

Journal of Multidisciplinary Research

Vol. 5, No. 1

Spring 2013

Journal of Multidisciplinary Research

ISSN 1947-2900 (print) • ISSN 1947-2919 (online)

Editor-in-Chief

Professor Hagai Gringarten, ABD

Managing Editor

The Reverend Professor Raúl Fernández-Calienes, Ph.D.

Associate Editors

Professor Gershon Tenenbaum, Ph.D., *Florida State University*

Professor Lisa J. Knowles, Ph.D.

Professor Nicole Grandmont-Gariboldi, D.B.A.

Book Reviews Editor

Tina Marie Trunzo, J.D., LL.M.

Copy Editors

Gricel Domínguez, M.A., M.L.I.S.

Larry Treadwell, IV, M.A.

Senior Research Assistant

Sandra Castillo

Research Assistants

Laura Rodríguez, Maximiliano García

Spotlight Artist

Professor Scott E. Gillig, Ph.D.

Contact Information

Professor Hagai Gringarten, Editor-in-Chief

Journal of Multidisciplinary Research

c/o O'Mailia Hall, 16401 N.W. 37th Avenue, Miami Gardens, Florida 33054

Telephone +1 (305) 628-6635 E-mail: hgringarten@stu.edu

Journal Web Address <http://www.jmrpublication.org>

Journal Indexing & Listing

Indexed in ProQuest (www.proquest.com), EBSCO (www.ebscohost.com),
Gale/Cengage (www.gale.com), Ulrich's (<https://ulrichsweb.serialssolutions.com/>),
de Gruyter (Germany) (www.degruyter.com), and EZB (Germany) (ezb.uni-regensburg.de).

Listed in *Directory of Open Access Journals* (<http://www.doaj.org>),
AcademicKeys (www.academickeys.com), JournalSeek (<http://journalseek.net>), MediaFinder
(www.mediafinder.com), NewJour (<http://old.library.georgetown.edu/newjour/toc.html>),
CUFTS Journal Database (Canada) (<http://lib-code.lib.sfu.ca/projects/CUFTS/wiki/>), and the
Open University of Hong Kong Electronic Library (Hong Kong) (<http://www.lib.ouhk.edu.hk>).

Mission Statement

The mission of the [*Journal of Multidisciplinary Research*](#) is to promote excellence in leadership practice by providing a venue for academics, students, and practitioners to publish current and significant empirical and conceptual research in the arts; humanities; applied, natural, and social sciences; and other areas that tests, extends, or builds leadership theory.

Compilation Copyright©2009-2013 by St. Thomas University. All rights reserved.

Journal of Multidisciplinary Research

Vol. 5, No. 1

Spring 2013

Contents

Editorial Details...inside front cover
Mission Statement...inside front cover
Editorial Review Board...inside back cover

Editorial
By Hagai Gringarten...3

Articles

NGOs, Multinational Enterprises, and Gender Equality in Labor Markets:
A Political Economy of Conflicting Interests?
By Nellie Munin ...5

Impact of Entrepreneurial Style and Managerial Characteristics on SME
Performance in Macao S.A.R., China
By Raymond C. Rody and Timothy M. Stearns...27

The Road Not Taken: Putting “Management” Back to Taylor’s Scientific
Management
By Chen H. Chung...45

Sustainability in Business Practice: How Competitiveness is Changing
in Europe
By Maria Prezioso and Maria Coronato...57

Vision and Practice: The South African Information Society Experience
By Ntombizandile Lesame...73

Life Forward

Senator The Honourable Arnold J. Nicholson, Q.C., Jamaican Minister of Foreign Affairs and Foreign Trade

By Raúl Fernández-Calienes...91

Student Corner

Power Distance Leads to Corporate Grapevine: The Mediating Role of Perceptions of Uncertainty

By Nil Selenay Erden...95

Transformative Learning: A New Model for Business Ethics Education

By Gabriella Tello, Diane Swanson, Larry Floyd,
and Cam Caldwell...105

Reviews

Review of *This machine kills secrets: How wikileakers, cypherpunks, and hacktivists aim to free the world's information*, by A. Greenberg.

By Larry Treadwell...121

Review of *Korean resources for pastoral theology: Dance of Han, Jeong, and Salim*, by J. M. Poling and H. S. Kim.

By Jonathan C. Roach...123

Instructions to Authors...127

Editorial

A warm welcome to the spring edition of the *Journal of Multidisciplinary Research (JMR)*.

As we enter our fifth year, we continue to innovate and evolve as a research journal. My mission as an Editor-in-Chief is to maintain, sustain, and ensure our growth and innovation as a research journal. As proud as I am of our achievements, we should never forget the journal's success is made up of hundreds of people, deeds, and words. As George Adams once said, "There is no such thing as a 'self-made' man. We are made up of thousands of others."

Last year, we saw an increase in volume and in quality of submissions from top universities around the globe, and we had an acceptance rate of 22%. As a result, starting this year, we are going to publish quarterly. This will benefit authors and contribute to our journal ranking. Also, a guest editor will edit one of our issues – to provide a venue for major talent, enhance our status, increase academic exposure, and facilitate exchange of ideas. This coming year, we also will increase international participation on our Editorial Review Board and increase our connection to the business world by appointing reviewers from the business community with substantial publishing experience. As we strive to publish substantive and best multidisciplinary research from around the world, we are open to any topic and research methods, and we will strive to create a truly global journal.

This edition features thought-provoking articles from the Zefat Academic College, Florida International University, California State University, the University of Kentucky, the University of Rome, the University of Sassari, and the University of South Africa. This issue of the *Journal of Multidisciplinary Research* (Volume 5, Number 1) also contains student articles from Turkey and the United States in the "Student Corner," two book reviews, and a "Life Forward" section featuring an interesting interview with the Honorable Arnold J. Nicholson, Q.C., Jamaican Minister of Foreign Affairs and Foreign Trade.

As we begin a new year, we start with much vigor as we continue to innovate and grow as a research journal.

Onward,

Hagai Gringarten

Editor-in-Chief

Journal of Multidisciplinary Research



“[Untitled #1]”

Photo by Scott E. Gillig.

Image Copyright © by Scott E. Gillig.
All rights reserved. Used with permission.

NGOs, Multinational Enterprises and Gender Equality in Labor Markets: A Political Economy of Conflicting Interests?

Nellie Munin

Zefat Academic College, Israel

Abstract

In a global ongoing economic crisis, any growth resource should be fully utilized to pull out of the crisis. Nevertheless, despite advanced domestic legislation and extended international regulation, women's labor is a resource of growth still not fully utilized globally. Different reasons explain this fact. Often, domestic decision-makers and international organizations are held responsible for it. Less attention is paid to the effect on labor conditions globally, and on women's labor utilization particularly, of two hidden players acting behind the curtains: multinational enterprises (MNEs) and non-governmental organizations (NGOs) supporting women's rights. This essay explores the political economy behind a triangle of powers: women and NGOs representing them, governments and international economic organizations, and MNEs, analyzing political economy instruments and strategies used by NGOs and MNEs to promote their respective relevant interests in their relations with regulators, and assessing their effectiveness in achieving this goal. It suggests the current deficiencies of global and domestic efforts in this respect may reflect a compromise that both groups of interests can live with, but the global economic crisis may provide a momentum to pull out of this mutual comfort zone.

Keywords

gender, NGOs, MNEs, labor, growth

Introduction

Gender equality of labor markets is not a new notion. One way or another, academic literature as well as decision-makers have discussed it for many years. The International Labor Organization's (ILO) activity since 1919 (Landau & Beigbeder, 2008) may mark the beginning of the modern discourse on this issue. While, for many decades, the justification for gender equality of labor markets was based on basic human rights considerations, in recent decades, decision-

makers are beginning to recognize the economic benefits of it. Gender equality of labor markets may lead to better utilization of a resource available in all countries: women's work, thus potentially enhancing global growth, which is particularly important to pull out of the global economic crisis taking place since 2008. Consequently, a growing effort for domestic and international regulation to enhance it is taking place in recent years (Munin, 2012).

Governments and international organizations, affecting the terms of global trade by regulation and its implementation, may be responsible for the insufficient utilization of this important and globally-available growth resource. Their efforts hitherto are considered non-satisfactory. One question arising is to what extent this is the result of the activity of two important powers that pull the strings behind the curtains of global economic politics to advance their interests: on the one hand, powerful multinational enterprises (MNEs), which seem to enjoy the current situation (in particular, the availability of cheap – mainly feminine – labor, which is not in a position to strive for basic rights), and on the other hand, non-governmental organizations (NGOs) striving to achieve gender equality of labor markets. This article explores the political economy behind the efforts of these two groups, trying to assess to what extent they affect global labor market regulation by international economic organizations and governments. Section 1 briefly presents the barriers encountered by women who want to integrate in labor markets and the efforts made by international organizations and governments to facilitate such integration. Section 2 explores political economy instruments exercised by NGOs and MNEs to promote their respective interests in their interaction with international organizations and governments. Section 3 analyzes the effect of these efforts in terms of outcome, and its implications. Section 4 concludes.

The Barriers for Women's Integration in Labor Markets and the Efforts made by Governments and International Organizations to Remove Them

Different Reasons for Gender Inequality in Labor Markets

There are different reasons for gender inequality in labor markets. In a nutshell, they include the following: the historical status of women, perceived mainly as housewives (while men were perceived as family providers) and conservative religious or traditional approaches toward women that tend to adopt this perception,¹ sometimes supported by domestic laws that forbid women from inheriting or owning property, gaining education and engage in business interactions (Tran-Nguyen, 2004). Even in relatively liberal societies, women encounter pragmatic obstacles to integrate in labor markets such as 'the double burden syndrome' of home and work responsibilities, a lack of supporting environment in terms of tax incentives, daycare arrangements etc., and the unsuitability of work models – shaped by men – to the difficulties specified, encountered by working women (Desvaux, Devillard-Hoellinger, & Baumgarten, 2007).

¹ For example, the labor force participation of women in the Middle East and North Africa region is the lowest across all the regions in the world. Nevertheless, a recent study reflects that women in Morocco feel relatively less deprived in the labor market than men because the social context in which they live affects their subjective feeling (Serajuddin & Verme, 2012).

Women living in remote areas encounter additional difficulties, since the availability of work in these areas may be scarce. Such women may find jobs far away from home,² a fact that makes it harder for them to combine family and work responsibilities. Women belonging to minority groups and immigrants may suffer further difficulties, emanating from language and culture gaps (The World Bank, 2012, pp. xiii, 13, 75).

As a result, women may suffer gender inequality

in terms of employment opportunities, wage rates, conditions of work, quality of employment, access to basic services such as health and education, and access to resources such as land, credit and business services, as well as the lack of participation in decision-making and unequal distribution of income. (Choudhary, Pal, & Manghnani, 2006, p. 3)

The Economic Benefits of Fully Utilizing Women's Work Potential

Studies prove the encouragement of women to utilize their work potential bears clear economic benefits (Mikkola, 2005) that may offset the costs and create extra profit for the economies applying reforms leading to this result. Thus, for example, better utilization of women's work could relieve the pressure on the economy emanating from the growing rate of aging population globally.³ Acting as directors, women could improve the profitability of leading companies, compared to male directors.⁴ Better utilization of women's work could prevent – or substantially reduce – poverty among young women and their children⁵ as well as among older women.⁶ It could affect consumption patterns.⁷ Investing in young girls' education bears great potential profit in terms of GDP.⁸

² A recent study examining the effect of economic liberalization on gender-gaps in India reflects that women in urban and developed areas have experienced substantial improvements due to liberalization, while women in rural and less developed areas continue to suffer a persistent gender gap (Emran & Forhad, 2012). Another recent study examining non-farm entrepreneurship in rural areas in Bangladesh, Ethiopia, Indonesia, and Sri-Lanka reflects that, except in Ethiopia, women are less likely than men to become non-farm entrepreneurs, and most of the women who engage in such business are the head of their household. It further reflects that female-led firms are much smaller and less productive on average (Rijkers & Costa, 2012).

³ Thus, for example, in the European Union, experts anticipate a shortage of 24 million workers by 2040, if the current pattern of occupation persists. The enhancement of women's work may diminish this shortage to three million workers (Desvaux et al., 2007). Experts assess the global shortage of workers will worsen tremendously in the coming decades, turning into a global concern. Even countries enjoying relatively higher birth rates, and thus should allegedly suffer fewer worker shortages, will have to fight brain drain due to growing global competition for that resource (Passig, 2010, p. 86).

⁴ According to Dun and Bradstreet, the replacement of male directors by female directors in companies included in the list of 500 leading firms in the United States has led to a substantial raise in their profitability, due to women's different management culture (see Kol, 2010). Reports reflect similar results for other countries as well, for example, concerning 99 listed companies in Germany (Luckerath-Rovers, 2010).

⁵ Studies reflect empirical evidence for the connection between gender equality, poverty reduction, and growth (e.g., Sinha & Raju, 2010; European Parliament, 2010).

⁶ Thus, for example, a recent study examining the effect of the global economic crisis on the labor market in Vietnam finds that gender differentials affect older women who look for jobs more than they affect young, skilled women (Gaelle, 2012).

⁷ Thus, for example, a study found that even in a country where men seem to have more power than women, in Pakistan, when women have more decision-making power at home, households tend to spend more

Investment in gender equality to enhance the utilization of women's work may bear fruit in the medium and long term, both domestically and globally.

Domestic and International Regulation so Far

No doubt, in recent decades, domestic and international regulators take efforts to enhance the utilization of women's labor.

Thus, for example, as to *international organizations*, the United Nations (UN) declared gender equality as one of eight Millennium goals, linking it by context to economic goals such as the reduction of poverty; the ILO has initiated many international conventions ensuring basic human rights such as equal pay, equal treatment, parental leave, and the prevention of sexual harassment. It offers a limited enforcement mechanism, which is not very effective. The World Bank is raising the global awareness to this issue by publishing many theoretical and empirical studies on it, subjecting the financial aid offered by it to implementation of gender equality in labor markets by the beneficiaries. The Organization for Economic Cooperation and Development (OECD) also contributes to the global raising of awareness by publishing empirical and theoretical studies on this subject. In addition, it had published one, very comprehensive – but not obligatory – Declaration on this issue in 1980, and in recent years, it initiated discussions with non-members to develop initiatives to enhance gender equality in labor markets (Munin, 2012). There is a global controversy among decision-makers and scholars on whether the World Trade Organization (WTO), which aims at global trade liberalization, should intervene in this issue. Opponents argue the WTO should continue exercising a gender-neutral approach (e.g., Hoeckman & Kostecki, 2001, pp. 449-451), while supporters argue that when an allegedly 'neutral' approach is implemented to non-equal subjects, the result is effective discrimination. According to this opinion, international trade policy should take into account the inferior status of women in terms of labor market access (Choudhary & Manghnani, 2006). In the meantime, the WTO sticks to its traditional gender neutral position.

The legal instruments international organizations developed by now suffer from many shortcomings. *Inter alia*, they do not ensure gender equality for women willing to work (or who already work) *outside* their country of origin; in general, they lack strong enforcement mechanisms; the lack of sufficient coordination among the international organizations dealing with this subject implies a non-comprehensive approach, with overlaps on the one hand and issues that are no organization has regulated on the other hand.

The domestic efforts should combine implementation of international legal instruments to which respective countries are committed due to their membership in international organizations initiating them as well as the development and implementation of domestic policy instruments. At their best, domestic efforts seem to concentrate on ensuring basic human rights such as the constitutional right for equality, equal pay, equal treatment, parental leave, and the prevention of

on women's preferred goods (such as clothing and education), family members eat more non-grain food items, and children, particularly girls, are more likely to be enrolled in school (Hou, 2011).

⁸ See, for example, a study which analyzed the situation in Bangladesh, Brazil, Burundi, China, Ethiopia, India, Kenya, Malawi, Nigeria, Paraguay, Senegal, South Africa, Tanzania, and Uganda (Chaaban & Cunningham, 2011).

sexual harassment. However, implementation of both international and domestic disciplines seems to be insufficient. Moreover, indirect regulation to create a supportive environment that would offer incentives for women to join the workforce (e.g., tax incentives, long days at schools, cheap or free daycare arrangements) is still lagging behind, and so does regulation to ensure promotion of women who already joined the work force, for example, by affirmative action (e.g., Munin, 2012a).

While sometimes tension in this respect seems to evolve between domestic and international regulators, and the interests of the two levels of regulators seem to be conflicting, to a great extent the relationships between these two groups are symbiotic: While legal norms international organizations develop are effective mainly if implemented at state level, international organizations developing such norms are not some supra-national creatures dictating independent policy. Member states comprising these organizations take decisions on these norms, which should be committed to their policy choices.

The Political Economy of NGOs and MNEs

The final results of domestic and international regulation reflect, to a great extent, a compromise among different groups of interests. Assessing the final results, it sometimes is easy to forget or ignore the work such groups of interests do behind the curtains, since in many cases it is not transparent and is thus difficult to follow. Nevertheless, its effect on the final content of regulation may be indispensable. This section will follow two groups, allegedly representing conflicting interests: MNEs and NGOs, exercising political economy methods to assume informal pressure on governments and international organizations, to promote their relevant interests regarding the activity of these governments and international organizations to enhance gender equality in labor markets.

Multi National Enterprises and Non-Governmental Organizations

Multi National Enterprises

MNEs gain a growing role in international economy. They emerge taking advantage of international trade liberalization's merits.⁹ At the same time, accusations that they are motivating a 'race to the bottom' in terms of labor standards are common. One well-known example is Nike's 'sweat shops' that began in the early 1970s, taking advantage of cheap labor (in particular women) in China, Vietnam, and Indonesia hired to work in exploiting conditions such as 13-hour working days, 6 days a week, for very low wages. These countries prohibited intervention of labor unions to improve their terms of work. Such 'sweat shops' were – and still are – a subject for global social debate (e.g., International Labor Rights Forum, 2013).¹⁰

⁹ Taking advantage of cheap labor, tax havens, and favorable rules on intellectual property may encourage a 'race to the bottom.' In fact, to a great extent, MNEs act in correspondence with the comparative advantage theory, deciding on the location of business subject to governments' changing policies, technologies, consumer preferences, and other rapidly evolving domestic and international realities (Trebilcock & Howse, 2005, pp. 441, 443).

¹⁰ In 2011, authorities initiated an investigation against Zara for running 'sweatshops' in Brazil: <http://thegloss.com/fashion/zara-investigated-for-sweatshops-slave-labor-practices-in-brazil/>

To a certain extent, MNE activity may impose a threat to state sovereignty.¹¹ While states make political choices, MNEs make economic choices (Veseth, n.d., p. 1). Due to their global economic motivation, the thinking of MNEs differs from that of governments: “[S]tates think in terms of geography and population, which are relatively stable factors and define its domain while markets are defined by exchange and the extent of forward and backward linkages that derive therefrom” (ibid., pp. 3, 5). Globalization facilitates this approach since it “breaks down barriers whether these barriers separate nation-states, cultures, labor markets or national economies” (ibid., p. 12). Hence, it forces states to coordinate their policies to handle global issues globalization may enhance, such as human rights (Woods, 2000, p. 3) (including gender equality), thus shifting the locus of decision-making concerning such issues to the international level. As a result, governments “have redrawn the areas in which they claim sovereignty, as well as the ground on which they justify intervention” (ibid., p. 10).

Although the motivation behind MNEs’ choices is *economic*, they may use *political* tools to enhance their *economic* goals. According to the institutional theory, “firms adopt broadly diffused behaviors of doing business out of convenience and to achieve access to resources and support by critical stakeholders” (Dahan, Doh, & Guay, 2006, pp. 1570, 1575). Governments, in contrast, may use *economic* tools, such as international trade agreements, to achieve *political* goals. On the whole, the economic benefits states may gain through such agreements may compensate them and their citizens for the loss of sovereignty and other political costs they may bear by the formation of trade blocs (Woods, 2000, pp. 5-6). However, such compensation may not necessarily cure the adverse effect of globalization on gender equality of labor markets and its implications on women wanting to fully utilize their work potential.

Being political creatures, governments are committed to their voters. This limitation does not apply to MNEs. Nevertheless, they may be sensitive to public opinion, to the extent that it may bear economic implications, e.g., affect consumers’ choice.

In the past (in particular during the Cold War), MNEs had an image of agents of their governments, “but now their political allegiance appeared to be more ambiguous (ibid., p. 2).¹² Moreover, the distinction between home country and host country for MNEs became less clear in recent years: “All countries are now host countries in the sense that all countries compete for capital, technology, and jobs in a global market for international investment” (ibid., p. 11). Some argue “there is little evidence that governments in fact seek multinational enterprises (MNEs) and foreign investment by deregulating so as to lower wages and lower taxes on capital” (ibid., p. 5). However, sometimes even omission by governments to intervene in markets (whether by abstaining from regulation or enforcement) may have the same effect. Thus, for example, international trade now consists of Global Commodity Chains, “complex webs of global business that link independent businesses into a coordinated production and distribution process...GCCs gain and exercise power through their ability to mobilize and coordinate global market forces”

¹¹ Some argue that weak states suffer a much greater erosion of autonomy than strong states, due to this process, since the latter can control – to some degree – the nature and speed of their integration process (Woods, 2000, p. 3). This argument may pose the question as to what extent the ‘race to the bottom’ is, in fact, not driven by MNEs, but rather by the weakness of certain governments.

