every respect, so it was no surprise to anyone that she got a full scholarship to pursue a degree in psychology—the first one in her extended family to successfully finish high school and go to college. Then, in her junior year, life took an exciting turn for Olivia when she became pregnant and had a healthy baby boy. Her son is almost three now, and motherhood fulfills Olivia so completely that she no longer sees any point in continuing her education.

Ashley effortlessly maintained a 4.0 GPA all through high school and was courted by several prestigious universities in her junior and senior years. Her family, her school counselors, and businesses where she worked part-time as a high-school student, had high hopes for her professional future. Yet four years after finishing high school, Ashley is still at home, taking a couple of community college classes here and there, and completely absorbed is her volunteer work as a web administrator for “My Little Pony” fan site.

As their employers, managers, educators, and parents, we look at Olivias, Ashleys, Joshes, Alexes, and Brandons—the new generation who hold our future—with hope and trepidation. Born between 1977 and 1981, the 75 million strong Millennial generation is entering the workforce at full speed. They were raised during the most child-centric time of the American history and therefore thrive on

personal attention and believe in their unique abilities. They are team oriented; they assume technology and the Internet and multitask fast. At the same time, in order to survive and thrive in this current state of global economy, organizations need employees who possess critical thinking and problem solving skills, who have curiosity and imagination, who are adept at accessing and analyzing information, who communicate effectively, who have entrepreneurial mindset, agility and adaptability, and who collaborate across networks. Therefore, inspiring, leading, and motivating the Millennial generation, tapping into their hyperconnectivity and their creative potential to shape the future, is a challenge we have to embrace.

Who Are They? Where Are They From?

Who are the Millennials (also referred to as the NET Generation, or Generation M, Y, or Echo Boomers)? They are the children of Babyboomers (those born between 1946 and 1964) or early wave members of Generation X (born 1965–1982), and represent approximately one-third of the American population. They are the most diverse generation in the American history, with 34 percent nonwhite or Latino, and one in five have at least one immigrant parent. They identify with their parents' values; they are fascinated by new technologies, and they gravitate toward group activities.

It could be argued, that socially, the Millennials are a more stable generation compared to their predecessors; however, there has been tremendous increase in the immigrant population, and therefore, more appreciation for diversity, during their lifespan (Abrams, 2006; Buchanon, 2010). They have been influenced by the incidences of 9/11, war against terrorism, and fear of global warming—yet they were raised with optimism that through collaboration they can fix the future.

Socially, Millennials had fewer siblings and with relatively stable divorce rates, got better parental attention. Their inclination toward drugs and sex has also stabilized making them more productive and less disillusioned in institutions (Abrams, 2006). Economically, they have also seen more stability than their predecessors. They have been engaged in various childhood activities such as sports and music lessons and academic daycare. They were taught to work in teams and expect work to be fun. Technologically, they are the first truly digital generation. Unlike previous generations, who relied on emails and phone conversations, the Millennials need to be connected to their peers in real time. They are comfortable with virtual presence, and

the digital mobile platform has become the primary medium of information exchange, making them more informed and curious, while the faster pace of information generation makes them seek instant gratification (Sweeney, 2006). Consequently, they tend to expect feedback immediately after finishing a designated task.

The Millennials grew up in a time of economic prosperity; they were socialized through “mommy and me” groups and played soccer from the age of three. Often indulged as a result of changing child-rearing practices, they are also the most protected generation in terms of government regulations on consumer safety. Since very early childhood, their lives were highly scheduled and secluded. They were expected to excel and are used to being consulted in decision making. They typically have strong bonds with their parents, especially their mothers, and they stay well connected even when they go away to school. They tend to be conventional, accepting of societal rules and expectations; they are team- and achievement oriented, with external locus of control—but often needing help determining reliable sources of information (Buchanon, 2010).

They are digital natives who were raised in a technological environment and accept this environment as a norm. They grew up surrounded by digital devices and regularly use them to interact with other people and the outside world by staying in constant social contact with friends via email, Instant Messaging, cell phones, and video games. Today’s students have spent their entire lives surrounded by and using computers, videogames, digital music players, video cams, and other toys of the digital age. An average college graduate has spent less than 5,000 hours of her life reading but over 10,000 hours playing video games and over about 20,000 hours watching TV. On average, Millennials spend more than \$100 a week on technology-oriented products and strongly influence more than 80 percent of all spending in their households (Erikson, 2008; Pensky, 2001).