¹² Still, some believe that, even now, “actors involved in institutional shaping are ‘influenced by their embedding national environments’” (Dahan et al., 2006, p. 1584).

(ibid., p. 12)¹³ including labor. An Oxfam report reflects how such GCCs encourage the exploitation of workers, in particular women. Based on workers' experiences in 12 countries,¹⁴ the report describes how tariff reductions over the last decades encouraged the establishment of Export Processing Zones (EPZ) enjoying tax holidays and incentives for investment, in particular in developing countries (Oxfam, 2004).¹⁵ Large global retail companies, such as *El Corte Inglés* controlling 90 percent of Spanish department stores, or Wal-Mart, particularly in the garment and food industries, take advantage of these zones, controlling local producers through 'real time' means of global communication to achieve short-lead time at the expense of the latter, who respond by imposing the costs on their workforce. Dramatic reduction of transport costs support these practices. The relevant governments do not seem to intervene in this process to protect the exploited workforce, probably being satisfied that their countries attract economic activity that creates jobs.

The needs of MNEs change during time.¹⁶ As a result of their global operation, they prefer now to perform many transactions of goods and services within the firm, rather than between different firms (Woods, 2000, p. 9). However, changes in the chain of production do not necessarily prevent exploiting practices.

Non-Governmental Organizations

In recent decades, recognition of the relatively weak position of women in defending their global labor interests has been growing. Unlike MNEs, having an economic motivation and enjoying the power of influencing decision makers as well as the necessary resources, women around the world are too preoccupied with their daily existence and economic struggle to form global pressure groups and obtain the resources necessary to fight for their rights. Thus, NGOs became involved, to assume pressure on governments and international organizations to defend women's rights in this respect. Management and financing of these groups is private. "[T]he NGO sector is not monolithic; groups span the political and social spectrum, and vary in access to power and resources. Furthermore, they range from unstructured associations to large professionalized organizational entities" (Gelb, 2004, p. 303). These groups may have different motivations, e.g., human rights, religious reasons, etc., but their common goal is to represent women's interest for global gender equality at work in global and domestic forums.

The Political Economy

The process of global standards' conversion, which globalization enhances, affects MNEs. At the same time, they try to affect it, to maximize their economic benefit.¹⁷ In recent decades,

¹³ One interesting question arising in this context is whether – and to what extent - different parts of this chain may affect its agenda.

¹⁴ Bangladesh, Chile, China, Colombia, Honduras, Kenya, Morocco, Sri Lanka, South Africa, Thailand, the United Kingdom, and the United States of America.

¹⁵ See also World Socialist Website: <http://www.wsws.org/articles/2004/feb2004/wome-f25.shtml>

¹⁶ Thus, in the 1970s, they looked for "natural resources, low-cost labor and access to markets that attract foreign direct investments," while in the 1990s they sought for "skilled and semi-skilled labor, good physical infrastructure, government policies which are market-friendly, minimal distance-related transaction costs and (in some sectors and countries) for 'clustering,' which creates benefits such as a specialized pool of labor – as evidenced in export-processing zones" (Woods, 2000, p. 8).

MNEs gradually shifted from viewing their political environment as a given to acting as political players involved in bargaining with their host countries and with international organizations responsible for shaping the regulatory environment (Dahan et al., 2006, pp. 1574, 1578-1595). Since political economy is “concerned with the distribution of two scarce resources, money and authority” (ibid., p. 1578), they can affect it through growing interaction with the other players in the global arena, including governments, international organizations, and NGOs. Thus, their “efforts to shape their international institutional environment increasingly reflect complex multi-level, multi-actor relationship” (ibid., p. 1572).

Since the mid-1970s, NGOs have acted in the same arena. In 2004, there were already well more than 15,000 NGOs that operated in three or more countries and drew their financial support from more than one country. “Lacking any equivalent to bureaucratic labor socialist organizations, international women’s organizations define themselves in relation to the state, global forces (including those who seek to limit their influence) and each other” (Gelb, 2004, p. 303). The UN aided the development of new relationships among women’s NGOs, national states, and international networks. In recent years, the development of the internet further facilitates these groupings and their activities (ibid., pp. 303-305). They try to present to decision makers ‘the other side of the coin,’ namely to draw their attention to the implications their decisions may have on women’s economic and social status globally. It should be noted, though, that NGOs advocate gender equality in labor markets mainly on grounds of human rights (ibid., 2004, p. 306).

Assuming that imposition, harmonization, or diffusion may trigger a policy transfer,¹⁸ both interest groups aim their action to different levels of decision-making, choosing the most efficient technique or tactic to affect it.

Techniques and Tactics

Techniques and Tactics used by MNEs

MNEs use different techniques to promote their interests in the global arena.

First, they must gain *access* to decision making processes. To affect relatively strong governments, such as those of United States (US) and the European Union (EU), as well as to promote their interests in international organizations, MNEs use strong *lobbyists* (Anderson, 2005, p. 27). Being well aware of their great economic power, domestic decision makers (which also are responsible for decisions made at the international level), whom these lobbyists approach on regular basis, are sensitive to the political power of MNEs these lobbyists represent, that may affect them personally.

¹⁷ Multinational enterprises suffer from a multiplicity of national institutional environments in the countries where they act, imposing different standards, and expectations, which are thus difficult to confront. They thus have a strong incentive to push toward mechanisms of policy convergence (Dahan et al., 2006, p. 1576).

¹⁸ *Imposition* refers to a policy change an external actor imposes on a country, e.g., an international organization. *Harmonization* refers to a conscious and voluntary process of negotiating policy change through mutual agreement. *Diffusion* refers to a learning process from public policy knowledge and experience from abroad (ibid., p. 1577).

A less direct way to affect the regulatory environment in which they act can be the initiation, or participation in existing, *policy networks*. Such policy networks, proliferating since the 1980s, can form a basis for exchange of views, for affecting the public opinion or the opinion of decision-makers, for 'coalition building' (even with domestic 'fringe' players who are unsatisfied with the existing frame), and even for providing policy recommendations. MNEs can belong simultaneously to several 'policy networks,' in different policy areas taking advantage of possible inter-connections between these areas.

MNEs also can assume 'soft power' by "spreading ideas, shaping cognitive frames through discursive strategies and symbolic actions, and participating in the promotion of certain social norms and values" (Anderson, 2005, p. 27).¹⁹ These initiatives can facilitate the development to 'coalition building' with other partners supporting the same ideas (Dahan et al., 2006, p. 1576).

MNEs may affect policy decisions through their *possession of resources that others seek* (whether individually or with other members of their 'coalition') (ibid., p. 1586). Thus, for example, they can apply a 'carrot' and a 'stick' method, in which the 'carrot' is their ability to invest in countries, to offer jobs there, to share their professional knowledge with local workers by offering them training, to share with governments their fast and effective access to information, or to support financially and politically decision-makers who promote their interests. The 'stick' may be the denial of these benefits from a country or decision maker that is not attentive to their needs.

Regarding issues for which political (international or domestic) pressure to determine standards of behavior is strong, MNEs sometimes prefer to adopt *voluntary codes of conduct*, drafted by them.²⁰ Publishing their commitment to such codes, they may abstain an anticipation to join codes of conduct globally-phrased, for instance by international organizations, which may impose on them stricter terms of behavior.

Acting to promote their interests, MNEs would choose the most comfortable arena (may it be national, regional, or multilateral) for their struggle, where they can maximize their chances to succeed (Dahan et al., 2006, p. 1584).

Obtaining benefits from policy makers by any of these methods, MNEs would attempt to minimize the numbers of beneficiaries thereof and prefer low publicity of their privileged status (ibid.).

¹⁹ Thus, in order to gain positive public opinion, multinational enterprises publish on their *Internet site* data reflecting their gender equality approach toward their workers. See, for example, Nike (2012), Nestle (2012), and Coca Cola (European PWN, 2012).

In addition, they *participate in international forums discussing* women's empowerment and publish it: See, for example, the participation of Nike's Foundation in a cross-sector leaders' symposium on gender equality (Nike, 2009), and the formation of a global partnership by Coca Cola with UN Women (UN Women, 2011).

They further symbolically *fund* global activities supporting gender equality. Thus, for example, Nike is supporting a non-profit organization called 'the Nike Foundation,' which "is deededicated to investing in adolescent girls as the most powerful force for change in the developing world" (Nike, 2012). Coca Cola has committed to pay \$2 million to Catalyst Inc., a U.S.-based nonprofit organization focused on accelerating the advancement of women globally (Brand Channel, 2012).

²⁰ Business codes including non-discrimination provisions that prohibit, *inter alia*, gender discrimination were adopted, for example, by Nike (2007), Coca Cola (2012), and Nestle (n.d.).

Techniques and Tactics used by NGOs

NGOs act to enhance gender equality of labor market in several manners:

Encouraging Brainstorming and Networking of Women. NGOs create *new international forums* in which women can meet, join powers, and establish powerful pressure groups to prod states to take action to promote their interests.

Obtaining Financial and Legal Support. NGOs usually enjoying more modest financial resources than MNEs attempt to 'capture' the machinery of international organizations to enjoy their *sponsorship*, their *administrative capabilities*, and their ability to regulate *binding legal norms* as well as to *issue judicial rulings* interpreting such norms in a manner supportive of gender equality (Gelb, 2004, pp. 298, 299).

Affecting the Decision Making Process through Participation. In recent years, NGOs impose great pressure on international economic organizations to let them participate in the decision making processes, even without having voting rights, assuming that, if their voice is heard, their position may affect the final outcome. To a certain extent, their continuous pressure bears fruits. Thus, in the OECD business groups, they have observer status and participate in certain meetings. The ILO has a tripartite governing structure, composed of employers groups, labor unions, and governments. However, these organizations do not have an effective enforcement mechanism, as does the dispute settlement mechanism of the WTO. This fact, and the link drawn between the WTO trade liberalization policies and their possible effect on labor markets, turned the attention of NGOs to the WTO. For a long time, the WTO did not allow NGOs to participate in its work. Governments contended that it is an inter-governmental organization and that NGOs wanting to influence its decision-making process should do it by using domestic advocacy and consultative processes to get their views reflected in national policies. Nevertheless, NGOs had a clear incentive to approach the WTO directly, to complement national efforts to influence global rules of the game (Hoeckman & Kostecki, 2001, pp. 461-462). Thus, numerous NGOs, among them NGOs representing labor groups, have become very active in national and international debates on the WTO, being particularly interested to enhance their access to dispute settlement and WTO meetings, where relevant.

Numerous pressure groups and political organizations in the US, EU and elsewhere want to include labor... into future trade talks and demand that new trade deals include a 'social clause'. There is an obvious temptation to use the WTO system as an instrument to enforce norms and rules in such nontrade area. (ibid., pp. 70-71)

The idea of introducing some minimum labor standards into the WTO system, to prevent a 'race to the bottom,' is not new. Supporters aimed at concentrating on five general rights: "banning exploitative use of child workers, eliminating forced labor, preventing discrimination in the workplace, allowing free association of workers, and permitting workers to bargain collectively" (ibid., p. 449). Most of these basic rights may affect, directly or indirectly, the status of working women. However, this initiative did not take off by now (ibid.). Its opponents argue, *inter alia*, that the imposition of external standards on countries would not necessarily reflect

their preferences and that trade policy is an inefficient tool to enforce labor standards, assuming agreement would be reached as to their content (ibid., pp. 450-451).

Hoeckman and Kostecki divide the NGOs into three broad categories in terms of their general approach to the WTO: 'conformers,' 'reformers,' and 'radicals.' They assess that the vast majority of NGOs are either 'reformers' or 'radicals.' They tend to be active in areas including labor rights, human rights, and economic development, all relevant to the status of working women. While some NGOs are based in developed countries, others are based in developing countries while some comprise joint ventures between the two groups of countries. The establishment of some was a reaction to the establishment of the WTO system. Many of these NGOs argue, *inter alia*, that

the WTO is dominated by – and an instrument of – industry lobbyists and multinational corporations, resulting in the neglect of environmental, labor, consumer and sustainable development issues, as well as social cohesion and equity. (ibid., pp. 468-470)

They thus strive to enhance their involvement in consultation and decision-making processes, based on the WTO Agreement.²¹ In recent years, the WTO seems to have recognized the benefits of NGOs' involvement, which enhances a two-way flow of information and, at the same time, satisfies 'certain standards of representiveness' (Hoeckman & Kostecki, 2001, p. 71) thus allowing their participation as observers, without voting rights.²² In case DS/138²³, the WTO's Appellate Body accepted, for the first time, amicus briefs by NGOs, despite strong objection and criticism, mostly by developing countries. Due to the negative consensus rule²⁴ of the dispute settlement mechanism in the WTO, these objectors found themselves unable to undermine this decision.

NGOs still do not have a right to participate in the Trade Policy Review Mechanism (TPRM) of the WTO, a routine procedure of reviewing the trade policies of WTO member states. In any case, for their participation to be effective, gender analysis of data, which the WTO Secretariat supplies, is essential discussion in the TPRM. Such analysis does not exist yet (Balciunaite, 2008, p. 26). In the meantime, this limitation does not prevent NGOs from using the information the TPRM process obtains (as well as any information the WTO publishes) to analyze the effects of trade policies on labor markets (Hoeckman & Kostecki, 2001, pp. 65, 471).

The considerations against giving NGOs voting rights in the WTO include the fear they may gain equal or stronger rights than those of WTO members (democratic governments). This is of particular concern since it is hard to tell whom they represent (ibid., p. 98).

²¹ The WTO Agreement empowers the General Council to "make appropriate arrangements for consultation and cooperation with non-governmental organizations concerned with matters related to those of the WTO" (Article V:2).

²² According to arrangements from 1996, based on Article V:2 of the WTO Agreement, consultations with NGOs are subject to the discretion of WTO members, allowing them on an ad hoc basis. However, a proposition by some NGOs, that WTO members would develop guidelines for national consultation mechanisms and encourage members to adopt and implement them, to allow the participation of civil society players in decision-making processes WTO Members do not find acceptable (Hoeckman & Kostecki, 2001, p. 470).

²³ WT/DS138/R, AB/R United States — Imposition of Countervailing Duties on Certain Hot-Rolled Lead and Bismuth Carbon Steel Products Originating in the United Kingdom, adopted 7 June 2000.

²⁴ According to that rule, only if *a//* WTO members object to a decision by the WTO adjudicating bodies that decision does not come into force.

The Detering Effect of Threat. A potentially very effective instrument for NGOs is the use of international binding standards (where available) to threaten governments and MNEs to reform their policies and practices to meet these standards. Such threats imply 'potentially higher costs and liabilities through expanded litigation, public embarrassment and/or loss of face' (Gelb, 2004, p. 300).

In fact, the effectiveness of such threats requires that international organizations establish such standards (which MNEs most likely would try to prevent) and that domestic and/or international relevant enforcing and adjudicating bodies enforce them.

Moreover, analysis of the reaction of different governments (in charge of enforcement) to such threats reflects that the effectiveness of threats depends on certain factors: One factor is the *extent to which relevant international legal norms bind the threatened government*.²⁵ Another factor is *the public culture in the government's country and its desired international image, and the implication of public embarrassment on them*.²⁶ For that purpose, adverse media also could do (ibid., p. 321). However, while the media can operate as leverage, it cannot create a change in itself. Effective engagement by national governments and their willingness to consider the cost and benefits of possible options of action should follow a momentum the media creates (Hoeckman & Kostecki, 2001, p. 477).

Shaping the Public Opinion to Achieve Public Pressure. Forming a supportive public opinion through well organized campaigns is an indispensable way to attract the attention of decision-makers and prepare the ground for the coming battle. Public pressure may help to convince decision-makers who depend on the public win elections again, but also the MNEs who depend on the public for sales and the conduct of business. Such campaigns may take place through the media. The Internet has improved considerably the ability to approach the public. The campaign may expose the negative practices MNEs exercise. Thus, for example, lists of MNEs running 'sweat shops' appear on the Internet, including firms such as Reebok, Adidas, New Balance, Espirit, Gap, Vans, Calvin Klein, Channel, Gucci, etc. (Vegan Prime, 2012). It further may expose the privileged status regulators give to such MNEs, a publication neither the benefiting MNEs nor the decision-makers involved would desire. Such campaigns then could call for a change. The Internet can facilitate global participation in public protests, e.g., as a source of information as well as a means for effective dissemination of petitions for the public's signature.

The Recruitment of Ad-Hoc Allies. Different groups of interest may share a desire for a similar result, each for its own reason. They thus can join forces to achieve their common goal, to create a 'coalition group.' Thus, for example, the public efforts to improve work conditions in Nike's 'sweat shops' involve human rights organizations, labor associations, and religious groups.

Negotiating Soft-Law Instruments with Firms and Trade Associations. Sometimes, NGOs initiate soft law instruments, such as voluntary codes of conduct, negotiating them with firms and

²⁵ Thus, for example, in the case of EU countries, subject to the EU binding supranational law, which the European Court of Justice (ECJ) may enforce, this technique was more effective than in the case of the US, which was not thus internationally bound (ibid.).

²⁶ Thus, for example, the Japanese government was more sensitive to such threat than the US government, due to the desire to be considered a 'modern' state (ibid., p. 306). The US government showed less sensitivity to such attacks (ibid., p. 319).

trade associations where these NGOs understand there is no chance to establish obligatory standards. Such instruments may also be initiated by other players. Thus, for example, the UN's 1999 Global Compact initiative is an ambitious program for information-gathering and monitoring of firms, assuming that, at least in rich countries, aware customers will prefer firms with high labor standards' performance, thus creating peer pressure and competition among these firms to improve their labor standards' performance. Such initiatives may contribute to the positive image of all participants, but they suffer from a limited scope of application and from limited monitoring, and they vary widely in terms of the standards they establish and their definition, thus reflecting inconsistency (Trebilcock & Howse, 2005, p. 564).

Similar Ways to Achieve Allegedly Conflicting Goals

Acting in the same arena(s), the above comparison reflects that MNEs and NGOs basically use similar techniques to affect decision-making processes of countries and international organizations: Both groups strive to gain access to these processes or to the persons in charge of them, supply background information supporting their arguments, use the media (including the Internet) to form supporting public opinion and pressure groups, look for allies to form 'coalition groups,' and phrase draft decisions, offering them to decision makers. Where such positive approaches do not seem to work, both groups may use threats. While MNEs tend to threaten with the denial of their resources, NGOs tend to threaten with striving toward enforcement of the relevant legal norms and disciplines. The difference in the manner of action of the two groups is that usually NGOs, enjoying fewer resources, would tend to rely, to the extent possible, on the machinery of international organizations. For both groups, the establishment of soft-law voluntary instruments seems to be an acceptable compromise.

The Essence of Advocacy

Arguments Supporting MNEs' Position

MNEs may justify gender inequality as an unintended side effect of their positive activity of creating jobs in countries suffering unemployment and of their necessity to compete in a global economy, under tough terms. Further, they may find support to their position in some arguments developed by existing literature, contending that a direct link between their global activity and the 'race to the bottom' in certain countries does not necessarily exist and that their efforts even contribute to the prevention of this 'race' by creating jobs for women who otherwise would be unemployed.

Thus, for example, some argue that *lower standards do not attract MNEs*:

[I]n a globalizing world MNEs are not attracted by lower wages and lower taxes. Rather their own competitiveness and the attractiveness of investment locations depend much more on the requirements of knowledge-intensive production. (Woods, 2000, p. 5)

Literature suggests the relations between labor cost and productivity (which depends on many factors, including the public investment in education and training, healthcare, infrastructure, etc.) may further attract MNEs (Trebilcock & Howse, 2005, p. 560).

Some argue that *restrictions on free market enhance poverty*:

Trade restrictions raise the prices of imports, thus imposing a welfare cost at home, while at the same time worsening the labor situation in the target country. Demand for labor services will fall, and plants will downsize or close. Trade sanctions are akin to a tax on employment of low-skilled workers. Using trade remedies to enforce labor standards would worsen the problems at which they are aimed (by forcing workers in targeted countries into informal or illegal activities). Unemployment will rise, and given the absence or weakness of social safety nets (unemployment insurance), can be expected to have a detrimental impact on poverty. (ibid., p. 451)

Surprisingly, this argument is so convincing, that it makes developing countries oppose any attempt to link market access to labor standards at the WTO (ibid.).

As to *labor standards*, some argue the wage gap between developing and developed countries does not always imply non-compliance with core labor standards, attributing it, for example, merely to differences in the cost of living (ibid., p. 560).