For the Millennials multitasking and being social have always been a way of life. It is not atypical for a teenager to be working (successfully!) on a trigonometry problem while in front of a computer hooked up to at least three monitors, instantly messaging on her cell phone to several peers, playing an electronic game with yet another different group of friends, and watching a freshly downloaded episode of “Top Gear.” They often seek knowledge and information through electronic sources rather than using a textbook, and the idea of constructing knowledge within a social community holds great appeal to them. Through these electronic media, from early childhood, this generation has been thriving on instant and continuous

feedback on their performance, and they display little tolerance when this feedback is delayed (Schrum & Levin, 2010).

The Millennial Difference: Multiple Generations with Diverging Sets of Values in the Workplace

Do you find it challenging to motivate younger workers? Do you find them “missing in action” during your busiest production times as they head skiing, snowboarding, or surfing? Baby boomers, the largest generation of active workers, identify their strengths as organizational memory, optimism, and willingness to work long hours. Boomers grew up in organizations with large corporate hierarchies rather than flat management structures and team-based job roles (Strauss & Howe, 1997). Millennials have drastically different expectations for their employment experiences. They are well educated, highly skilled in technology, self-confident, willing to multitask, and have a lot of energy. They seek challenges, yet work life balance is of utmost importance to them (Twenge & Campbell, 2009).

The Millennials coming into organizations are not seeking a career experience—they are not interested in climbing the corporate ladder, pleasing the boss, and making more money. They are prepared to work just as hard as the older generations, but they will not respond productively when simply placed in a cubicle and expected to perform at a desk eight hours a day. Work needs to be interesting to them, and managing them successfully means allowing them to work in different ways (Buchanon, 2010; Gilbert, 2011).

Contrary to popular beliefs, Millennials do not value social and altruistic rewards more than boomers or Generation X. Intrinsic rewards, such as interesting work and growth opportunities, still rank at the top of all work values for all generations. Studies also show that Millennials value schedule flexibility and time off more than the earlier generations. Their social mindset is a significant factor in their motivation. According to Leigh Buchanon, “One of the characteristics of the Millennials, besides the fact that they are masters of digital communication, is that they are primed to do well by doing good. Almost 70 percent say that giving back and being civically engaged are their highest priorities” (Buchanon, 2010, p. 169). These people grew up in the most affluent time in American history and expect more out of life than just work. They measure success not just in dollars but also in equality of pay. They will not automatically respect someone who is older or who holds a superior position—they will respect only those who show respect for them.

While Baby boomers are known for their narcissism, their love-hate relationship with authority, and their focus on values—in certain ways, the Millennials can be behaviorally compared to the so-called Greatest generation, born between 1901 and 1924, or GI, or Civic Generation—in that they have strong feelings about civic order, traditional values, family centrism, and dependence on trustworthy institutions. In contrast, Generation X-ers are cynical, self-reliant, and highly self-accountable. They successfully balance work and personal life and are technically adept, and while they are typically family oriented, diversity-aware, and achievement oriented, they have issues with long-term commitment (Sujanski, 2009).

As Baby boomers are retiring and Generation-Xers are moving into the upper tier of corporations, the Millennials are in the lower and middle tiers of the management ranks, where their roles also transform from learning and testing organizational values with corporate enthusiasm to applying and establishing such values through corporate leadership and energy. Because the Millennials seem so strikingly similar to the famously capable GI generation, they are perhaps the ideal generation to inherit the chaos of the early years of the twenty-first century—to restore order and purpose, to stabilize the country, and to create a sense of belonging (Kotkin, 2010).

Transformational Leadership for the Millennials

Knowing that in any organization there are approximately two to three generations of workforce at different hierarchies, can we—and should we—apply the same style of leadership we used on the previous generations to motivate the Millennials—the generation of text messaging and instant gratification? The traditional leadership approaches such as developing a vision, caring for one's people, maintaining a positive attitude, listening, leading by example, empowering, and being fair and consistent have proven effective in every leadership situation. However, taking the energy to understand the unique circumstances and characteristics of the Millennials promises to go a long way in moving organizations, and our country overall, forward. For the Millennials, even though they are the most educated and connected generation, perhaps their biggest strength lies in their diversity—seeking and getting information from the media that older generations tend to bypass, ignore, or are not even aware of. As they grew up with structure and supervision, with parents as role models, this generation will most likely respond to leaders who have honesty and integrity. Therefore, transformational leadership fits the needs of the Millennials situation most intuitively.

Transformational leaders create synergies within organizations by working together with their followers to achieve organizational goals through creating a culture of meaning that boosts loyalty and nurtures collective potential (Kuhnet, 1994). Four factors are involved in the process of transformational leadership: the first is the influence factor, which means that change occurs when leaders act as strong role models, with high standards of moral and ethical conduct, and the followers emulate those sets of values. The second factor is inspirational motivation, occurring as leaders communicate their high expectations of those they are in charge of. Effective leaders continuously reinforce their respect for those they lead by acknowledging their contributions to the growth process of their peers, and by thanking them, consistently, for doing quality work. Intellectual stimulation is the third factor in the process of transformational leadership, which implies encouragement to innovate and challenge one's own beliefs, while engaging in creative problem solving (Bass & Riggio, 2006). Within a stimulating work environment, managers not only need to demonstrate challenging their own assumptions, they have to encourage all team participants to provide constructive feedback to each other and reflect on this feedback during debriefing and planning sessions.

The fourth factor in transformational leadership is individualized consideration, which is meant to capitalize on the leader's skill to provide a supportive climate, and to coach staff to be fully actualized. Individually supporting, coaching, and mentoring younger generation into their professional lives through one-on-one advising, coaching, and mentoring is the centerpiece of the process of transformational leadership. This means making oneself fully accessible to current employees, potential employees, and former employees. Breakthrough moments of truth, or windows of learning opportunity, are rare, precious, and unpredictable; they do not wait for the official office hours. Transformational leadership model, therefore, seems to fit the opportunities that lie within the Millennials most intuitively.

"Which path the United States ultimately takes will be determined by the Millennial Generation's willingness to engage in a vast civic endeavor to remake American and its institutions and the willingness of the rest of the country to follow its lead" (Winograd & Hais, 2011, p. 70), state the authors of *Millennial Momentum: How a New Generation is Remaking America*. They claim that the new generation is capable of leading America into the new "civic ethos" by bringing up compelling examples of their community service, social entrepreneurship, and volunteerism. The Millennials, according to these authors' survey analyses, desire to collaboratively solve societal challenges while upholding the principles of transparency and

fairness. Unlike the introverted Generation X-ers, the disillusioned and idealistic Baby boomers, and the pragmatic Silent Generation, the Millennials respond to fear and uncertainty by personal engagement in public service. The most culturally and ideologically diverse generation in the American history, they have come of age expecting to be heard and to make change, believing that every choice they make, every vote, every blog post, and every tweet matters. Realizing that the hope for change they had voted for during the 2008 elections was nearly destroyed by the financial crisis brought upon them by their own parents makes them see what happens when a privileged few are allowed to take what they can and leave the rest in the dust. They understand that to transform the country they need to bind together through the latest technological innovations.

Managing the Millennials

Hiring the right talent is only part of the challenge organizations face today. Just as important, if not more important, is how businesses create challenges and learning opportunities that motivate the Millennials to give of themselves to their potential. These companies' values are very important for the Millennials to be able to identify with. Their ideas and products need to be seen as solving important problems for people and doing good. Only the companies that provide the best resources for the young people who want to make a difference in the world will be able to hold on to, and make the most of, the best new talent.

Research shows that performance management is one of the utmost performance drivers for all generations currently in the workplace; for the Millennials, however (its timeliness, frequency, and clarity), it is the number one. According to Herzberg (1987), the following elements determine employees' levels of motivation: competency, choice, progress, and meaningfulness. Are they properly trained to perform their jobs? Do they have choices in how they do their jobs? Can they see how their specific pieces fit into the big picture? Is the work they do meaningful to them in any way? Therefore, any factors determine young employees' decisions to stay or go: family/work balance, job mobility, being part of a socially minded organization, flexible hours, and their perceptions of fairness when comparing compensation packages with other companies'.

The younger workers need to know that the boss, as well as the company, cares about them; they want stimulating work and they want to know that the skills and training they are getting now will

help them in the future with other companies. Accordingly, organizations need to be open to the skills Millennials want to develop by looking for ways to turn their interests into competencies organizations can use in the workplace (these interests will one day turn into innovations) and make available to them more tools to gather information quickly. Managers need to look for opportunities for creative challenges, too: asking them about how problems can be solved will reveal more in-house talent (Skiba & Baron, 2006).

For the Millennials, tasks need to be broken into components and feedback needs to be given at short intervals. They like to see the immediate impact of their efforts, so frequent deadlines will create a sense of urgency. Explaining how their performance has direct impact on the company's future is also essential: praise will often surpass money in making Millennial employees feel valuable.

Equally essential is to acknowledge the Millennials' desire to be creative. Having grown up in the environment where information is available almost instantly through Google, Wikipedia, and other sources, rather than finding answers to even the most complicated questions, this generation wants to get involved in finding solutions to new and complex issues that require creative outlooks.