Some argue further that *any choice of standard gives an artificial advantage to countries that already adopted this standard*, working as an implicit subsidy to firms operating in these countries (ibid., p. 284). Thus, “[e]conomic theory strongly suggests that the immediate imposition of common international labor standards across the board, based on developed-country standards, would substantially reduce total economic welfare...” (ibid., p. 560).

In short, some argue that

the empirical evidence provide no support for the claim that bilateral international trade and investment regimes are leading developed countries to relax their CLS [Core Labor Standards – N.M.] or labor standards generally or that foreign direct investors are investing in countries with weak CLS. (ibid., pp. 561-562)

Arguments Supporting NGOs' Position

The Human Rights Argument. The basic argument supporting gender equality contends that such equality is a basic human right. In that sense, the gender equality requirement differs from general labor standards and is similar to non-discrimination requirements on grounds of age, sex, race, etc., which should underline the activity of any international organization and government, being in a position of *ius cogens* (a basic legal norm that should not be subject to any conditions) (ibid., p. 563). This is allegedly a strong argument, but it may only affect the prevention of discrimination and does not ensure the creation of incentives for women's work.

The Cost-Benefit Consideration. The cost-benefit argument could work both ways: It may serve to convince decision makers that the cost of an objected policy would be higher than its benefit.²⁷

At the same time, it may serve to suggest (as specified above) that ensuring gender equality of labor markets would be *economically more profitable* than the current situation. Appealing as it may be, this argument seems to be used more by international organizations and less by NGOs.

The Motivation behind the Arguments

While the main motivation of MNEs is economic, the main motivation of NGOs seems to be the preservation of human rights. This difference seems to weaken NGOs' position by limiting their efforts toward ensuring this aspect of women's labor only.

The Comparative Effectiveness of MNEs' and NGOs' Efforts

Effectiveness Comparison

Results may perform an indication for the effectiveness of efforts by the two groups.

As a result of NGOs' activities,

Ninety percent of UN members have subsequently established some sort of national machinery that, at the very least, has increased access to political and economic resources for women. Women activists have increased their ability to lobby and monitor with impact at the UN and within their national governments. (Gelb, 2004, p. 305)

However, another factor to take into consideration is *the content and effect* of action of international organizations as a result of these pressures. Studies reveal that in many cases, governments' action²⁸ and international organizations was insufficient. In certain cases, it was merely symbolic.

Moreover, since this area of intervention by international organizations necessitates cooperation not only by governments but also by private parties (including NMEs), short-term incentives to governments and the coercion of powerful states alone would not achieve deep, *long term* compliance (Woods, 2000, p. 10).

²⁷ Thus, for example, in the mid-1990s, NGOs successfully opposed the draft MAI (Multilateral Investment Agreement), aimed at subjecting international investments to certain disciplines discussed in the OECD, *inter alia*, for being "unbalanced, giving investors too much scope to oppose and circumvent government regulation aimed at social...objectives through provisions on investor-State dispute resolution" (Hoeckman & Kostecki, 2001, p. 425).

²⁸ Thus, for example, in Japan, between 1985 and 1999, the Equal Employment Opportunity Law included many weak provisions that depended upon the good faith of employers, implementation proved difficult, and infringement of the law implied no remedies. Even after the revision of the law, in 1999, some of its elements were regarded as 'symbolic' (Gelb, 2004, p. 308).

Even where governments or international organizations engage in binding regulation as a result of NGOs' pressure, the assessment of effectiveness should consider, among other things, to what extent such regulation *leaves room for private sector's maneuvering, to limit women's participation or promotion in the labor force, or both.*²⁹

For example, the unique legal system of the EU, which imposes supranational binding rules on its member states (thus limiting the discretion of their governments), which the European Court of Justice (ECJ) enforces effectively, reduces this maneuvering ability. The ECJ's activism offers even weak interest groups a leverage to influence national policies. (Gelb, 2004, p. 313). However, most of the international organizations do not enjoy such strong and supportive enforcement mechanisms. Even the dispute settlement mechanism of the WTO, which has improved tremendously since 1995, serves a less integrated framework than the EU, being an international, rather than a supranational organization, thus having more limited powers to impose legal norms on the member states.

In many cases, governments would react to international pressures to impose gender equality standards by opting for *minimum standards* (the effect of which is relatively limited), to balance this interest with other interests they desire to protect:

nations are not in a race to the bottom or top in labor standards: nations seek to protect their comparative advantage and mutual gain from trade, but are also responding to the real and perceived distributional concerns with minimum agreements on rules and norms. (Gitterman, 2004, pp. 331, 357)

In different stages of economic development, trade liberalization affects nations differently. Thus, for example, developed countries may face a necessity to adjust labor standards downward to be able to compete with labor from low-wage regions. At the same time, the growing economic risk workers experience may lead to intensive domestic political pressures on decision makers. International agreements providing for minimum standards may balance these two interests (ibid., pp. 358-359).

Two ways to leave some room for government discretion even where international pressure or the international image considerations are strong enough to make a country sign an obligatory international agreement, imposing obligatory gender equality standards, are the following: *slow adoption* of the international norms (a short-term tactic) and the imposition of *significant reservations* to the agreement (a long term tactic).³⁰

The *reversibility* of gender equality supporting policies in times of crisis is also a factor in assessing policy effectiveness. This is particularly true for policies involving serious budget implications. Legal systems often include 'safety valves' to prevent such backsliding. Their use may imply for such reversibility.

Voluntary codes of conduct, sometimes opted for as a comfortable compromise between conflicting interests, are even less efficient than obligatory minimum standards, if their phrasing is vague and they lack effective enforcement mechanisms.

²⁹ In Japan, for example, the Equal Employment Opportunity Law was enacted in 1985, but "many large companies introduced a 'two track system' after the law's adoption, to essentially limit women to clerical tasks" (Gelb, 2004, p. 307).

³⁰ This technique is commonly followed by the US (Gelb, 2004, p. 317).

This review makes it clear that, even where MNEs or NGOs allegedly can show some success in promoting their agenda, things are not always as they seem, namely: Governments and international organizations allegedly accepting an agenda dictated by either of the two groups can deliberately opt for less effective, or more flexible ways in order to express their commitment to that agenda where, in fact, such commitment would not be very strong.

Three Explanations for the Deficiencies of Current Regulation and their Implication in Terms of MNEs' and NGOs' Effectiveness

Three explanations may be offered for the shortcomings of domestic and international efforts to enhance gender equality of labor markets by now.

The Traditional Explanation

The traditional explanation involves both 'technical' reasons and the misrepresentation argument.

'Technical' reasons include, among other things, the following arguments:

- The lack of sufficient gender analysis of data and statistics to assess the implications of different policies on gender issues may make it difficult to choose the due policy choices or even to advocate for their choice.
- The variety of sectors in which gender differences are relevant and the different implications policies that are not gender-sensitive may have in each sector require careful, sector-based analysis and knowledge. This information often is unavailable to decision makers, and its obtainment is time and resource consuming.
- In order to change the current situation, involve the conclusion of new international obligatory agreements or the modification of existing agreements may be necessary. The achievement of global agreement on new obligatory legal norms is not easy, and requires considerable time and effort.

The misrepresentation argument suggests, among other things, that the following:

- Women fail to form a globally strong, united group of interests that can assume pressure on decision makers.
- Moreover, poor representation of women in domestic and international decision-making forums is globally common, and the few women who participate in these forums are not always aware of, or willing to support, gender issues.
- Male decision makers may be insensitive or indifferent to (or even unaware of) the implications of chosen policies on women's work.

Nevertheless, the traditional explanation does not seem to explain fully the gap between the high volumes of activity domestic and in particular international regulators exercise and the relatively modest results so far, in terms of effective regulation that would enhance optimal utilization of women's work globally. It seems a serious approach by regulators may solve many of the difficulties. Thus, for example, the activity of NGOs, as above, may recover misrepresentation

of women in decision-making processes, to a great extent. Intensified efforts may improve the collection the lacking statistics and lead to the establishment of relevant sector-based analysis as well as to the conclusion of the necessary agreements, or at least for opting for minimum standards or soft law instruments for a start. Thus, I would like to suggest two other, complementary explanations.

Balanced Powers?

The insufficient global and domestic regulation and implementation may be resulting, to a certain extent, from the fact that the counter-pressure assumed on regulators by the two giant groups—MNEs and NGOs—using similar tactics and techniques, is comparable, thus leading to the existing balance-point, as counter pressure by both groups blocks further advancement. If this is the case, NGOs may be proud of themselves for succeeding in stopping MNEs from eroding women's labor rights even more, but at the end of the day, they have to admit their power is too limited to complete their mission, i.e., make domestic and international regulators ensure comprehensive effective gender equality in labor markets.

An Agreed Compromise?

A third explanation to the existing situation may be that all the parties involved—governments, international organizations, NGOs, and MNEs—consciously opt for a comfortable compromise. According to that compromise, governments and international organizations deliberately opt for arrangements that support NGOs' position declaratively, but in fact leave enough room of maneuvering for MNEs to pursue their goals. This is a result of incomprehensive regulation, without due enforcement procedures, at the international level and poor implementation at the domestic level. According to this 'conspiracy theory,' this compromise satisfies all parties (but women): Governments and international organizations declare their commitment to gender equality but in fact conveniently surrender to wealth-holders, thus ensuring their ongoing political (and financial) support. At the same time, governments save considerable amounts of money, abstaining from effectively implementing existing legal norms and from offering economic incentives for the enhancement of women's work. These budget savings (although serving only a short-term goal) improve their image in the eyes of their voters particularly in times of economic crises. NGOs accept this compromise, being aware of the limits of their powers while MNEs enjoy a continuous reality of comfortable business environment, paying a lip-service by expressing their commitment to the current global regime or by occasionally contributing relatively small sums of money for limited initiatives supporting gender equality at work, to satisfy the public opinion.

Conclusion

Whether any of the explanations, or any combination of them, is valid, times of crises may offer an opportunity to change policies and the balance of powers (Dahan et al., 2006, p. 1589). The current ongoing economic crisis, taking place since 2008, thus may form a turning point. Global economic difficulties may form a basis for a new global social contract. Some believe that "to the extent that any neat division existed between the corporate and the NGO

worlds, by the mid-1990s it was long gone” (Hoeckman & Kostecki, 2001, p. 467). Indeed, sometimes MNEs and NGOs form partnerships to achieve a ‘win-win’ situation between sustainability and efficiency.

Thus, it may be a good momentum for MNEs and NGOs to encourage governments and international organizations to enhance gender equality in labor markets more efficiently. This, in turn, may improve utilization of women’s work, thus enhancing global growth to the benefit of all global trade partners.

References

- Anderson, G. W. (2005). *Constitutional rights after globalization*. Oxford and Portland, Oregon: Hart Publishing.
- Balcunaite, V. (2008). *The WTO and female labor rights in developing countries*, IES Working Paper 3/2008. Brussel, Belgium: Institute for European Studies, Vrije Universiteit Brussel.
- Brand Channel. (2012). *Coca Cola invests \$2 million to help break the glass ceiling*. Retrieved from <http://www.brandchannel.com/home/post/2012/04/05/Coca-Cola-Catalyst-Donation-040512.aspx>
- Chaaban, J., & Cunningham, W. (2011). *Measuring the economic gain of investing in girls: The girl effect dividend*, Policy Research Working Paper No. 5753. Washington, DC: World Bank. Retrieved from <http://www.worldbank.org/publications/workingpaper/10.1596/1813-9450-5753;jsessionid=50tbrgmjqlfo.z-wb-live-01>
- Choudhary, B., Pal, P., & Manghnani, R. (2006). *WTO and gender concerns in South Asia*. New Delhi, India: UNIFEM and SOFCAR.
- Coca Cola. (2012). *Business code of ethics*. Retrieved from <http://www.coca-colafemsa.com/femsa/web/arquivos/KOF%20Business%20Code%20of%20Ethics%202012.pdf>
- Dahan, N., Doh, J., & Guay, T. (2006). *The role of multinational corporations in transnational institution building: A policy network perspective*. London, Thousand Oaks, CA, and New Delhi, India: Tavistock Institute and Sage Publications.
- Emran, M. S., & Forhad, S. (2012). *Gender, geography, and generations: Intergenerational educational mobility in post-reform India*, Policy Research Working Paper No. 6055. Washington, DC: World Bank. Retrieved from <http://elibrary.worldbank.org/content/workingpaper/10.1596/1813-9450-6055>
- European Parliament. (2010). *Hearing on ‘How poverty affects women in the EU,’ 28 September 2010*. Retrieved from <http://www.europarl.europa.eu/document/activities/cont/201010/20101012ATT86482/20101012ATT86482EN.pdf>
- European PWN. (2012). *How Coca Cola is dealing with the gender equality*. Retrieved from http://www.europeanpwn.net/index.php?article_id=814
- Fredman, S. (2010). *Making equality effective: The role of proactive action*. Oxford: Oxford Legal Studies Research Paper No. 53/2010. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1631762
- Gaelle, P. (2012). *Recent labor market performance through gender lens*, Policy Research Working Paper No. 6056. Washington, DC: World Bank. Retrieved from http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469372&piPK=64165421&menuPK=64166093&entityID=000158349_20120503105839&cid=decresearch

- Gelb, J. (2004). *Feminism, NGOs, and the impact of the new transnationalism*, pp. 298-315. In: Vogel, D., & Kagan, R.A. (eds.), *Dynamics of regulatory change*, Berkeley, CA: University of California Press.
- Grown, C., Bahadur, C., Handbury J., & Elson, D. (2006). *The financing requirements of achieving gender equality and women's empowerment*. Levy Economics Institute Working Paper No. 467. Annandale-on-Hudson, NY: Bard College, Levy Economics Institute. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=923851
- Hoeckman, B. M., & Kostecki, M. M. (2001). *The political economy of the world trading system: The WTO and beyond* (2nd ed.). Oxford: Oxford University Press.
- Hou, X. (2011). *Women's decision making power and human development: Evidence from Pakistan*, Policy Research Working Paper No. 5830. Washington, DC: World Bank. Retrieved from <http://elibrary.worldbank.org/content/workingpaper/10.1596/1813-9450-5830>
- International Labor Rights Forum. (2013). *Sweatshops*. Retrieved from <http://www.laborrights.org/creating-a-sweatfree-world/sweatshops>
- Kol, G. (2010). *Companies managed by women are more successful*. Retrieved from YNET Website (Hebrew), <http://www.ynet.co.il/articles/0,7340,L-3858862,00.html>
- Landau, E. C., & Beigbeder, Y. (2008). *From ILO standards to EU law*. Leiden, The Netherlands: Martinus Nijhoff Publishers.
- Luckerath-Rovers, M. (2010). *Women on board and firm performance*. SSRN Working Papers Series. Breukelen, The Netherlands: Nyenrode Business University. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1586832
- Mikkola, A. (2005). *Role of gender equality in development: A literature review*. SSRN Working Paper Series, pp. 23-25. Helsinki, Finland: University of Helsinki and HECER Department of Economics. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=871461
- Munin, N. (2012). Enhancing women's integration in labor markets: A global economic interest: The (limited) role of international economic organizations. *Journal of Multidisciplinary Research*, 4(1), 21-43.
- Munin, N. (2012a). *Women's work: A way out of the global economic crisis? The cases of EU, Turkey, and Israel*, Retrieved from ATINER Website <http://www.atiner.gr/papers/MDT2012-0003.pdf>
- Nestle. (2012). *Diversity*. Retrieved from <http://www.nestle.com/csv/ourpeople/diversity/Pages/Diversity.aspx>
- Nestle. (n.d.). *Code of business conduct*. Retrieved from http://www.nestle.com/Common/NestleDocuments/Documents/Library/Documents/Corporate_Governance/Code_of_Business_Conduct_EN.pdf
- Nike. (2007). *2007 Nike Inc. code of conduct*. Retrieved from http://www.itglwf.org/lang/en/documents/Nike_Code_of_Conduct.pdf
- Nike. (2009). *Nike foundation joins cross-sector leaders in gender equality symposium*. Retrieved November 1, 2012, from <http://nikeinc.com/nike-foundation/news/nike-foundation-joins-cross-sector-leaders-in-gender-equality-symposium>
- Nike. (2012). *Diversity profile*. Retrieved from <http://www.nikebiz.com/crreport/content/people-and-culture/6-3-3-diversity-profile.php?cat=diversity-and-inclusion>
- Oxfam. (2004). *Trading away our rights: Women working in global supply chains*. Retrieved from <http://www.oxfam.org/en/policy/report-042008-labor>

- Passig, D. (2010). 2048. Telaviv, Israel: Yediot Aharonot, Israel (Hebrew).
- Rijkers, B., & Costa, R. (2012). *Gender and rural non-farm entrepreneurship*, Policy Research Working Paper, No. 6066. Washington, DC: World Bank. Retrieved from http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/05/08/000158349_20120508102347/Rendered/PDF/WPS6066.pdf
- Serajuddin, U., & Verme, P. (2012). *Who is deprived? Who feels deprived? Labor deprivation, youth, and gender in Morocco*, Policy Research Working Paper No. 6090. Washington, DC: World Bank. Retrieved from http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2012/06/14/000158349_20120614101505/Rendered/PDF/WPS6090.pdf
- Sinha, N., Raju, D., & Morrison, A. (2010). *Gender equality, poverty, and economic growth*, World Bank Policy Research Working Paper No. 4349. Washington, DC: World Bank. Retrieved from http://www.development.wne.uw.edu.pl/uploads/Courses/DW_additional_gender.pdf
- Tran-Nguyen, A. (2004). *Trade and gender: Opportunities and challenges, the WTO public symposium: 'The impact of women in small, medium and micro enterprises on increasing trade under WTO agreements'*, organized by CBC and GWIT, 27 May 2004. Retrieved from http://www.wto.org/english/tratop_e/dda_e/symp04_paper_tran_e.doc
- Trebilcock, M. J., & Howse, R. (2005). *The regulation of international trade* (3rd ed.). Oxford and New York: Routledge.
- UN Women. (2011). *The Coca Cola company and UN women form global partnership to accelerate women's economic empowerment*. Retrieved from <http://www.unwomen.org/2011/09/coca-cola-company-and-un-women-form-global-partnership/>
- Vegan Prime. (2012). *The sweatshop list*. Retrieved from <http://veganprime.wordpress.com/the-sweatshop-list-2/>
- Veseth, M. (n.d.). *What is international political economy?* An excerpt from an article, p. 12, Retrieved from <http://www2.ups.edu/ipe/whatis.pdf>
- Wikipedia. (2012). *Nike sweatshops*. Retrieved from http://en.wikipedia.org/wiki/Nike_sweatshops
- Woods, N. (2000). *The political economy of globalization*, in: Woods, N. (ed.), (2000), *The political economy of globalization*. Basingstocke: Macmillan. Retrieved from <http://www.globaleconomicgovernance.org/wp-content/uploads/Political%20Economy%20of%20Globalization.pdf>
- World Bank. (2012). *The 2012 world development report on gender equality and development*. Retrieved from <http://econ.worldbank.org:80/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/EXTWDR2012/0,,menuPK:7778074~pagePK:7778278~piPK:7778320~theSitePK:7778063~contentMDK:22851055,00.html>
- WT/DS138/R, AB/R United States. Imposition of countervailing duties on certain hot-rolled lead and bismuth carbon steel products originating in the United Kingdom, adopted 7 June 2000. Retrieved from www.wto.org/english/tratop_e/dispu_e/cases_e/ds138_e.htm

About the Author

Nellie Munin (www.nelmun.com) is Assistant Professor at the law school at Zefat Academic College, Israel. She is a former Chief Legal Advisor of the State Revenue Administration in the Israeli Ministry of Finance and a former Minister of Economic Affairs in the Israeli Mission to the European Union.

Discussion Questions

1. It seems MNEs usually are ready to adopt a gender-based approach as part of a campaign to improve their public image. What circumstances may convince MNEs to assume a more serious commitment towards this aim?
2. What circumstances may form a common denominator that would encourage cooperation of MNEs with NGOs to enhance gender equality of labor markets?
3. What may be the optimal achievements of such cooperation?
4. What role may governments and international organizations fulfill to encourage such cooperation and how may they use its fruits to enhance this goal?

To Cite this Article

Munin, N. (2013, Spring). NGOs, multinational enterprises and gender equality in labor markets: A political economy of conflicting interests? *Journal of Multidisciplinary Research*, 5(1), 5-26.

Impact of Entrepreneurial Style and Managerial Characteristics on SME Performance in Macao S.A.R., China

Raymond C. Rody

Florida International University

Timothy M. Stearns

California State University, Fresno

Abstract

This article presents a comprehensive, integrative model linking entrepreneurial style and managerial characteristics to small-to-medium-sized-enterprises' (SMEs') performance in Macao S.A.R., China. Macao has a unique and vibrant economy, arguably the fastest growing economy in the world from 2004 to 2012, driven by both Western and Eastern managerial practices. A self administered questionnaire from 232 managers of SMEs in Macao S.A.R., China, indicates the demographic managerial characteristics of age, formal education, and breadth of managerial experience, as well as the entrepreneurial styles of risk taking and proactiveness, are positively related to SME performance.