As to performance management, Millennials are a digital generation that thrives on interaction and is used to continuous feedback. In the wake of proliferating web2.0 companies such as LinkedIn, Facebook, Glassdoor, WikiLeaks, and so on, which created a new forum of transparency assisting us in determining pay, skill, and position equity, they need frequent and timely feedback on their job performance and career development. Millennial employees want instant feedback on their performance—so traditional semiannual reviews are insufficient. This feedback also needs to be framed and delivered in the format that they will be receptive to. They need check lists with specific suggestions on how exactly they can improve. This feedback also needs to be so clear and specific that it leaves no room for misunderstanding.

Final Thoughts

Millennials have been mentored throughout their childhood but in a participative manner, so they will respond to being lead, not managed. They will likely respond to managers who are seen as team leaders rather than domineering bosses. They also need to know the reason behind the tasks that are assigned to them. In terms of preferred rewards, Millennials seek more responsibility and decision-making power.

Millennials are accustomed to structure, direction, explanation, protection, and engagement—so quality mentoring is critical for their development and retention. As Millennials tend to have a background of sheltered affluence and lifelong exposure to virtual reality, they are not responsive to static instructions—they prize practical experience and desire to take the wheel and learn by trial and error. They are not impressed by position or title but look up to experienced, hands-on leaders; therefore, one has to earn their respect by recognizing their potential and showing them how to realize it. An effective mentoring strategy will involve explaining clearly why things must be done, clarifying the values of each role in a venture, enforcing accountability to standards, teaching self-assessment techniques, and providing frequent and accurate feedback.

Millennials like to learn by working collaboratively, on their own time, and on their own terms and appreciate activities that allow creativity. Plugged in since they were babies, they differ from the earlier generation of workers in terms of their proficiency with technology, and they want to be engaged with real-life issues that matter to them by creating meaning between their life experience and the material they study. Millennials find attractive a work environment filled with humor, silliness, and even some level of irreverence and want leaders who are passionate, inventive, and entertaining.

CHAPTER SUMMARY

- The Millennials are a more stable generation compared to their predecessors; however, there has been tremendous increase in the immigrant population, and therefore more appreciation for diversity, during their lifespan. They have been influenced by the incidences of 9/11, war against terrorism, and fear of global warming—yet they were raised with optimism that through collaboration they can fix the future.
- While Baby boomers are known for their narcissism, their love-hate relationship with authority, and their focus on values—in certain ways, the Millennials can be behaviorally compared to the so-called Greatest generation, born between 1901 and 1924, or GI, or Civic Generation—in that they have strong feelings about civic order, traditional values, family centrism, and dependence on trustworthy institutions.
- Millennials will respond well when they are provided with projects—not careers—so to retain their talent, employers need to treat

their ideas with respect, create a family environment, lead each person uniquely, and make authenticity and honesty the standard for their corporate culture.

- As they enjoy being friends with coworkers, Millennials want to be provided with social aspects of work. Some companies even found themselves greatly rewarded by new talent when they interviewed and hired groups of friends. Employers need to recognize the Millennials' need for social interaction by using experiential learning and team assignments, giving them freedom in how and when to do their jobs, and assigning meaningful work. Because the Millennials like variety, organizations need to give them a chance to learn continuously and reward them with diverse, evolving projects.
- The busiest generation ever, Millennials appreciate flexibility in their work schedules as they are not willing to sacrifice their outside interests for their jobs. Millennials are motivated by challenging work environment that goes beyond satisfying just their basic survival needs. As current technologies get increasingly more complex, frequently blending the boundaries between disciplines, the Millennials' in-bred appreciation for team work and collaboration, their belief in the proper place and value for every individual in the organizational system fits well within twenty-first-century organizations' needs. Millennials should be engaged through social entrepreneurship and multimedia.

CASE STUDY

Arenare Co. (RNR) is small privately owned model shop run by two brothers. They specialize in architectural work but occasionally take on other sorts of model making if the project is particularly interesting or unusually challenging. Their clients include both individual and corporate architects, but they like most of all to work with the entertainment world, doing development work for theme parks. The two brothers are like “yin and yang”—both talented but of very different temperaments—so that creatively they complement each other, but they constantly disagree about the details and the process—and so they fight a lot! Ray, 55, is the dominant partner—dour and pessimistic, always ready to find fault with both employees and clients—he has high standards and is a consummate artist. Arthur is actually older (59), but much easier going, and,

though he also has high standards, is more prone to forgive and accommodate his employees' and clients' shortcomings—and so he does his best to protect their employees from his brother's worst excesses!