Keywords

entrepreneurial style, SME performance, Macao, China

Introduction

SMEs are critical to economic growth and job creation (Carland, Hoy, Boulton, & Carland, 1984; Mulhern, 1995). However, while SMEs play an important role in the economic development of a nation, they are vulnerable due to limited resources when in contrast to larger corporations (Carland et al., 1984).

Entrialgo (2002) showed the owner-managers' demographic managerial characteristics have a direct impact on the development of entrepreneurial style in a firm. In addition, most research studies demonstrate a positive correlation between entrepreneurial style and firm

performance (Salder-Smith, Hampson, Chaston, & Badger, 2003; Inmyxai & Takahashi, 2009; Sam, Tahir, & Bakar, 2012).

The individual development of an entrepreneur is a complex amalgamation of educational training, societal impacts, sub-culture impacts, business experience, and psychological predispositions that are innate as well as developed. However, previous research tended to either examine the relations between managerial characteristics and entrepreneurial styles or between entrepreneurial style and firm performance. The main contribution of this study is the exploration of these relationships and the integration of them into our combined model - Impact of Entrepreneurial Style and Managerial Characteristics on SME Performance.

This research attempts to replicate measures of entrepreneurial style (Miller 1983) and the corresponding impact upon performance while mediating for several managerial characteristics, some of which are developmental, in a unique setting, which is Macao S.A.R., China. What makes Macao so unique is the almost controlled aspect of several of the managerial characteristics under investigation. In many ways, it is a real world laboratory frozen in time.

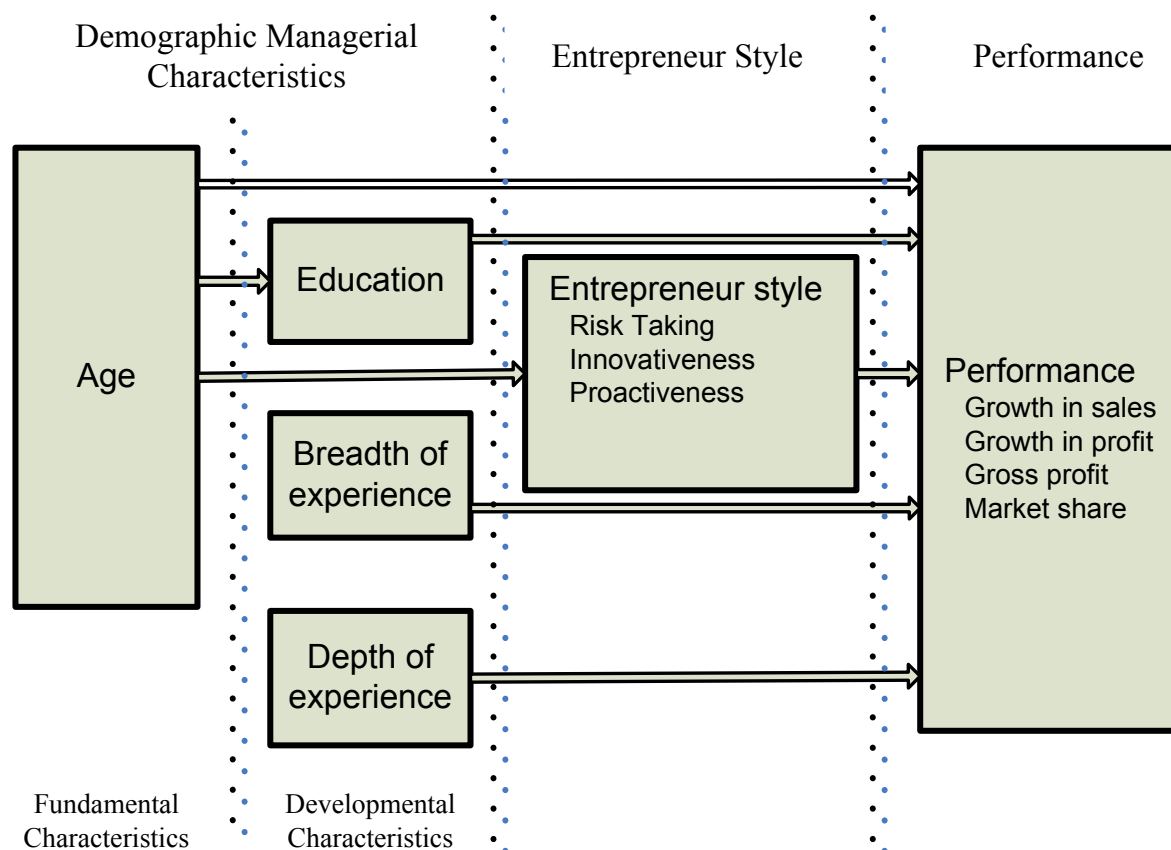
Until recently, in Macao S.A.R., China, a former Portuguese colony, business and educational development lagged behind the rest of the world due to its isolation, lack of human as well as financial capital, and lack of financial support and developmental guidance from its governing bodies. Macao opened its first university 30 years ago, thus making the educational differences of young entrepreneurs and old entrepreneurs bi-polar. In addition, the multinational world discovered Macao only eight years ago when it opened up its gaming market. The virtual void of educational and managerial training of Macao's older entrepreneurs when studied and contrasted with the USA and Europe or even Macao's younger entrepreneurs provides, in effect, a longitudinal examination of the managerial characteristics of (1) education, and (2) breadth of managerial experience.

The most exciting part, from the entrepreneurial standpoint, is that Macao's business culture is steeped with entrepreneurial spirit and is the fastest growing economy in the world with an annual growth rate in excess of 20 percent from 2004 to 2012 ("Gross Domestic Product (GDP) and per-capita GDP," 2012). Until 2002, only one local casino was operating in Macao. Therefore, with only one large firm operating in Macao, the casino, in a business field that many consider to be undesirable (i.e., gambling) along with the notoriously low wages found in southeast Asia, the citizens of Macao had very few financially rewarding employment opportunities. In the end, many of Macao's citizens found that if they wanted to provide a reasonable lifestyle for their family, they needed to open their own business, thus providing a plethora of SMEs and entrepreneurs in Macao.

This article theorizes that managers can develop themselves through education, managerial experience, and preferential entrepreneurial styles to enhance SME performance.

Theory and Hypotheses

Figure 1. Impact of entrepreneurial style and managerial characteristics on SME performance

*Entrepreneurial Style*

The scholarly literature discusses extensively how entrepreneurs think and act (Covin & Slevin, 1991). Entrepreneurship is an essential feature of high performing firms (Lumpkin & Dess, 1996). This is especially true for SMEs where entrepreneurial style is significantly more important than other managerial styles in terms of its impact on SME performance (Chandrakumara, De Zousa, & Manawaduge, 2011; Sam et al., 2012.)

Miller (1983) described entrepreneurial style as a three dimensional concept comprised of product-market and technological innovation, risk taking, and proactiveness. Covin and Slevin (1989) labeled these three dimensions as a basic, unidimensional strategic orientation, which implies that only firms that exhibit high levels of all three dimensions be as entrepreneurial. Numerous researches have adopted the approach conceptualized by Miller (1983), for example, Covin and Slevin (1988, 1989), Salder-Smith et al. (2003), and Yusuf (2002). Although some studies have yielded mixed results (Yusuf, 2002), most have presented evidence that there is a positive and significant relationship between entrepreneurial style and performance (e.g., Covin & Slevin, 1986; Naman & Slevin, 1993; Wiklund, 1999; Inmyxai & Takahashi, 2009; Chandrakumara et al., 2011; Sam et al., 2012).

Risk Taking. Baird and Thomas (1985) identified risk into three types: (a) venturing into the unknown, (b) committing a relatively large portion of assets, and (c) borrowing heavily. On the aspect of financial analysis, risk refers to risk-return trade off, the probability of a loss or a negative outcome (Lumpkin & Dess, 1996). Miller and Friesen (1978) defined risk taking as the degree to which managers are willing to make large risky resource commitments.

Meyer, Walker, and Litwin (1961) found the managers selected to cultivate entrepreneurial endeavors within a firm exhibit a greater preference for risk taking. Lumpkin and Dess (1996) stated the principal factor that separated entrepreneurs from hired employees was the uncertainty and riskiness of self-employment. Moreover, Liles (1974) suggests entrepreneurial pursuits lead to more than personal financial risks, such as missed career opportunities, strained family relations, and reduced mental health.

Atkinson (1957) extensively studied the relationship between risk preferences and firm performance. He argued that performance level should be higher when there is greater uncertainty about the outcome. Wiklund and Shepherd (2003) suggested organizations with higher preference for risk taking focus on seeking opportunities. Covin and Slevin (1991) state that an entrepreneur's willingness to execute high-risk projects results in superior return probabilities.

Innovation. Schumpeter (1934, 1942) emphasized the role of innovation in the entrepreneurial process. In his theory of Creative Destruction, the creation of wealth occurs as existing market structures evolve when new goods or services shift resources away from existing firms to new firms. Thus, innovativeness is a critical characteristic of entrepreneurship.

Innovativeness occurs when a firm engages in and supports new ideas, experimentation, and creative processes that may result in new products, services, or technological process. Researchers tend to measure innovation differently. One example is investigating the number of new product or service introductions and the frequency of changes in services or product lines (Covin & Slevin, 1989; Miller & Priesen, 1982). Zahar and Covin (1993) focused on the firm's commitment to acquiring, developing, and deploying technology. Covin and Slevin (1991) suggested firms with a higher emphasis on product innovation such as new product introduction are likely to achieve better performance. Georgellis et al. (2000) state that innovation in products and services is a key component of entrepreneurial actions the firm's desire to grow drives. They pointed out that successful innovation in a small business depends on specific competencies: (1) the capacity to innovate, and (2) the willingness to take risk. Moreover, the results of Georgellis et al. indicate that innovative firms, in terms of new products or services, are more entrepreneurial as well as more prosperous. Thus, innovation is a key characteristic of a business that ultimately will affect business performance.

Proactiveness. Proactiveness refers to anticipating and acting on future needs by seeking new opportunities that may or may not be related to the present line of operations, or the introduction of new products, or brands ahead of competitors. A firm does so by seizing initiative to shape the environment, influence trends, and create demand.

Bateman and Crant (1993) defined proactiveness as action to influence environmental change. Miller (1983) described the entrepreneurial firm as first firm to deliver proactive innovations. A proactive firm is an opportunity-seeker with a forward-looking perspective as well as a leader and not a follower because it has the will and foresight to seize new opportunities, even if it is not always the first to do so (Lumpkin & Dess, 1996). Scholars have long been emphasizing the importance of proactiveness and first mover advantages. Numerous previous

studies often have found positive relationships between proactiveness and performance (e.g., Miller, 1983; Miller & Friesen, 1983; Lumpkin & Dess, 2001). Penrose (1959) argued entrepreneurial managers are important to the growth of firms because they provide the vision and imagination necessary to engage in opportunistic expansion. Taking initiative can capture unusually high profits and jump start brand recognition. A proactive firm has the ability to anticipate change or needs in the market and is usually the first to respond to market deviations (Lumpkin & Dess, 1996, 2001).

Entrepreneurial style entails a focus by a firm on radical innovation in problem solving, proactive strategic initiatives toward environmental factors, and risk taking in the face of indeterminate outcomes to achieve objectives. It can be a source of competitive advantage for firms that inculcate the practice in their organizational processes and decision-making styles (Lumpkin & Dess, 1996).

H1: Risk taking, innovative, and proactive entrepreneurial styles are positively related to SME performance.

Demographic Managerial Characteristics

According to Minzberg's Taxonomy of Organization Forms (1979), direct supervision influences primarily an organization's entrepreneurial structure. Hambrick and Mason (1984) attribute company performance differences to management. They developed a framework referred to as an upper echelons perspective that investigated the relationship between managerial characteristics and the firm's key decisions to firm performance. They provided a foundation and stimulus for empirical research based on managerial characteristics and suggested the managerial characteristics may be potent predictors of firm performance.

In Macao S.A.R., the first university was established in 1981. In addition, approximately 80 percent of all Macao educational establishments, including universities, kindergartens, primary schools, and secondary schools are privately owned and operated. Prior to the launch of the 7-year free education program in 1995, lower income students who could not enroll in the limited number of public schools started working as teenagers and never returned to further their education. Under these circumstances, tenured managers typically have lower levels of education when compared to their younger counterparts.

It is likely that the entrepreneurial style of an individual is a result of his or her personal development. In Macao, experienced older managers tend to have lower levels of formal education, versus inexperienced younger managers. Therefore, we have chosen to investigate the managerial development characteristics of formal education, depth of managerial experience, and breadth of managerial experience across age groups.

Developmental Characteristics

Education. Sapienza and Grimm (1997) suggested higher education can provide the necessary training in mathematics, communication, and other skills in managing a business. Their analysis suggested that the higher the entrepreneur's general level of education, the more he or she will be equipped to achieve the firm's goals. In addition, the ability to process information and to discriminate between alternatives associates with higher education

(Rubenson & Gupta, 1996; Entrialgo, 2002); Norburn and Birley (1988), and Inmyxai and Takahashi (2009), both reported a positive correlation between firm performance and the amount of formal education of the entrepreneur. Chan et al. (2003) suggest a positive relationship between the performance of the SMEs and the level of formal education in Macao S.A.R. Pfeifer and Borozan (2011) state that implementation of an appropriate style of learning results in desirable entrepreneurial behaviors.

H2: Management's level of formal education is positively related to SME performance.

Previous Managerial Experience. In Macao S.A.R., before the government opened up the gaming market in 2002, there were only a few multinationals operating. Besides being the owner-managers of small firms, Macao's populous had few opportunities to obtain proper managerial training or experience.

Chandler and Hanks (1998) suggested entrepreneurs with experience from other companies would bring new knowledge and skills to their current firm. This knowledge, human capital, is an asset that will supplement the total resources of the firm. The more experience entrepreneurs have, the better they are in creating an environment in which their businesses can thrive by establishing networks with suppliers, customers, and other relevant parties (Lin, 1998). The human capital resources of a company can substitute for a lack of financial capital (Rubenson & Gupta, 1996). Since SMEs tend to have very limited resources, Rubenson and Gupta argued the efficient allocation of resources is essential to an SME's survival. Lin (1998) suggested entrepreneurs with more experience tend to make the right decisions at the right time, create resources, and accurately interpret market trends thus leading to improve business performance.

Reuber & Fischer (1999) present a framework to depict relationships between experience and firm performance. This framework reveals that experientially-acquired skills or expertise lead to better decisions or actions, and thus better firm performance. Moreover, they grouped experience into two categories, which were depth and breadth of experience. The use of duration-based measures reflecting the depth of experience emphasizes that extensive repetition of the same task over time cultivates expertise. In contrast, diversity-based measures reflect the breadth of experience. Entrepreneurs need to perform a variety of activities, such as preparing strategic plans, capital budgeting, sales forecasting, managing change, dealing with complex business situations, etc. They also need to deal with diverse personalities, manage high-stress situations, and handle adversarial business conditions. Given the diverse nature of these tasks, the breadth of experience that the owner-managers possess can reflect his or her ability to adapt to changing environments thus enhancing firm performance (Chandler & Hanks, 1998).

Chandler and Jansen (1992) tested and showed that both depth and breadth of managerial experience were positively associated with firm performance. The impact of managerial experiences on performance is more dramatic in Macao due to Macao's historical lack of meaningful managerial opportunities. We therefore hypothesize that in Macao:

H3: The depth of managerial experience tends to enhance SME performance.

H4: The breadth of managerial experience tends to enhance SME performance.

Fundamental Characteristics

Age. A number of previous studies have examined the relationship between age, leadership style, and managerial behavior. There is evidence that both youth and seniority have advantages as well as disadvantages and correspondingly the results are conflicting regarding the relationship between age and firm performance.

Oshagbemi (2004) argued older leaders tend to be rigid, less likely to learn new ways of working, and are prone to resist change and innovation. In contrast, because of their years of experience, older managers tend to anticipate problems and respond to them calmly with confidence. Older entrepreneurs are less likely to fail because they often get better treatment from banks, have extensive experience, more business contacts, and more assets (McCarthy, 2004). These accumulated experiences potentially can improve firm performance (Bonn, Yoshikawa, & Phan, 2004).

However, their counterparts, the younger managers, tend to pursue more risky and innovative growth strategies and seem to handle new and creative ideas better than older managers (Campbell, 1987). Hambrick and Mason (1984) suggest younger managers tend to bring better cognitive resources for decision-making tasks, while older managers may have less physical and mental stamina and as such less able to grasp new ideas or learn new behaviors. In addition, older owner-managers have greater psychological commitment to the organizational status quo and may be at a point in their lives where financial and career security is more important than growth.

Norburn and Birley (1988) found younger management team growth rates tended to surpassed older management team growth rates. This is consistent with Child (1974) who found managerial youth positively related to corporate growth. Particularly in the entrepreneurial business environment, innovation, creativity, and quick responses are vital to achieve superior performance (Reuber & Fischer, 1999). Thus, younger managers' innovativeness and learning abilities are more important than older managers' experiences (Bonn Yoshikawa, & Phan, 2004). Thus, in Macao we hypothesize that:

H5: Age tends to be inversely related to SME performance.

Age, Education and Firm Performance

Education levels are important determinants of generational differences in attitudes and behavior (Mitchell, 2000). The level of education influences one's values, wants, needs, and behaviors.

Negandhi and Prasad (1971) suggest managerial education as well as the age of academic immersion impacts effectiveness. In addition, we already know that younger managers in Macao are more likely to have received up-to-date higher education, since the availability of affordable university education is a very recent. Up-to-date skill sets foster success in business environments (Bantel & Jackson, 1980). Thus, in Macao we hypothesize that:

H6: Younger managers who possess higher levels of formal education will tend to improve firm performance.

Age, Entrepreneurial Style and Firm Performance

Reilly and Brown (2002) suggested individuals in the early-to-middle years of their working careers are in the accumulation phase. They are attempting to accumulate assets to satisfy fairly immediate needs, and they are willing to make relatively high-risk investments in the hopes of making above average nominal returns over time. Under the different conditions of mental and physical status quo, younger managers tend to have more creative and innovative approaches and superior learning ability and memory (Bonn Yoshikawa, & Phan, 2004). Younger managers tend to have superior abilities in risky environments (Lumpkin & Dess, 1996). In this way, we can argue younger managers are more likely to pursue a more effective entrepreneurial style (risk taking, innovativeness, proactiveness) in their business operation.

H7: Younger managers will tend to improve firm performance via risk taking, innovative, and proactive entrepreneurial styles.

Research Method

Sample

The research data is from self-administered mail questionnaires via a random sample of 1,047 companies from the Macao Commercial Telephone Directory and the membership directory from the *Associacao de Pequenas e Medias Empresas de Macao* (Macao SMEs Association). To improve the response rate and to test for non-response bias, a dissemination of identical questionnaires took place with the same sample.

A response rate of 24.7 percent yields 259 questionnaires out of the original sample of 1,047. A total of 245 responses were complete and usable. To avoid large firm managerial differences and their corresponding effect on the results, the study did not use firms with more than 100 employees. The final response rate was 22.2 percent yielding 232 replies per question.

The non-response bias T-tests comparing the first wave with the second wave show no significant differences among the variables. The results indicate no evidence of non-response bias in this study.

Variables and Measures

In order to test the hypothesis, the authors examined measures of entrepreneurial style, managerial characteristics, and performance to create an appropriate questionnaire. A pre-test of the questionnaire from a small sample of five SMEs in Macao ensured all directions and items are clear. All items use five-point scales.

Managerial characteristics included age, level of formal education, depth of managerial experience, and breadth of managerial experience. Entrepreneurial style measures assessed the elements of risk, innovativeness, and proactiveness. The measures were modifications of Miller (1983)'s original scale, which is a common foundation for numerous entrepreneurial studies (Yusuf, 2002). In every instance, the Cronbach's alphas exceeded the guidelines of Van de Ven and Ferry (1980). The results are in Table 1.

Table 1
Reliability Test – Cronbach's Alpha

	Cronbach's alpha
Entrepreneur Style	0.8309
Risk Taking	0.8673
Innovativeness	0.8359
Proactiveness	0.7952
Depth of Managerial Experience	0.8048
Breadth of Managerial Experience	0.8471

Most Macao SMEs are privately held firms, and owners are reluctant to release any performance-related data, such as revenue or profit. Financial statements also may be unreliable since they are unaudited. Performance measurements rely on a modification of Gupta and Govindarajan's (1984) firm performance instrument common throughout SME research (Beal, 2000; Naman & Slevin, 1993; Analoui & Karami, 2002; Miller & Toulouse, 1986). Respondents must indicate on a five-point Semantic Differential scale, ranging from highly satisfied to highly dissatisfied, regarding their firms' performance on growth of sales, growth of profit, net profit, and market share. Along with the satisfaction measurement, respondents also must indicate on a five-point Semantic Differential scale, ranging from extremely important to of little importance, to show the degree of importance for each of these performance criteria. This composite measure can provide an aggregate view of performance based on the level of the respondent's satisfaction with the firm's performance weighted by the perceived importance (Beal, 2000).

Dess and Robinson (1984) support the validity of measuring firm performance through subjective measures that claim subjective measures of performance correlate significantly with objective measures and serve as acceptable substitutes when reliable objective data is unavailable. In addition, the interpretation of small firms' financial data is difficult to access, even if we assume the financial data are accurate (Covin & Slevin, 1989). For example, a certain percentage annual growth rate for one industry may be excellent but very poor in another industry.

The VIF for the measures demonstrate there were no signs of multi-collinearity.

Results

Means, standard deviations, and inter-correlations for all variables in the study are in Table 2. Except for the depth of managerial experience, all independent variables are significantly correlated with the dependent variable – firm performance. Surprisingly, breadth of experience does not correlate with age. However, depth of managerial experience significantly and positively correlates with age. Education has a negative correlation with age. These results support our assumption that younger managers possess less experience but have higher education levels. In addition, older managers possess more experience but have lower education levels.

Table 2
Descriptive Statistics and Correlations

Variables	Mean	S.D.	1	2	3	4	5	6	7	8
1. Entrepreneur Style	3.37	.50								
2. Risk Taking	2.33	.89	.652(**)							
3. Innovativeness	3.97	.58	.706(**)	.111						
4. Proactiveness	3.26	.71	.745(**)	.291(**)	.379(**)					
5. Educational level	2.41	.98	.147(*)	.067	.056	.172(**)				
6. Depth experience	2.75	1.05	-.013	-.134(*)	.064	.011	-.095			
7. Breadth experience	3.73	.66	.254(**)	.058	.303(**)	.112	.144(*)	.089		
8. Age	3.41	1.04	-.115	-.261(**)	.45	-.016	-.212(**)	.625(**)	-.004	
9. Performance	2.86	.78	.323(**)	.263(**)	.134(*)	.355(**)	.276(**)	-.051	.230(**)	-.131(*)

Note. S.D. = Standard Deviation

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

Tables 3 & 4 summarize the results from regression analysis. Table 3 depicts the results from H1 to H5, and Table 4 shows the mediating relation between age, education, entrepreneurial style, and performance by using path A, B, and C in Figure 2. Path A tests entrepreneurial style and education, and path B and C test for firm performance as the dependent variable.

The models are significant at the $p < 0.10$. Sauley and Bedeian (1989) have demonstrated that, for relatively smaller samples such as the final sample in this study, a $p < 0.10$ is satisfactory. Several previous studies also have adopted this level of significance (e.g., Covin, Slevin, & Schultz, 1994; Georgellis, Joyce, & Woods, 2000; Miller, 1983; Miller & Priesen, 1982; Sapienza & Grimm, 1997).

Table 3
Beta and Significant Value

Variables	Performance
Entrepreneurial Style (H1)	.508(***)
Education (H2)	.222(***)
Depth of experience (H3)	-.038
Breadth of experience (H4)	.272(***)
Age (H5)	-.098(**)

Note. * $p < .1$; ** $p < .05$; *** $p < .01$

Besides H3, the depth of experience to performance, all hypotheses are statistically significant with positive relations between SMEs performance and entrepreneurial style (H1), level of education (H2), and breadth of experience (H4) with a $p < 0.01$. These significant relationships imply that companies could benefit from having a manager with stronger entrepreneurial style, higher level of formal education, and more breadth of managing experience. As mentioned earlier in the study, relatively few older owners-managers in Macao have more than a high school education. Therefore, older owner-managers will benefit from advanced education and training to enhance their entrepreneurial style and breadth of managerial experience.

In this study, we hypothesized two mediators, entrepreneurial style and education, that influence the relationship between age (independent variable) and firm performance (dependent variable). According to Baron and Kenny (1986), as in Figure 2, a mediation function must meet the three of the following conditions. First, the independent variable has a significant relationship with the presumed mediator (path A, Figure 2). Second, the mediator has a significant relationship to the dependent variable (path B). Third, when controlling for paths A and B, the previously significant relation between the independent variable and dependent variable is no longer significant with the strongest demonstration of mediation occurring when reducing the beta of path C reduces to zero. However, if the beta of path C is not zero, this indicates the operation of multiple mediating factors.

In order to test whether the hypotheses were significant, Table 3 examines the three paths (Baron & Kenny, 1986). Path A, that tested the relationship between the independent variable age and the mediators' entrepreneurial style and education, was significant. Path B examined the direct relationship between the dependent variable, firm performance and five variables, which are three components of entrepreneurial style (H1), level of education (H2), and age (H5) respectively. Path C was the main effect between firm age and performance with the mediators - entrepreneurial style and level of education added in one at a time.

The previously significant relation between age and performance became insignificant after the addition of the mediators. Moreover, the β of age drops from $-.098$ to $-.070$ and from $-.098$ to $-.056$ after including entrepreneurial style and education respectively. Since the betas of age did not reduce to zero, these results indicated multiple mediating factors.

Figure 2. Mediation effect

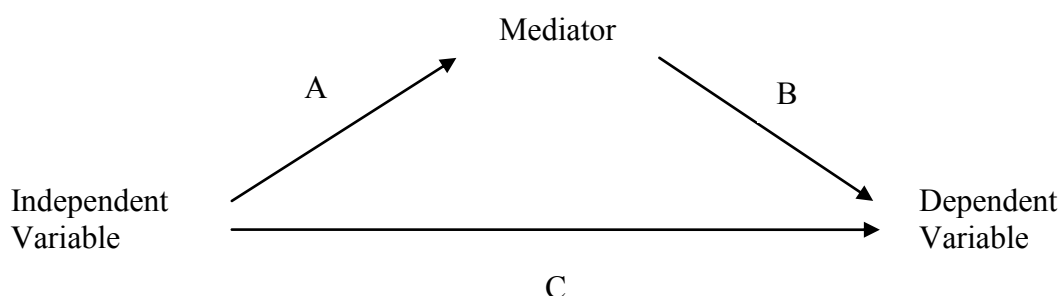


Table 4
Testing of Mediation Effect - Beta and Significant Value

	Entrepreneur Style	Education	Performance	Entrepreneur Style	Education
Variables	Path A		Path B	Path C	
Entrepreneurial Style			.508(***)	-	-
Education			.222(***)	-	-
Age	-0.054(*)	-1.98(***)	-.098(**)	-.070	-.056

Note. * $p < .1$; ** $p < .05$; *** $p < .01$

Discussions and Conclusion

Owner-managers who implemented superior entrepreneurial styles in his or her business have better firm performance (H1). Superior entrepreneurial style increases when the preference of risk-taking, innovativeness, and proactiveness increase. The results agree with studies from previous research, which is entrepreneurial style's positive effect on firm performance (Covin & Slevin 1988; Wiklund 1999; Sam, Tahir, & Bakar, 2012).

Although the entrepreneurial style construct has a positive relationship with SME performance in Macao, the findings show the preference of innovativeness did not independently have an impact on firm performance. Perhaps this is due to Macao's tradition of not honoring intellectual property rights. Thus, innovations have no value, and firms tend to employ a copy

and paste attitude. Another possible reason for Macao's lack of innovation is the relatively small Macao market that limits the ability to recoup research and development (R&D) costs. However, the impact of risk taking and proactiveness on SME success is significant.

Age has a negative relationship with firm performance (H5). This implies younger managers would tend to surpass their older peers. Nevertheless, the problem remains how to interpret this relationship and act upon it. Most of the SMEs in Macao are family businesses in which the mother or father is the owner and the children are subordinates. Macao's owner-managers tend to delegate more to their children – or recruit younger managers who will take more risks or be more proactive (H7), have higher education levels (H6), and tend to improve SME performance. Unfortunately, the delegation of authority to a subordinate is unwise in Macao's business culture. In addition, from the viewpoint of a sole owner of a SME, growth of the company at the expense of risk taking and change is not always desirable.

Moreover, breadth of previous managing experience (H4) has a positive relationship with firm performance. The result is concurrent with other findings that firms benefit from having owner-managers with more experience in handling labor relations, making right decisions at the right time, creating and allocating resources, resolving disputes, accurately interpreting market trends, and establishing networks (Lin, 1998). Although the two forces – age and experience – could counterbalance one another, the findings show there was no correlation between age of owner-managers and breadth of managing experience, but only with depth of managing experience. The depth of managerial experiences' impact on firm performance (H3) was not significant. Perhaps owner-managers with tenured experience in one particular area lose the ability to adapt to new ideas or environments, and this ability is vital in the rapidly changing business environment of Macao.

Limitations and Future Studies

The study contains some limitations. Most of the literature in this study is from sources disseminating from other countries and, as such, may not depict the actual situation in Macao due to cultural, economic, and societal differences. The present study is cross-sectional, and performance is a function of past and, not current, management practices. Therefore, longitudinal studies would be a better predictor of casual relationships. The questionnaires are sent to the SMEs' owners' addresses, who typically manage their own firms. However, since these were self-administrative questionnaires, it is impossible to verify whether the information came directly from the owner-managers. Furthermore, many other moderating factors (environment, culture, organizational infrastructure, strategy, etc.) influence the impact of entrepreneurial style on firm performance. Thus, it may not be possible to generalize completely the findings from this study. Another concern is the study does not provide objective measures of performance to support the perceptual measures. It would be beneficial if future research obtains objective performance data to verify the perceptual measures.

Acknowledgments

The authors thank Helena Fong Ka Pou and Hannah Lei Ut Han for their significant assistance, contributions, and support in this research effort.

References

- Analoui, F., & Karami, A. (2002). How chief executives' perception of the environment impacts on company performance. *Journal of Management Development*, 21(4), 290-305.
- Atkinson, J. W. (1957). Motivational determinants of risk taking behavior. *Psychological Review*, 64(6), 359-372.
- Baird, I. S., & Thomas, H. (1985). Toward a contingency model of strategic risk taking. *Academy of Management Review*, 10(2), 230-243.
- Bantel, K. A., & Jackson, S. E. (1980). Top management and innovations in banking: Does the composition of top team make a difference? *Strategic Management Journal*, 10, 107-124.
- Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, 51(6), 1173-1183.
- Bateman, T. S., & Crant, J. M. (1993). The proactive component of organizational behavior: A measure and correlates. *Journal of Organizational Behavior*, 14(2), 103-118.
- Beal, R. M. (2000). Competing effectively: Environmental scanning, competitive strategy, and organizational performance in small manufacturing firms. *Journal of Small Business Management*, 38(1), 27-47.
- Bonn, I., Yoshikawa, T., & Phan, P. H. (2004). Effects of board structure on firm performance: A comparison between Japan and Australia. *Asian Business & Management*, 3(1), 105.
- Campbell, D. P. (1987). Inkling-issues and observations. *Issues and Observations*, 7(2), 7-8.
- Carland, J. W., Hoy, F., Boulton, W. R., & Carland, J. A. (1984). Differentiating entrepreneurs from small businessowners: A conceptualization. *Academy of Management Review*, 9(2), 354-359.
- Chan, D., Lao, R., Lo, I., Mak, N., Mok, K., & Pang, P. (2003). *The role of Macao government in the development of small & medium enterprise* (Unpublished doctoral dissertation). Inter-University Institute of Macao, Macao S.A.R., China.
- Chandler, G. N., & Hanks, S. H. (1998). An examination of the substitutability of founder's human and financial capital in emerging business ventures. *Journal of Business Venturing*, 13(5), 353-369.
- Chandler, G. N., & Jansen, E. J. (1992). Founder's self-assessed competence and venture performance. *Journal of Business Venturing*, 7(3), 223-236.
- Chandrakumara, A., De Zousa, A., & Manawaduge, A. (2011). Effects of the entrepreneurial and managerial orientations of owner-managers on company performance: An empirical test in Sri Lanka. *International Journal of Management*, 28(1), 139-158.
- Child, J. (1974). Managerial and organizational factors associated with company performance. *Journal of Management Studies*, 11, 185-201.
- Covin, J. G., & Slevin, D. P. (1986). The development and testing of an organizational level entrepreneurship scale. In Ronstadt, R., Hornaby, J., Peterson, R., & Vesper, K. (Eds.). *Frontiers of Entrepreneurship Research*, 1 (pp. 626-639). Wellesley, MA: Babson College Center for Entrepreneurship Research.
- Covin, J. G., & Slevin, D. P. (1988). The influence of organization structure on the utility of an entrepreneurial management style. *Journal of Management Studies*, 25(3), 217-234.
- Covin, J. G., & Slevin, D. P. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, 10(1), 75-87.

- Covin, J. G., & Slevin, D. P. (1991). A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship Theory and Practice*, 16(1), 7-24.
- Covin, J. G., Slevin, D. P., & Schultz, R. L. (1994). Implementing strategic mission: Effective strategic, structural, and tactical choices. *Journal of Management Studies*, 31(4), 481-505.
- Dess, G. G., & Robinson, R. B. (1984). Measuring organizational performance in the absence of objective measures: The case of the privately-held firm and conglomerate business unit. *Strategic Management Journal*, 5(3), 265-273.
- Downs, G. W., & Mohr, L. B. (1976). Conceptual issues in the study of innovation. *Administrative Science Quarterly*, 21(4), 700-714.
- Entrialgo, M. (2002). The impact of the alignment of strategy and managerial characteristics on Spanish SMEs. *Journal of Small Business Management*, 40(3), 260-270.
- Georgellis, Y., Joyce, P., & Woods, A. (2000). Entrepreneurial action, innovation, and business performance: The small independent business. *Journal of Small Business and Enterprise Development*, 7(1), 7-17.
- Gross Domestic Product (GDP) and per-capita GDP. (2012). Retrieved from <http://www.dsec.gov.mo/PredefinedReport.aspx?ReportID=32&Lang=en-US>
- Gupta, A. K., & Govindarajan, V. (1984). Business unit strategy, managerial characteristics, and business unit effectiveness at strategy implementation. *Academy of Management Journal*, 27(1), 25-41.
- Hambrick, D. C., & Mason, P. A. (1984). Upper Echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9(2), 193-206.
- Hart, S. L. (1992). An integrative framework for strategy-making processes. *Academy of Management Review*, 17(2), 327-351.
- Inmyxai, S., & Takahashi, Y. (2009). Entrepreneurs as decisive human resources and business performance for the Lao SMEs. *Chinese Business Review*, 8(7), 29-47.
- Liles, P. R. (1974). *New business ventures and the entrepreneur*. Homewood, IL: Irwin.
- Lin, C. Y. Y. (1998). Success factors of small and medium sized enterprises in Taiwan: An analysis of cases. *Journal of Small Business Management*, 36(4), 43-56.
- Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *The Academy of Management Review*, 21(1), 135-172.
- Lumpkin, G. T., & Dess, G. G. (2001). Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle. *Journal of Business Venturing*, 16, 429-451.
- McCarthy, M. (2004). *Older entrepreneurs more likely to see their business succeed*. London: The Independent.
- Meyer, H. H., Walker, W. B., & Litwin, G. H. (1961). Motive patterns and risk preferences associated with entrepreneurship. *Journal of Abnormal and Social Psychology*, 63(3), 570-574.
- Miller, D., & Friesen, P. (1978). Archetypes of strategy formulation. *Management Science*, 24(9), 921-933.
- Miller, D., & Friesen, P. (1983). Strategy-making and environment: The third link. *Strategic Management Journal*, 4(3), 221-235.
- Miller, D., & Priesen, P. (1982). Innovation in conservative and entrepreneurial firms: Two models of strategic momentum. *Strategic Management Journal*, 3(1), 1-25.

- Miller, D., & Toulouse, J. M. (1986). Strategy, structure, CEO personality, and performance in small firms. *American Journal of Small Business*, 10(3), 47-62.
- Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Management Science*, 29(7), 770-791.
- Mintzberg, H. (1979). *The structuring of organizations*. Englewood, NJ: Prentice-Hall.
- Mitchell, S. (2000). *American generations – Who they are. How they live. What they think* (3rd ed.). Ithaca, New York: New Strategist Publications, Inc.
- Mulhern, A. (1995). The SME sector in Europe: A broad perspective. *Journal of Small Business Management*, 33(3), 83-87.
- Naman, J. L., & Slevin, D. P. (1993). Entrepreneurship and the concept of fit: A model and empirical tests. *Strategic Management Journal*, 14(2), 137-153.
- Negandhi, A. R., & Prasad, S. B. (1971). *Comparative management*. New York: Appleton-Century-Crofts.
- Norburn, D., & Birley, S. (1988). The top management team and corporate performance. *Strategic Management Journal*, 9(3), 225-237.
- Oshagbemi, T. (2004). Age influences on the leadership styles and behaviour of managers. *Employee Relations*, 26(1), 14.
- Penrose, E. (1959). *The theory of the growth of the firm* (3rd ed.). New York: Oxford University Press.
- Pfeifer, S., & Borozan, D. (2011). Fitting Kolb's learning style theory to entrepreneurship learning aims and contents. *International Journal of Business Research*, 11(2), 216-223.
- Reilly, F. K., & Brown, K. C. (2002). *Investment analysis and portfolio management* (7th ed.). Cincinnati, OH: South-Western/Thomson Learning.
- Reuber, A. R., & Fischer, E. (1999). Understanding the consequences of founders' experience. *Journal of Small Business Management*, 37(2), 30-45.
- Rubenson, G. C., & Gupta, A. K. (1996). The initial succession: A contingency model of founder tenure. *Entrepreneurship Theory & Practice*, 21(2), 21-35.
- Salder-Smith, E., Hampson, Y., Chaston, I., & Badger, B. (2003). Managerial behavior, entrepreneurial style, and small firm performance. *Journal of Small Business Management*, 41(1), 47-67.
- Sam, M., Tahir, M., & Bakar, K. (2012). Owner-managers of SMEs in its sector: Leadership company performance. *International Journal of Business & Social Science*, 3(14), 195-205.
- Sapienza, H. J., & Grimm, C. M. (1997). Founder characteristics, start-up process, and strategy/structure variables as predictors of shortline railroad performance. *Entrepreneurship Theory & Practice*, 22(1), 5-24.
- Sauley, S., & Bedeian, A. G. (1989). A case of the tail wagging the distribution. *Journal of Management*, 15(2), 335-344.
- Schumpeter, A. J. (1942). *Capitalism, socialism, and democracy*. New York: Harper and Brothers.
- Schumpeter, J. (1934). *The theory of economic development*. Cambridge: Harvard University Press.
- Van de Ven, A. H., & Ferry, D. L. (1980). *Measuring and assessing organizations*. New York: John Wiley & Sons.
- Wiklund, J. (1999). The sustainability of the entrepreneurial orientation – performance relationship. *Entrepreneurship Theory and Practice*, 24(1), 37-48.

- Wiklund, K., & Shepherd, D. (2003). Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium-sized businesses. *Strategic Management Journal*, 24, 1307-1314.
- Yusuf, A. (2002). Environmental uncertainty, the entrepreneurial orientation of business ventures, and performance. *International Journal of Commerce & Management*, 12, 83-103.
- Zahar, S. A., & Covin, J. G. (1993). Business strategy, technology policy, and firm performance. *Strategic Management Journal*, 14(6), 451-478.

About the Authors

Raymond C. Rody (rrody@fiu.edu) is a Clinical Professor at Florida International University, in Miami. In the fall of 2012, he was awarded a grant from the Kauffman Foundation to pursue intra-university entrepreneurial activities in the area of sales training. Professor Rody received his doctorate in marketing from The University of Southern California. He was formerly the Dean of the Faculty of Commerce at Macau Millennium College, Macau S.A.R., China, and the Dean of Management, Leadership, and Governance at the University of Saint Joseph-Macau.

Timothy M. Stearns (timothys@csufresno.edu) holds the Coleman Foundation Chair in Entrepreneurial Studies and is Founder and Executive Director of the Lyles Center for Innovation and Entrepreneurship at California State University, Fresno (www.lylescenter.com). Professor Stearns received his doctorate in management from Indiana University. He previously was a member of the management faculty at the University of Wisconsin, Madison, and at Marquette University.

Discussion Questions

1. Since the breadth of previous managing experience (H4) has a positive relationship with firm performance, while the depth of managerial experience does not, experience in one particular area may reduce, rather than foster, the ability to adapt to new ideas or environments. What implications does this finding have on managerial development, managerial cross training, and SME survival?
2. In the managerial culture of Macau as well as in many parts of the non-Western world, the delegation of authority or even training to a subordinate is foolish. How can Western expatriate executives effectively deal with this cultural difference in order to maintain firm efficiencies?
3. In much of Asia, innovations have little value. Yet, this research firmly supports the impact of risk taking and proactiveness on SME success. So, innovative managerial attitudes do enhance firm performance. How can SMEs, as well as larger Asian firms, foster intra-firm innovation and innovative managerial attitudes in light of this negative stereotype regarding innovation?