Their business world is not stable and reliable enough for them to have any full-time employees, but they do their best to maintain a flow of work so that they can keep two or three people fully occupied. They also have a group of freelance model makers that they know and trust to draw upon, but they have to hope that those people are available when they need them—which is not always the case. Clients are demanding, and deadlines are always tight, so there is hazard involved in taking on a big job and then finding that they can't hire the people they need.

Such a situation develops when a major media client finds itself in deep trouble, having been persuaded to invest millions in a slick and smooth-talking vendor who—when it came to the crunch—has failed to deliver! The client, having blown their budget already, can only cut their losses and look for another company who can get them out of the mess—but they no longer have any money to spend, nor much time even to get the job completed. So they call Arenare—who they originally considered too small to deal with their project—and ask “Can you deliver what we need in five weeks for just \$*****?” The money offered is pathetic—but the project is high profile and quite challenging in some interesting ways—and so the brothers agree to take it on. To meet the client's deadline will also involve putting an existing job to one side—another hazard—unless they can get all the people they need!

Ray hits the phones—hunting up who is available—while Arthur starts planning out what will need to be done. At this moment they have two people working for them—Mark, a workaholic Asian in his early 30s, who likes to listen to sports on radio all day (whether anyone else likes it or not!), and Gene, a music-loving gay man in his 50s who still embodies the “relaxed” hippie ethic of the Sixties, but who is actually very good at what he does (and better than Mark). The brothers have thus learned to forgive his tendency to arrive late and leave early—but what bugs them most is that his friends call up and distract him regularly during the working day!

Ray is not having much luck—it seems that everyone is busy—and, time being very tight, he has to assemble what team he can. He also decides to put part of the job out to a subcontractor, in order to get the best use out of their limited space. To deliver on time they will have to “hit the ground running,” and so he decides

to get everyone he can on board from the get-go. He manages to get Scott—almost retired now but very competent—who is tolerant and will work with anybody. Scott will be the team leader. Unable to lure his favorite painter away from her current job, Ray settles for Mary—who is technically excellent but talks nonstop—but the only other preferred individual available is a scenic artist called Dave. He is talented, but—single and in his mid-40s—he is an inveterate “ladies man,” and any women on the premises tend to distract him! Ray thus has to fall back on less reliable sources of labor.

He has been the subject of correspondence for some while from an eager intern—Eric—and so he decides to take the risk and call him in. Eric may be useful—but, at least, he won’t have to be paid! Ray has also been recommended to try out Rachel—who interned for a friend of his—and so he calls on her also. Finally, Mary recommends friend Laura—who is willing to work for small money in order to get better known. And, finally, he calls in Robert, as a favor to an old friend—an experiment, because there may be “consequences” if things don’t work out! Thus—haphazardly—is the team assembled. Now this motley group have just five weeks to pull off a miracle! From the beginning, Ray is impatient to see progress—while Arthur recognizes that he has to judge the individuals’ potentials, and arrange them to work together accordingly.

The “newcomers” to the team are younger, and soon reveal their own distinct characteristics. Eric—who is 22—seems confident, and ready and willing to take on anything. However, when actually set to task, he proves to be very slow—and clearly prefers chatting with his coworkers rather than addressing the job in hand! Rachel—who is 23—is disconcertingly cute and pretty, but proves to be competent at every task she is charged with. Compared to Eric, she only needs to be instructed once—she listens and, when she’s not sure, comes back and asks. Laura, however—who is 25—soon becomes the MOST “visible” person in the shop! When given a task she claims full understanding—then comes back to ask questions over and over again! She also has a mannerism that is VERY distinctive—most everyone thinks that she walks “like a man”! Last—but most certainly not least—there is Robert, employed as a favor! Twenty-one-years old, he is an enigma—self-contained, withdrawn, almost angry—he expresses no interest in anything, and seems determined not to join in or be part of the team. Ray, cursing his bad judgment, wonders how to “unload” him at the first opportunity—but Arthur senses that there is more to this kid than meets the eye...

QUESTIONS

1. What issues are Ray and Arthur facing with their project and “motley crew”?
2. What advice would you offer to Arenare in order to get the best chance of the successful completion of the project?
3. Do you believe that designating Scott as the team leader was a wise management move by Ray and Arthur? Please explain.
4. What challenges have you encountered as you participated on multigenerational teams? Which strategies to resolve them worked well, and which failed?

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