To Cite this Article

Rody, R. C., & Stearns, T. M. (2013, Spring). Impact of entrepreneurial style and managerial characteristics on SME performance in Macao S.A.R., China. *Journal of Multidisciplinary Research*, 5(1), 27-44.

The Road Not Taken: Putting “Management” Back to Taylor’s Scientific Management

Chen H. Chung
University of Kentucky

Abstract

Developments in management thought since the publication of Frederick W. Taylor’s *The Principles of Scientific Management* have taken the notion of “scientific” too seriously while overlooking the fact that Taylor’s interest was aimed at using scientific principles to enhance *management*. Such a “misreading” of Taylorism leads to scientism and an overemphasis on the entailed rationality concept. In this article, we point to several “deficiencies” resulting from scientism. Management thoughts and research had suffered from such deficiencies over the past century. If researchers do not heed such concerns, these problems are likely to continue and undermine management practices and research in the future. We suggest two strategies to remedy these deficiencies, to cure scientism, and to return to Taylor’s true interest in management. The first strategy relies on an “edification” philosophy that encourages managers and researchers to enhance their awareness and expand their understanding. The second strategy calls for managers and researchers to consider management not only as a science but also as an art. With broadened perspectives, the two strategies can give new meanings and life to Taylorism in the future.

Keywords

scientific management, Taylorism, edification

Introduction

In his book, *Anxiety of Influence*, Harold Bloom (1973) suggests the power of the poet comes from his or her “strong misreading” of predecessors. Such a reading reconstitutes the past as appropriated by the would-be genius of the present (Hall, 1994). We can paraphrase Bloom and assert that since Frederick W. Taylor published *The Principles of Scientific Management* in 1911, developments in management thought have arisen from a “strong misreading” of Taylor’s work.

Bureaucrats, corporatists, management scientists, and others have taken the notion of “scientific” so seriously as to overlook the fact that Taylor’s “scientific management” aims to use scientific principles to enhance *management*. Under a “strong misreading” of Taylorism, most management thinkers and scholars have focused on turning management into a science. They, in turn, have transformed the spirit of scientific management into scientism.

This article points out that such a “strong misreading” and overemphasis on scientism (as well as its entailed rationality concept) has directed thoughts on management and research during the last century and led to several “deficiencies” that are not healthy for management. Two strategies for management practice and research will be useful for remedying these deficiencies, to cure scientism and return to Taylor’s true interest in management. The first strategy calls for managers and researchers to examine and revise constantly their frameworks of understanding. The second strategy calls for managers and researchers to consider management not just as a science but also as an art. These two strategies, in a sense, are an actualization of edification philosophy. One may call these two strategies another “strong misreading” of Taylorism. After all, Taylor would not have envisioned these strategies in his scientific management. However, the two strategies contain some of the spirit of scientific management. Moreover, with a broadened perspective and an expanded understanding, the two strategies give new meanings and new life to Taylorism.

The organization of the rest of this article is as follows: Section 2 gives an overview on the deficiencies caused by the misreading of Taylor’s scientific management. Section 3 proposes an edification philosophy to remedy these deficiencies. Section 4 further suggests the need to go beyond science to incorporate art into management. Section 5 concludes the article by suggesting future directions for subsequent research.

The Over-Trodden Road

There have been various management thoughts developed since Taylor published his master work (e.g., George, 1972; Howell, 1995; Wren & Bedeian, 2008). It is not our intent here to repeat the review of management thoughts during the past century. Rather, most of the management thoughts and research are indeed “strong misreading” of Taylorism. Such misreading leads to the deficiency of scientism (and its overemphasis on rationality).

For example, one of the most significant management thoughts after Taylor’s was bureaucratism. Max Weber’s bureaucratism celebrates the development of formal rationality. Such rationality allows the modern self to exist in society as an empty, merely formal, decision-maker without the presence of any normative content by which to guide decisions (Hall, 1994, p. 30). Formal rationality results from a process of abstraction, formalization, and generalization that eschews differences by suppressing content. Formal rationality, as the process of enacting formal procedures for implementing instrumental actions, is, in a technological society, indifferent to ends or values.

As Waring (1991) points out, post-Taylorite bureaucratic thinkers believed in the basic rationality and legitimacy of centralized power and specialized tasks; but they observed that theoretical explanations of bureaucracy were inadequate and realized that one would not be able to integrate specialized operations through the methods of scientific management alone. They, therefore, developed theories that validated faith in bureaucracy, and invented mathematical and mechanical techniques that could help make it more efficient (p. 7). Indeed, the mathematical

and mechanical techniques carry “formal rationality” to its extreme and become the backbone of the later developments such as management science, operations research, decision science, and analytics, among others.

Post-Taylorite scientism and its consequent overemphasis on rationality have led to the development of (at least) four “unhealthy” phenomena that still are prevalent in current management thoughts and research. They are the following: (1) the naiveté of reductionism, (2) the straitjacket of positivism, (3) the dominance of scientism, and (4) insularity (Chung, 2010, p. 2). Some of these phenomena are overlapping and interdependent of each other.

The reductionist mentality of many management researchers often is reflected in their naïve and oversimplified views on fundamental concepts of management problems. Their research works are accordingly naïve and oversimplified. For example, in a study of the so-called “rationality in strategic information technology (IT) decisions” (p. 59), Ranganathan and Sethi (2002) use the notion of procedural rationality – “the extent to which the decision process involves collection of information relevant to the decisions and the reliance upon the analysis of the information in making the choice” (p. 60) – as the basis for studying the key factors influencing rationality in IT decision processes. The study, like many prior researches on this topic, largely ignores other important aspects or types of rationality. There are many ways of thinking about rationality. For example, in terms of practical rationality, there are contextual rationality and strategic rationality. In a theory of “communicative action,” Habermas (1987) suggests the idea of communicative rationality. According to Follesdal (1986), there can be more than 20 senses of rationality. Indeed, many rationality concepts are relevant and crucial to IT (or management, for that matter) decisions. Using the procedural rationality as the only type of rationality in decisions is not only oversimplified but also misleading.

Another example of “deficiency” in research due to naïve and oversimplified views often appears in many of the so-called “empirical research,” particularly those using the questionnaire-based survey research. Many researchers conducting this type of research would justify their low response rates by quoting similar low response rates reported in the literature (or in some unpublished working papers, including their own). Without the (slight) idea of the concerns in the philosophy of sciences, these researchers justify their errors by the mentality of “everybody does the same.” In a sense, they ignore the problem by comforting themselves with the self-deceiving rationale that the low response rate would not be problematic since everyone else suffers the same difficulty. Obviously, no matter how numerous previous reports there may be on low response rates, those precedents can hardly be qualified as “norms,” “the consensus of the scientific community,” or “exemplars” as Kuhn (1962, 1970) termed them. Furthermore, many researchers assume they can translate the respondents’ perceptions into a set of numerical scales and that such a translation still gives an accurate picture of reality. They assume they can average or aggregate the scores from the questionnaire across the respondents with a wide variety of backgrounds. In fact, they advocate the diversification of the respondents to have the so-called “generalized” research results. It is both interesting and important to note that such reductionist mentality does not appear anywhere in Taylor’s scientific management.

The second problem with many management researchers is their inability to shed the straitjacket of positivism. For example, many researchers who engage in the so-called “empirical research” do not have a good understanding of what empirical research really means. They simply claim that empirical means “based on experience” and that empirical research means basing research on real-world phenomena or data. They then unknowingly fall into the trap of

positivism-empiricism whose central doctrines are that seeing is believing and that appearances or experiences are the only reality. Early logical positivists also claim that we derive our knowledge of the physical world entirely from sense experience, and that we can characterize the content of science entirely by the relationships among the data of our experience (Mach, 1911). However, all logical positivists have difficulty in spelling out what is to count as an experience statement. Such difficulty often escapes the radar screen of management researchers. The real world is, in fact, much more wide open than the confines of positivism of any kind. A narrow view of the real world easily can lead to a positivist reduction to the observables while leaving out factors, phenomena and issues that are important to management. Taylor himself would be surprised to find how narrow people's views are nowadays. From the concept of scientific management Taylor himself summarized, we will find what broad perspectives he had. According to Taylor (1911), "It is no single element, but rather this whole combination, that constitutes scientific management, which may be summarized as: Science, not rule of thumb; Harmony, not discord; Corporation, not individualism; Maximum output, in place of restricted output; The development of each man to his greatest efficiency and prosperity" (p. 74).

The third problem with many management researchers is the domination of scientism in their research. Rosenberg (2000) defines scientism as "the unwarranted overconfidence in the established methods of science to deal with all questions, and the tendency to displace other 'ways of knowing' even in domains where conventional scientific approaches are inappropriate, unavailing or destructive of other goals, values and insights" (p. 7). The mentality of scientism can be exemplified by Lahoti's (2002) claims on the benefits of "revenue management." According to him, one of the benefits of revenue management is that it "use(s) science not guesswork; in a dynamic pricing and demand environment, *there is no room for gut-feel and subjective decision making*. Companies implementing revenue management basically employ proven principles of management science and information technology, including historical data analysis, accurate data modeling, and statistical and mathematical optimization" (p. 36, italics added).

Is it plausible for a decision makers or the management to forget the human element in any decision or management situation? Melvin Salvesson (2003), one of the founding fathers of management sciences, points out that the scope of management sciences should include *understanding of humans and their characteristics* (for training and placement of employees in an organization and for enhancing their acquisition of knowledge and skills, their participative senses and emotions, their sense of satisfaction and compensation from participating in the business enterprise, etc.). Indeed, there are human factors even in natural sciences. The belief in that "there is no room for gut-feel and subjective decision making" (in a dynamic pricing and demand environment) is really too subjective, too emotionally attached to the so-called "scientific methods," and too dangerous for sound decision making.

Lahoti (2002) is not alone in infatuation with the so-called "scientific method." Ross (1991) documents the "triumph" of scientism in U.S. social science (pp. 390-470). Klein and Lyytinen (1985) point out the "poverty of scientism" in information systems research (p. 132). In the field of operations management (OM), Wacker (1994) contends that many OM studies are not scientific since they do not strictly follow scientific procedures. He suggests OM researchers make their discipline scientific through the use of theory. In advocating for so-called "theory-driven empirical research," Handfield and Melnyk (1998) also concur with the view of OM-as-science by stating "underlying the notion of theory-driven empirical research is the view of OM

as science. One of the major traits of a science is that it is concerned only with those phenomena that can be publicly observed and tested” (p. 322). This trait is one of the most important positions logical positivists hold – the principle of verification. It is the thesis that only the testimony of the senses can justify our knowledge of the world – that is, experience, observation, and experiment. Concepts that no one can verify or falsify through experience are, strictly speaking meaningless. Unfortunately, such empiricism encounters serious problems when one has to deal with unobservable entities and processes. Handfield (2002) also calls for “methodological rigor and scientific method” in OM research. It would be rather unfortunate if one is to interpret such a call as an indiscriminate adoption of the natural science model (NSM). It is simply wrong for management researchers to, in Rorty’s (1991) words, “divinize” the so-called “scientific methods” (p. 34).

Post-Taylorite management thinkers tend to consider Taylor and his “scientific management” *inhuman* simply because of the notion of “scientific” (Waring, 1991, p. 7). However, reading carefully, we find that Taylor is humanistic, quite humanistic indeed. For example, he clearly points out that “the manager must give some special incentive to his men beyond that which is given to the average of the trade...(A)bove all, this special incentive should be accompanied by that personal consideration for, and friendly contact with, his workmen which comes only from a genuine and kindly interest in the welfare of those under him” (Taylor, 1911, p. 14 [sic]). No doubt, Taylor’s interest is in management, better management, and the best management. The purpose of scientific management is nothing but to serve management so as to enhance the welfare of all parties in an organization.

The fourth problem with many management researchers is the tendency to conduct research in an insulating and fragmentary fashion. To some extent, this is a consequence of the three previous problems. Stuart et al. (2002) point out that “one of the most important recent changes in organizations is the destruction of ‘functional silos’ within areas such as marketing, manufacturing, finance, and administration” (p. 420). However, management research has not adopted such “destruction” adequately. Whether engaging in empirical research or otherwise, many researchers tend to reduce their problems to highly abstract and narrow domains. Based on the concept of scientific management Taylor summarized (as above), it is obvious Taylor would stand for the destruction of these functional silos. His summary does include not only the hard but also the so-called “soft issues” Samson and Whybark (1998) advocate.

Developments in management thoughts and research during the last century, and the deficiencies resulting from these, definitely are not what Taylor intended, much less expected. It is true, with the notion of “scientific management,” Taylor suggests that managers should become *scientific*. That is, managers should study the organization of work. They should invent apolitical methods for overcoming industrial waste and conflict. Through scientific management, forepersons and workers can overcome potential disputes between them. Scientific managers can and should conduct experiments to find the “one best way” to work. Employees (e.g., workers and forepersons realize the shared interest in maximizing income by maximizing output (by employing the best way to work). Indeed, Taylor emphasizes the importance of becoming scientific; however, he wants people (and management) to be scientific *to have a better management*. It is *management* that Taylor’s scientific management aims to improve. Taylor really did not intend to turn management into a science, much less scientism.

Edification as a Cure for Scientism

Beginning with Taylor's scientific management and moving from an Operations Research-Management Science movement beginning at the end of World War II, the rationalist approach, or the so-called natural science model, has dominated management research in general, and decision and management sciences research in particular (Steffy & Grimes, 1986). The rationalists believe that there is a "real world" out there and that the researcher's task is to learn what this real world really is. In other words, "truth-seeking" is what all scientific inquiries aim at. However, as Rorty (1989) puts it, "Only descriptions of the world can be true or false. The world on its own – unaided by the describing activities of human beings – cannot" (p. 5). For management in general, it is plausible and "pragmatic" to adopt the attitude that, in the words of William James (1995), "the true is the name of whatever proves itself to be good in the way of belief" (p. 30). In other words, there is no need to "waste time and effort" in finding the way things really are. Rather, the "truth" is what works. In finding what really works, we need to look constantly at things from different perspectives. New possibilities and new opportunities will continue to appear through constant re-description of the states of the organization and its environment.

Although notions such as "continuous improvement" and "ceaseless renovation" were not buzzwords a century ago, the spirit of such philosophies was implicit in Taylor's scientific management. For example, Taylor suggests that management should conduct *experiments* to search for "scientific laws," general principles, and so on. One does not expect to achieve "the best type of management" overnight. Instead, one needs to inject efforts continuously and persistently into the scientific management movement. As with continuous improvement, the search for "the best management" is itself a "re-description process." Furthermore, in organization management, the best management is difficult to define and literally impossible to attain. The best management is a moving target at best.

Rorty (1979) suggests the use of "edification" to stand for the goal of finding new, better, more interesting, more fruitful ways of speaking (i.e., new ways to describe things). He feels "education" sounds a bit too flat and *Bildung* (education, self-formation), a bit too foreign, thus, the term "edification." Today, the notion of "education" can be mistaken easily as nothing but the "transfer of knowledge" and, therefore, is not appropriate for conveying the idea of edification. The aim of edification is to continue a conversation – a conversation with oneself and others – rather than to discover truths. Note that philosophers such as Gadamer, Heidegger, and Sartre do not really reject the quest for truth. Rather, they view such a quest as just one among the many ways to edify ourselves. That is, the search for objective knowledge is just one human project among others. However, they believe that, even though "objective inquiry is perfectly possible and frequently actual,...it provides only some, among many, ways of describing ourselves, and that some of these can hinder the process of edification" (Rorty, 1979, p. 361). Furthermore, the purpose of continuing conversation is to enhance understanding – understanding of oneself (and perhaps more importantly, one's own "self"), environments, and the relationship between oneself and the environments. Any conversation – be it conversation between parties or conversation with one's inner self – is a process of exchanging descriptions and re-descriptions. In the context of management, new ways of speaking lead to new descriptions of the organization and its environment, and, therefore, a new perspective on what is going on.

With edification philosophy, management involves a process of continuing conversations between organization members and their relevant parties in the environment.

Edification philosophy facilitates management in at least the following three closely related areas:

- (1) *Edification enhances our consciousness and awareness, rather than knowingness and pigeonholing, of what goes on in the organization and its environment.*

In dealing with an ever-changing environment and the resultant uncertainty, we, as human nature dictates, are often anxious to find regularities, laws, rules, structures, theories, etc. (Isn't this what Taylor's scientific management is all about?) We would like to explain phenomena. We would like to predict the future. We believe our tasks should not only be finding the truth or knowledge but also providing management with principles, guidelines, advices, etc. Therefore, we develop theories, propositions, theorems, and their corollaries. We perform so-called configuration research that categorizes phenomena into typologies, taxonomies, etc. We conduct simulation or "what-if" analyses and hope that we know *what* to do *if* our businesses fall into a certain category. Unfortunately, as in Lao Tzu's "running water" analogy, "trying to understand running water by catching it in a bucket" is an effort of creating the illusion of certainty where there is none and suggests that we can never duplicate exactly the same conditions (Chung, 2012, p. 5). All those rules, guidelines, and principles may not always be helpful. In fact, blind applications of them can be dangerous. Edification is an attitude interested not so much in what is out there in the world, or in what happened in history, as in what we can get out of nature and history for our own uses (Rorty, 1979). With edification philosophy, we are not looking for truth, generalized knowledge, structures, laws, rules, etc. In the spirit of scientific management, even Taylor himself would not deny that if the laws, generalizations, and principles are not useful for management, they are subject to modification. Generalities, structures, and patterns are, in fact, products of our own description, rather than of an independent order of things. Thus, instead of seeking the so-called truth, or the generalized laws and theories, we should focus on consciousness and awareness of what is going on. This is what we need for coping with changes and coping with the world. Consciousness and awareness make us understand that all of our knowledge is the product of particular prejudices. We should be more open-minded and not blinded by our own prejudices.

- (2) *Edification helps us expand our horizons of understanding.*

Being open-minded, we are better able to recognize other frames of reference, other views, and other interpretations (of the states of the environment and of changing phenomena). The persistence of alternative understandings is an essential condition for edification. As Meredith (1998) and Hudson and Ozanne (1988) point out, understanding is a never-ending process, rather than an end. The edification approach to organization management is a never-ending process as well. Specifically, it is an endless process of new understanding through the process of re-description. Human beings tend to stay in their comfort zones or habitual domains. Sometimes, they cherish "inertia" in the name of "stability." Such a myopic mentality can be dangerous in today's environment, which is full of hyper-changes and hyper-competitions. Without the open-mindedness, we limit our ability to re-describe the circumstances and the

future. We would be less likely to see things from different perspectives. An edification philosophy advocates not only for the exploration of the fullest range of perspectives possible but also for skepticism of some (if not all) interpretations. All perspectives and all interpretations are subject to change or re-description.

(3) Edification encourages us to re-examine and revise our frameworks of understanding.

As the result of widening perspectives and continuous skepticism, we will revise and reconsider constantly our own frameworks of understanding through the process of edification. This requires us to re-examine our assumptions, criteria, interpretations, etc. In other words, we need to move out of our comfort zones (which may soon prove to be quite uncomfortable). We need to feel uncomfortable about the comfortable. We need to have a persistent interest in learning and considering the organization and the environment through new lenses. As Warnke (2003) puts it, "Openness to the open interpretations of others provides a way of directing the course of our inspirations without falling prey to either knowingness or naiveté" (p. 118).

These three premises of edification philosophy show that this philosophy, through the notions of "continuing conversation" and "continuing re-description," does recognize business management as a dynamic process of coping with the constant and rapid changes of the environment. In this regard, the edification philosophy is quite in accord with the thoughts of both John Dewey and Alfred North Whitehead. They both agree that we should understand all things primarily as moments within a dynamic process. Consequently, we should think of knowledge as "a form of action, rather than as a possession or purely mental condition" (Frisina, 2002, p. 125). With knowledge as a form of action, knowing has less to do with an inner representation of the outer reality and more to do with a refinement of the way we behave or do business. In other words, we unify knowledge and action as an inseparable one. Our understanding and awareness of the environment, thus, will rely less on the description of states and more on the process of re-description.

From the perspective of edification, the aforementioned reductionism, scientism, fragmentation, etc. are just a few among many ways to describe the reality. With re-descriptions, we can mitigate these deficiencies by "mixing" numerous varieties of "pictures" (i.e., descriptions) of the reality. Without appealing to logic, rigor, and precision as eternal "rules," without seeking some foundation that itself requires no foundation, in Rorty's words, "we live in story after story after story" (Calder, 2003, p. 9).

The Art and Science of Management

The above sections have discussed the dominance of the so-called Natural Science Model in organizational and management research. Rationality is the foundation of the NSM. Even notions such as bounded rationality, satisfactory solutions, heuristic approach, etc. are still approaches based on the concept of rationality. They recognize the impossibility of complete rationality, but strive to achieve rationality as closely as possible. It is doubtful whether science can explain all aspects of reality. Paradoxically, in his quest for an objective knowledge of reality, humans have become more and more detached from reality itself. NSM truncates reality into a system of simpler, reduced units, omitting the "irrelevant" details of life. The fracturing of life also

leads to the fracturing of humanity, dissociating the rational self from the intuitive self. Reality is certainly not what the NSM can describe in algorithms and formulas. No scientific means really can quantify and measure the inner depth of life and the richness of the human experience. The development of philosophy over the past hundred years also has shown “a progressive orientation toward the immediate and qualitative, the existent and the actual” (Barrett, 1958, p. 18). This development is a response to the limitation of rationalism (positivism and analytic philosophy in particular). Many modern thinkers recognize the need for finding ways to look into human experiences. “Philosophers can no longer attempt, as empiricists Locke and Hume attempted, to construct human experience out of simple ideas and elementary sensations” (Barrett, 1958, p. 18).

While science condenses reality into reduced, unerring truths, art reveals truths about reality in its complexity. The artist, whether through the medium of oil on canvas, of music notes toppling off a staff, or of the interweaving of words in a poem, attempts to externalize the darker, inner realm of humanity. A work of art can capture the contradictory, ambivalent, and irrational elements of the world. Art aspires to bring back together the totality of humankind. The artist hopes to startle the spectator into a consciousness of a “truer” reality – existence as it really is, with all the contradictions and enigmas that science cannot explain.

Since Taylor advocated the importance of being scientific, one would not expect him to use the notion of “art” in scientific management. However, he did use such a term in calling for “the gradual substitution of science for rule of thumb throughout the mechanic *arts*” (Taylor, 1911, p. 9, emphasis added).

It is not really a new idea to suggest that management is an art (e.g., Pascale & Athos, 1981). However, the dominance of NSM has discouraged researchers to make a greater effort to explore management as an art. For example, Wacker (1994) suggests that many (operations) management studies are not scientific, since they do not strictly follow “scientific” procedures. While the pursuit of scientific or theoretic rigor is plausible, we doubt whether turning management into a science can really help address the issues related to the gap between theory and practice. Chung (1994) contends that management can and should be both an art and a science. Gagliardi (1996) also calls for researchers to pay attention to the “aesthetic” side of organizational life. After quoting the beautiful lines, “Beauty is truth, truth beauty – that is all” by Keats, Van Mieghem (2013) describes “desirable research” as seeking “to discover truth by creatively building a thing of beauty” (p. 3). No doubt, scientific research can be a thing of beauty.

There are many issues in the context of the art of management. What constitutes the art of management? In what ways will the art of management complement the science of management? What can managers and researchers learn from artists? What are artists’ perspectives of the “real world”? What are the managerial implications of these perspectives? With lessons learned from artists, we can develop a better model for the art of management, and for the science of decision and management. We also will find ways to bridge the gap between theory and practice in the field of decision and management.

As Rorty (1998) puts it, “It is rather unfortunate that Kant would organize value spheres into the scientific, moral, and aesthetic and that Hegel would attempt to preserve and defend such organization” (p. 7). Management involves all these value spheres. Moreover, the “science” of management should be a mixture of natural, social, and human sciences (Chung, 2010).

Conclusion

The assertion that developments in management thought since the development of Taylor's scientific management are the result of a "strong misreading" of Taylorism does not imply an entirely negative connotation. Rather, as with Bloom's observation on poets, "Such a reading reconstitutes the past as appropriated by the would-be genius of the present" (Bloom, 1973, p. 50). Management thoughts and research during the last century do have their historical backgrounds and do contribute positively to management practices and research over the years. Unfortunately, the overemphasis on the notion of being "scientific" and the consequent failure to put management *before* the pursuit of becoming "scientific" have resulted in persistent deficiencies, such as reductionism, scientism, positivism, fragmentation, etc. This article, suggests two strategies to remedy these deficiencies. The two strategies also will help us put "management" back in Taylor's "scientific management." Indeed, the edification philosophy and the re-description strategy facilitate better awareness of management problems. With widened perspectives and expanded horizons of understanding, management will not confine itself to "functional silos." The call for attention to the art of management further expands horizons and perspectives. Management is as much an art as a science. Even for the science of management, we suggest that such a science be a mixture of natural, social, and human sciences. In this way, we will inject new meanings and new life to Taylor's scientific management for the future.

References

- Barrett, W. (1958). *Irrational man: A study in existential philosophy*. New York: Doubleday.
- Bloom, H. (1973). *Anxiety of influence*. New York: Oxford University Press.
- Calder, G. (2003). *Rorty*. London: Wiedenfeld & Nicholson.
- Chung, C. H. (1994, September-October). Beyond a science of operations management. *Decision Line*, 25(5), 8-9.
- Chung, C. H. (2010). The philosophy of management sciences. *Proceedings of 2010 American Institute of Higher Education*, 3(1), 370-386.
- Chung, C. H. (2012). Analytics for change management. *International Journal of Information Systems and Change Management*, 6(1), 3-16.
- Follesdal, D. (1986). Intentionality and rationality. In J. Margolis, M. Krausz, & R. M. Burian (Eds.). *Rationality, Relativism, and the Human Sciences* (pp. 109-125). Leiden, The Netherlands: Martinus Nijhoff Publishers.
- Frisina, W. G. (2002). *The unity of knowledge and action: Toward a nonrepresentational theory of knowledge*. New York: State University of New York Press.
- Gagliardi, P. (1996). Exploring the aesthetic side of organizational life. In S. R. Clegg, C. Hardy, & W. Nord (Eds.). *Handbook of organization studies* (pp. 565-580). London: Sage.
- George, C. S. (1972). *History of management thought* (2nd ed.). Englewood Cliffs, NJ: Prentice-Hall.
- Guignon, C., & Hiley, D. R. (Eds.) (2003). *Richard Rorty*. Cambridge: Cambridge University Press.
- Habermas, J. (1987). *The philosophical discourse on modernity* (F. Lawrence, Trans.). Cambridge, MA: MIT Press.

- Hall, D. L. (1994). *Richard Rorty: Prophet and poet of the new pragmatism*. New York: State University of New York Press.
- Handfield, R. B. (2002, December-January). Writing the ideal paper for JOM: A new editor's perspective. *Decision Line*, 33(1), 6-7.
- Handfield, R. B., & Melnyk, S. A. (1998). The scientific theory-building process: A primer using the case of TQM. *Journal of Operations Management*, 16(4), 321-339.
- Howell, C. (1995). Toward a history of management thought. *Business and Economic History*, 24(1), 41-50.
- Hudson, L. A., & Ozanne, J. L. (1988). Alternative ways of seeking knowledge in consumer research. *Journal of consumer Research*, 14(3), 508-521.
- James, W. (1995 [1907]). *Pragmatism*. Mineola, NY: Dover.
- James, W. (1909). *A pluralistic universe*. New York: Longmans, Green, and Co.
- Klein, H. K., & Lyytinen, K. (1985). The poverty of scientism in information systems. In E. Munford & R. Hirschheim (Eds.), *Research methods for information systems* (pp. 131-161). Amsterdam: Elsevier.
- Kuhn, T. (1962, 1970). *The structure of scientific revolution*. Chicago: The University of Chicago Press.
- Lahoti, A. (2002). Why CEOs should care about revenue management. *OR/MS Today*, 29(1), 34-37.
- Mach, E. (1911). *The conservation of energy*. LaSalle, IL: Open Court.
- Meredith, J. R. (1998). Building operations management theory through case and field research. *Journal of Operations Management*, 16(4), 441-454.
- Pascale, R. T., & Athos, A. G. (1981). *The art of Japanese management*. New York: Warner Books.
- Ranganathan, C., & Sethi, V. (2002). Rationality in strategic information technology decisions: The impact of shared domain knowledge and IT unit structure. *Decision Sciences*, 33(1), 59-86.
- Rorty, R. (1979). *Philosophy and the mirror of nature*. Princeton: Princeton University Press.
- Rorty, R. (1989). *Contingency, irony and solidarity*. Cambridge: Cambridge University Press.
- Rorty, R. (1991). *Objectivity, relativism and truth*. Cambridge: Cambridge University Press.
- Rorty, R. (1998). *Truth and progress*. Cambridge: Cambridge University Press.
- Rosenberg, A. (1995). *Philosophy of social science* (2nd ed.). Boulder, CO: Westview Press.
- Salveson, M. E. (2003). The founding fathers of TIMS: Historical re-examination of humanity inspired the development of the management sciences. *OR/MS Today*, 30(3), 48-53.
- Samson, D., & Whybark, D. C. (1998). Tackling the ever so important 'soft' issues in operations management. *Journal of Operations Management*, 17(1), 3-6.
- Steffy, B. D., & Grimes, A. J. (1986). A critical theory of organizational science. *Academy of Management Review*, 11(2), 322-336.
- Stuart, I., McCutcheon, D., Handfield, R., McLachlin, R., & Samson, D. (2002). Effective case research in operations management: A process perspective. *Journal of Operations Management*, 20(5), 419-433.
- Van Mieghem, J. A. (2013). Three Rs of operations management: Research, relevance, and rewards. *Manufacturing & Service Operations Management*, 15(1), 2-5.
- Wacker, J. G. (1994, July). Making operations management a science. *Decision Line*, 25(3), 14-15.

- Waring, S. P. (1991). *Taylorism transformed: Scientific management theory since 1945*. Chapel Hill, NC: University of North Carolina Press.
- Warnke, G. (2003). Rorty's democratic hermeneutics. In C. Guignon & D. R. Hiley (Eds.). *Richard Rorty* (pp. 105-123). Cambridge: Cambridge University Press.
- Wren, D. A., & Bedeian, A. G. (2008). *The evolution of management thought* (6th ed.). New York: Wiley.

About the Author

Chen H. Chung (BAD180@uky.edu) is Gatton Endowed Professor at the Gatton College of Business and Economics, Department of Management, University of Kentucky, in Lexington, Kentucky. He graduated from Ohio State University with a Ph.D. in Operations Management. He has published more than 150 papers in journals or conference proceedings.

Discussion Questions

1. Discuss the differences and relationships between “scientific management” and “management science.”
2. Is management an art? Why and why not?
3. Can we hold the art and science of management in a single vision?

To Cite this Article

Chung, C. H. (2013, Spring). The road not taken: Putting “management” back to Taylor's scientific management. *Journal of Multidisciplinary Research*, 5(1), 45-56.

Sustainability in Business Practice: How Competitiveness is Changing in Europe

Maria Prezioso

University of Rome "Tor Vergata"

Maria Coronato

University of Sassari

Abstract

The Lisbon Strategy (2000, 2009a), Gothenburg Strategy (2001), and now, the New Territorial Agenda 2011 and Europe Strategy towards 2020 represent the framework of new regional business in Europe, re-addressing the regional enterprises and regions' goals to valorize the territorial potential capability to be competitive in sustainability, starting from the increase of co-operation and cohesion (V Cohesion Report, 2010).

The article aims to investigate and measure how sustainability is helping regional business to change its productive behavior toward a new "competitiveness capability," including a vision of territorial cohesion. This requires the adoption of innovative spatial enterprise models, such as STeMA, able to manage new strategic pillars of European Union (EU) development: smart growth, sustainability, social – and employment – inclusion (Prezioso, 2010).

The article illustrates how, looking at the *Europe2020 Strategy* and *Rio+20* perspectives, the conversion of endogenous productive resources in social, economic, and territorial development business opportunities require the development of new regional organisation patterns of local production.

Keywords

sustainability, competitiveness, territorial cohesion, Europe2020 strategy, productive organisation

Short Background of Questions

In previous decades, the European Union (EU) fixed sustainability and cohesion as ground bases for competitiveness. After a lengthy debate (Porter, 1990, 1996; Den Butter, Verbruggen, 1994; Toman, 1994; Prezioso, 1996; O'Hara, 1997; Storper, 1997; Pearce, 1998;

Prezioso, Renzetti, 1999), the EU underlines competitiveness and sustainability as typical economic and entrepreneurial concepts, lacking a unique address for the enterprises' behaviour (Kok, 2004). However, since 2002, the European Commission (EC) gives to the competitiveness concept a new sense, which differs from the similar existing concepts in which domestic factors have a dominant role (Krugman, 1995; Kok, 2004). The EU recognises territorial diversity and sustainable development as important characteristics of the economic growth in global competition (ESPON Programme 2006 and 2013), able to generate positive reactions to the impacts and effects of the economic crisis.

Recently, sustainability and cohesion are reinforcing the concept of European competitiveness, including more and more territorial dimensions in the creation of a new, balanced economic growth (Europe 2020 Strategy, European Commission, 2010). The practice of planning economic activities requires new targets and standards (quality, carbon footprint, supply chain, enterprise network, energy efficiency, corporate social responsibility, safety, etc.) (Barca, 2009; European Council, 2010; Prezioso, 2010).

Theoretical studies of territorial business actions focus on engaging solutions for several policies: Energy, Climate Change, Demography, Global Economic Competition, Accessibility, Health, Social inclusion, Urban-Rural, etc.; the integration of these policies within the enterprises' behavior is fundamental to re-launch European competitiveness during and after the crisis.

In order to change the relative economic policy paradigm, it is necessary for European firms to consider new and more complex practices. These take into account specific characteristics of the regional dimensions of production (social, cultural, economic, technological, and so on), contributing to form the territorial capital. The question is how to harmonize dimensions from the territorial and the business point of view at different geographical scales looking for the diversity of national-regional legislations and the EU Directives goals: smart growth, sustainability, and social inclusion (Europe 2020 Strategy).

Main External Factors Influencing the Territorial Competitiveness of Enterprises

In the 1970s, internal factors that generated external economies of scale (industrialisation, agglomeration, urbanisation) emerged as drivers for business competitiveness. Some elements became sources of competitive advantage: the relative position of the production site, the presence of similar competing firms in a national market to share the cost of services, the existing infrastructural endowment (primary and secondary urbanisation) (Prezioso, 1996, 2001), the type of corporate culture, the local governance (Farinos, 2007; Prezioso, 2008a), the level of the population's reception and involvement in the employment process. The resulting degree of efficiency made it possible to achieve broader economic objectives, such as availability of skilled labour, adequate levels of technology, speed of information, proximity to market, and reduction in procurement costs (Prezioso, 2007).

In a short time, these elements integrated localisation's factors and, working as a "system" (Prezioso, 2001), have acted as an intermediate output for the creation of co-operation in business systems that may generate a 'climate' of mutual confidence (milieu) in several EU regions.

Business competitiveness becomes a multi-disciplinary concept (Prezioso, 2007) in relation to traditional factors and new territorial external factors such as knowledge, innovation,

and specialisation effects. In addition, new external factors (Prezioso, 2001, 2007) complete territorial economies of scale: territorial attractiveness; continuous qualitative improvement; cultural and social heritage valorisation; sustainable use of resources (natural, economic, social); and preventive assessment of policies, programmes, and projects.

The Europe 2013 structural policies toward 2020 (Climate Change, Energy, Natural, Human and Technological Risks, Rio + 20 etc.) are measuring the regional capability to include all these aspects to renew the Lisbon-Gothenburg strategies application, stressing a cohesive, polycentric, and co-operative territorial development as a fundamental goal of the national and regional policy, and a key-base of competitiveness in sustainability.

Now the terms of Territorial Competitiveness in Sustainability for EU enterprises embrace the following issues (Prezioso, 2007):

- regional competitiveness factors should include issues such as innovation, information and communication technologies (ICT), and environmental protection;
- the regional and national territory cannot be treated as an undifferentiated space of the social and economic action, but rather as a physical place to measure and monitor the territorial capability of competitiveness;
- the territory becomes a parameter to measure virtuous solutions supporting the regional entrepreneurial structure, in terms of environmental sustainability, improvement of cohesion and integration between different territorial actors (whether institutional or not);
- some management skills (components) capable of guaranteeing territorial competitiveness are needed: awareness of innovative capacity, organisation in networks, capacity to integrate the different sectors and levels of activities, to cooperate in and with other territories, to involve different public and private subjects and institutions, to have both a global, coherent vision, while respecting the use of local resources, and to organise international, European, national, and regional policies from a subsidiary point of view;
- market concurrence has to be sustained through those endogenous factors that differentiate the territorial whole/system (a mix of social, cultural, environmental, economic indicators influencing the regional ranking within Europe and in the international context);
- some low-cost raw materials have to be introduced in entrepreneurial vital and innovative factors within a stable social context;
- market competition has to take into account environmental, social, cultural, and economic sustainability;
- confidence in internal co-operation happens between different subjects/actors and the Communitarian level, with regards to environmental protection and development.

The Added Value of Sustainability for Firms in the Competitive Global Market

The set of relationships between productive organisations and the territorial system has changed the enterprises' approach to the environment question (Prezioso, 2010). From the point of view of services at local (or district) level, the environment is (i) a source of benefits and

positive externalities for firms, (ii) a (direct and indirect) competitive advantage, and (iii) an endogenous variable of the business activity to include in the industrial production process. Hence, to support the business competitiveness needs to internalize the environment and to transform it in compliance because it has now become a priority for European policy (Climate Change, Energy, Natural, Human, and Technological Risks, Rio + 20 and so on).

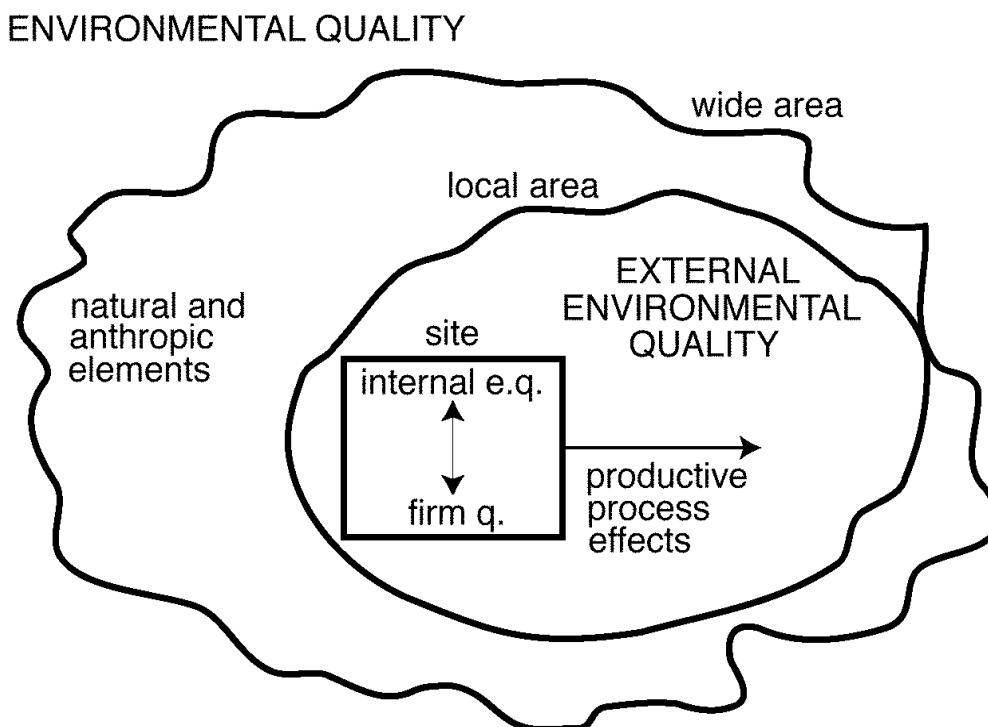
This goal of sustainable development (Barca, 2009; European Council, 2010; Prezioso, 2007, 2008b, 2010) is to find suitable solutions, compatible with the needs of the business development and the territorial system, reducing impact from the evolution of the EU policy. Opposite to common thought, investing in sustainability represents a huge source of income for all the organisations able to move into new markets of sustainable products, and flexible and dynamic processes with considerable flexibility and dynamism.

The right balance between environmental protection and economic growth defines environmental quality as a means to obtain benefits through the internalisation of sustainability into the fundamental logic of production (Prezioso, 1996). In fact, it means not only an increase of the business size (growth) but also a balanced and progressive growth over time (development).

The growth of environmental quality and firms in business are inversely proportional. The point of balance occurs when environmental quality decreases without exceeding the limit of sustainability, while ensuring a growth in business quality.

In the local productive systems, this defines how the local environmental dimension within the enterprises can operate in order to be sustainable (Figure 1).

Figure 1. Environmental Quality dimension (Prezioso, 2001)



Of course, an Environmental Management System (EMS) based on Total Quality Environmental Management (TQEM) (Prezioso, 1996, 2001) and supply chain logic should integrate the assessment of environmental and territorial management measures.

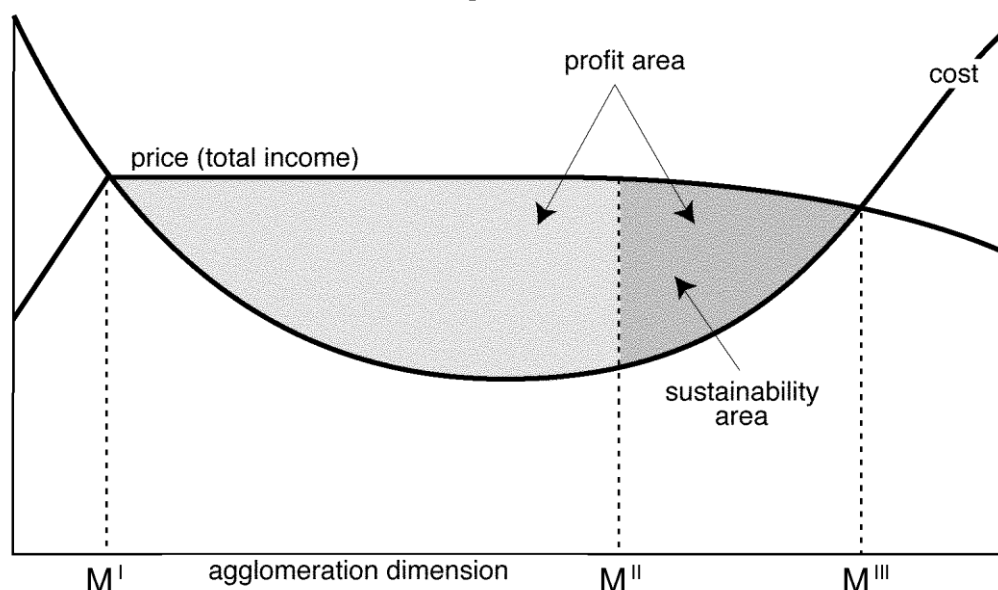
Consequently, having internalised environmental sustainability, firms need to find new external economies of scale. This can happen only by changing, or replacing, the localization factors of traditional agglomeration models. Smith (1776) calculated how firms localise themselves to achieve economies of agglomeration (space-cost curve), considering prices of goods as fixed, and varying total costs of transportation. Localization choices depend on the distance (and its costs) in relation to the specific places that present suitable conditions for settlement (capital, labour, material source, market).

The curve changes if we introduce sustainability as a new relevant factor for enterprise localization, in addition to firms, structures, and infrastructures.

However, considering that more than 90% of European enterprises are small-medium and micro firms, new environmental costs cannot be sustainable (Jørgensen, Prezioso et al., 2006). Empirical observations (Lennert, 2006) justify, also at a territorial level, that a single firm cannot satisfy the requirements of productive sustainability on its own, but environmental management can be fully effective only with regard to territorial systems of integrated firms. In fact, localization costs are very high in the first phases of the environment management of production, but they decrease in time, especially in relation to the number of firms that participate in this activity in an agglomerative way. The consequence is a positive change in selling prices (to grant the products environmental care), but also their decrease in the long term, in relation to the higher number of firms that pay the common costs for environmental management.

Of course, reconsidering Smith's model, the price is not fix because the new policies influences the price. The right dimension of the sustainability area is the optimum one suitable to bear environmental costs and responsibilities, near to the economic vantages of production growth (Figure 2).

Figure 2. Industrial localization for sustainable production (Prezioso, 2001)



The profit area represent the concentration of a number of firms able to obtain positive external economies of production, in order to allow economic efficiency and reintegration of costs. Only the smaller area identifies a sustainable situation, but not an optimum state by an economic point of view, because it allows the integration of environmental needs with the ones of production, even if with some renunciation. The costs change in relation to the agglomeration economies and diseconomies, while prices increase, because of the initial costs of localization in the area; after a period of stability, the cost decrease because of the agglomeration advantages function of the dimension of the agglomeration (*non capiscoilsenso*) and cause an improvement of the economic efficiency. The spatial margins of profit M' and M''' represents the suitable firm's localization (according to Smith).

While the sustainability area ($M'' - M'''$) is smaller because of the necessity to reach that agglomeration dimension able to create some particular external economies for environmental management that allow the decrease of selling prices.

Toward New Localisation Factors: The Revision of Porter's Diamond by STeMA

In order to adapt the production systems to the new EU competition parameters, a strategic integration of the Porter contribution (1990, 1996) is fundamental. Porter already paid attention to the importance of the territorial dimension in firm development as well as on the local dimension where the enterprise is located: Competitive advantage can live both in the territory and in the single enterprise (Porter, 1990).

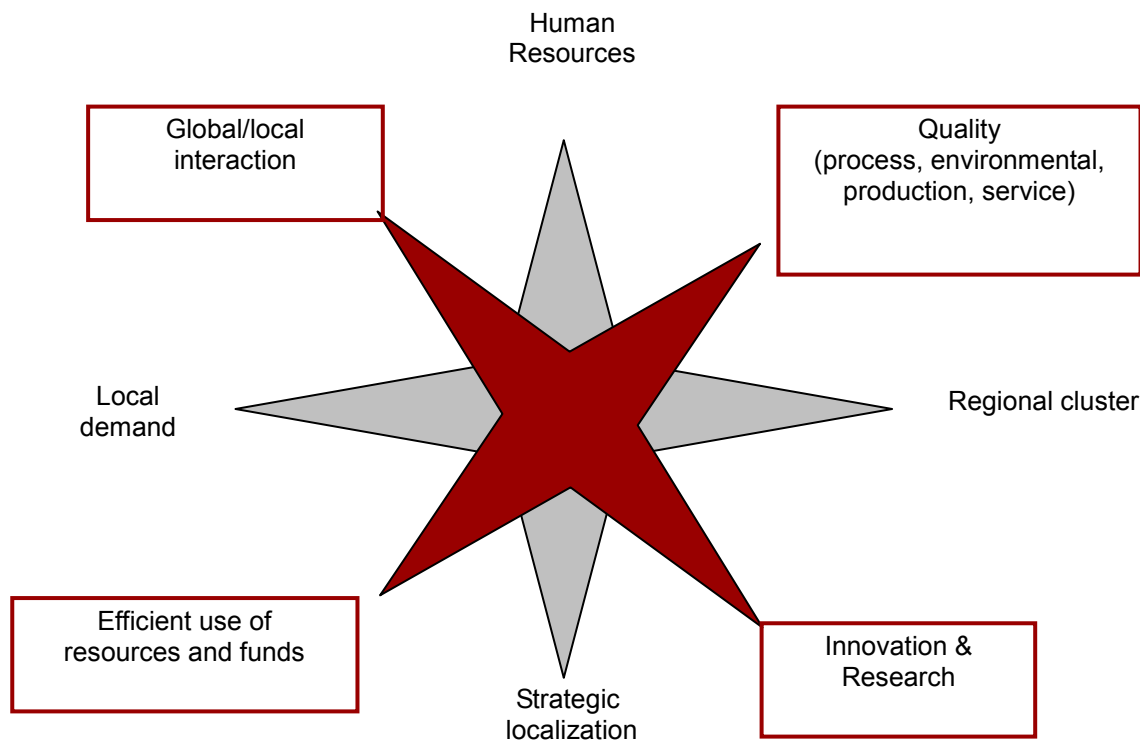
Nevertheless, Porter denies the hypothesis of mutual extraneousness between enterprise and territory: the territory-environment is no more an objective data, but rather the "product" of the strategic action of the enterprise.

The generation of economic value requires co-ordination of all activities to produce a competitive advantage in force of their complementary attitude. Therefore, regional business competition does not appear among single enterprises, but rather among alternative value chains. Porter asserts that competitive advantage depends on the internal factors of the enterprises and the territory where the enterprises are located. The interaction with the local systems and their actors does not have to separate the research of competitive advantage.

This assertion leads to the main issue of the new concept of territorial competitiveness: If a localized process achieves and maintains the advantage, the reasons for the success of some firms must be found in the localized contexts (regions) where they operate.

The ability of an enterprise to innovate and grow does not depend only on the four characteristics of the territory (the famous "diamond"): strategic localization, local demand, integration with regional cluster, human resources, but also on what Amartya Sen calls "capabilities" (2002), and Europe2020, "potential diversity" (2010): innovation and research, global-local interaction, quality (process, environment, production, service), efficient use of resources and funds (Prezioso, 2007), implementing the Porter's Diamond (Figure 3):

Figure 3. The integrated Porter's Diamond Model (Prezioso, 2007)



The Territorial Capital for the Enterprises' Local System and Networks

After accepting sustainability, firms strengthen ties, connections, and sharing of common services (information systems, real services), creating their own territorial capital. Initially, the OECD in its *Territorial Outlook* (OECD, 2001) proposed the territorial capital and the entrepreneurship capital in a regional policy context, and recently, the DG Regio of the Commission of the European Union has reiterated the following: "Each region has a specific 'territorial capital' that is distinct from that of other areas and generates a higher return for specific kinds of investments than for others, as these are better suited to the area and use its assets and potential more effectively. Territorial development policies (policies with a territorial approach to development) should first and foremost help areas to develop their territorial capital" (European Commission, 2005, p. 1; Camagni, 2008; Monfort, 2011).

Management of territorial capital knowledge is a strategic success factor for the innovation and growth of regions and enterprises. Economic growth is the result of crossed capacities and interactive learning processes in contexts like cities or industrial districts, with a plurality of agents.

Elements making up a region's territorial capital are now divided into (a) structural characteristics and (b) characteristics associated with its territorial position (Camagni, 2008). These elements represent a localised set of common goods, producing indivisible collective assets. They cannot be private, and they include cultural, historical, and environmental heritage as specific and characteristic components of places. Key factors for developing the territorial capital of enterprises (Camagni, 2008) begin with the following:

- Social, environmental, economic, and cultural contexts as well as the favourable territorial preconditions for implementing territorial governance actions (institutional confidence, innovative milieu, etc.).
- Policies to describe the institutional framework of territorial policies, instruments, and procedures for governance (i.e., the “governing” of governance).
- Territorial governance actions, defined as the experiences, projects, programmes, etc., that need or stimulate a territorial governance approach, evaluating interconnected governance processes and results, at different levels.
- ICT as a whole of services concentrated in the urban areas and metropolitan agglomerations with different levels of accessibility and availability.

The role services of general interest (ESPON SeGI project, 2011) and their full exploitation in urbanised regions play is a source of attraction and localisation of direct investments.

Since the end of the 1980s, the literature of growth launched specific planning actions in order to accelerate business development in regions lagging behind. The improvement of human capital (Lucas, 1988) and the development of public infrastructures, such as transport, seemed to be able to increase the marginal product of private capital, fostering capital accumulation and growth (Aschauer, 1989; Barro, 1990).

This was the economic geographic point of view as well as the business one: New transportation infrastructures seemed to increase accessibility, new opportunities of firms' location and, in this way, the attractiveness of regions and employment (Martin & Rogers, 1995; Vickerman, 1996; Venables & Gasiorek, 1999; Martin, 2005; Puga, 1999).

Now, we know there is not a linear increase or decrease between firms and regional infrastructural development. As some authors (Bryant & Preston, 1990) anticipated, it is better to focus on questions of equity in the recruiting plans of industries and residents, and to promote small and family businesses for job creation, a broader tax base, and growth and development to sustain the community's quality of life and vitality.

At the regional scale, this approach cannot count on the same adjustment mechanisms, or on the completely independent fiscal systems at the national level. For instance, such factors as 'knowledge and innovations,' one of the Lisbon's policies, as well as of Europe2020, express all their criticality only at the regional level, where it is possible to evaluate their differences and changes in time and space (Prezioso, 2007, 2011).

The results of this revision suggest the assessment of territorial competitiveness (Prezioso, 2007) as linked to sustainability and cohesion, from the externalities and internalities point of views (external and internal cooperative economies of scale).

Further, *Europe2020* (European Commission, 2010a) develops the dissemination of intelligent networks using ICT, suggesting to exploit network advantages at the transnational scale and increase the competitive gains of firms, especially in the manufacturing industry and SMEs, providing assistance to consumers to evaluate the efficiency of production.

This orientation needs to consider the “emission 0” policy and resource constraints as well as environmental degradation, biodiversity, and the sustainable use of resources, economic strengthening, and social and territorial cohesion (European Commission, 2010b). The bottom-

up approach is useful, particularly if it focuses on local entrepreneurship, by which endogenous factors provide the necessary condition for growth. In stressing the cooperative role of firms and institutions, the bottom-up approach seeks to broaden community involvement in regional development that values local participation and input in terms of action, policies, and institutions (i.e., the UK approach).

How Territorial Governance Combines Real Economy and Business Management with Competitiveness and Sustainability

In the traditional development model of local business, the development represents the stimulation and retention of business and employment through its export-base and other engines of the economy. In the competitive and sustainable models, the articulation and nature of local economic development often reflects the adoption of strategies and initiatives in local communities.

The territorial governance of firms and for firms allows the free unfolding of local competitive potential. Shared projects and rules along with the ability of the institutions (public and private) can enhance the creation of a “polycentric network” and the identification of the necessary skills and resources to be competitive in sustainability.

Thus, governance, and its set of rules, helps to use and develop a common milieu (including local sustainable solutions) that allows the achievement of strategic objectives and the transfer of the choices of political-institutional and corporate actions to firms and territory, setting-up a shared model of compliance.

Territorial governance is able to transfer, at a local level, the relations among board (public institutions), management (administrative-management system), shareholders (citizens), clients (employees – business and citizens), and stakeholders (interest holders). Although not always pursuing the same goals, they all aim to enhance external scale economies (urban scope economies), economic relations, stability and reliability of markets, and international investment flows (Prezioso, 2008a).

Since 2007, governance contributes to enhance different territorial contexts, assessing ex ante their degree of cohesion with respect to competitiveness, assuring stability (static approach inside the countries), convergence (dynamic-comparative approach among indicators), enhancement of general quality of life for the European population, and positive regional performance in terms of employment, income, and productivity, into a single word: capability. Territorial and enterprise governance has a special prominence in a context where the capability to be competitive in different areas and territories increasingly depends, besides the agglomerations processes over time, on the ability to exploit existing resources and competences through an adequate use of networking.

The European Union recognises, in its 2020 political orientation, the need for firms to adapt as much as possible to rules aiming at promoting sustainability in all its forms in order to build an economic and social model more suited to combining productivity and social cohesion with sustainability (United Nations, 2012).

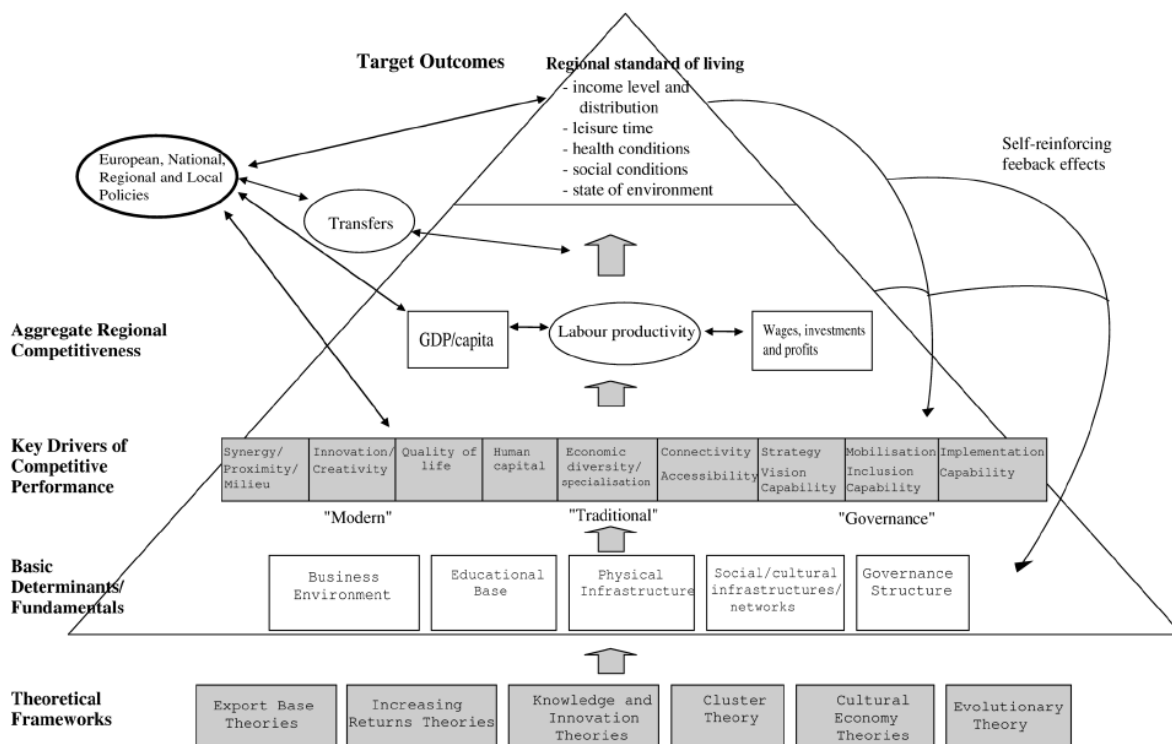
Only since 1992 (Carvallo & Smith, 1992), firms actually face the issue of sustainability, and the closely related idea of competitiveness, causing a shift in the business world of tangible factors – such as allocation of resources, labour costs, plants and equipment, etc. – and intangible

assets as, for example, knowledge creation, exchange of know-how, economies of proximity, relations with the institutions, and opportunities of new systems of local governance.

The growing importance that firms give to the idea of sustainability as a strategic and localization factor induces the local production systems to invest in this direction, leading to the determination of a territorial development model based on the endogenous potential and measured in terms of sustainability.

Territorial development and territorial competitiveness have a strong link with firms' behavior and they produce interdependencies. The combination of these factors creates the regional competitiveness shown by the "pyramidal" model of "regional competitiveness" (Martin, 2005) (Figure 4), whereby, it is possible to separately analyse the resources of competitiveness (or "competitiveness revealed"), and the results-targets, especially in terms of improvement of the quality of life.

Figure 4. Conceptualising regional competitive performance (Martin, 2005, in Lennert, 2006, p. 30, retrieved from http://www.espon.eu/export/sites/default/Documents/Projects/ESPON2006/Projects/CoordinatingCrossThematicProjects/Economy/fr-3.4.2_Dec.2006-full.pdf); figure based on Martin (2005) and the ESPON Report (2006)



The EU developed the "Europe 2020" Strategy to surpass the crisis and reposition of Europe among the poles of the world economy, suggesting three lines of prior investment that mutually reinforcing the Europe 2020 pillars and their usefulness for business:

1. Smart growth: developing an economy based on knowledge and innovation, improving quality of education, strengthening research, and promoting innovation and the transfer of knowledge throughout the EU, so that innovative ideas are transformed into new services that stimulate growth, creating quality jobs and contributing to address the challenges of European and global society.
2. Sustainable growth: promoting a more efficient economy in terms of resources that is more eco-friendly and competitive.
3. Inclusive growth: promoting an economy with a high rate of employment that favours social and territorial cohesion. (European Commission, 2010a)

With regard to regional policy for new European globalised entrepreneurship, cohesion is the main goal of a territorial behaviour's scale. Through different marks, indicators are possible to measure the cohesion. Sometimes, these indicators are not related to time series of data, thus, creating a wide gap between empirical experiences at the local scale and in regional territorial policies. Otherwise, many studies considered cohesion separately from the subsidiary relation (multilevel governance), or with regard to the increase and decrease of other phenomena: the labour market, social disease, marginalization and social exclusion, explosion and diversification of mobility-accessibility, and urban and territorial regulation and regeneration.

Therefore, regional business cohesion depends on the transformation of original productive localisms into local productive systems in many European regions (i.e., Denmark, Netherlands, Belgium, Germany, and France).

Regional diversity sustains this transformation capability by the following:

1. increasing competition at an international level;
2. growth processes of de-localized production; and
3. an inclination toward faster innovation of process, product, and organization as a result of new technologies.

In this way, cohesion's territorial dimension is always a local collective interest and the respect of governance rules.

Where local cohesion is stable for at least a decade (as in peri-urban areas), business environment values are more lasting, in addition to chances for endogenous investments beyond the city (as in Italy's North-East). When cohesion's attraction fades, productive phenomena appear as quality loss, lack of functionality, and the rejection of pursuing exogenous economic objectives.

Several regional behaviors represent and measure the business cohesion (European Commission, 2010a) where sufficient intra-border, trans-border, or both, integration and inter-dependence directly influence economic and social life. These highlight regional business macro-economic and infrastructural features as well as their capability in achieving local integration.

Cohesive regions receive and produce great flows toward urban and productive centers by organizing their daily directionality, as in the Swiss Cantons and some regions of the Netherlands, and in linear transit in trans-border cases.

From this perspective, cohesion is also a bottom-up variable of global business competition among internationalised territories, where business concentration creates hierarchies

among enterprises and enterprise networks, which are important to understand how territories can turn themselves into active subjects of development.

Short Remarks on Sustainability and Cohesion to Arrange Business Growth Toward 2020

Sustainability and cohesion in business practice to re-launch competitive enterprises is a need that has emerged strongly in Europe, in an effort to address the effects of the global crisis in Europe 2020's goals.

From the territorial point of view, and in the European vision, it means pursuing the development of endogenous regional productive models able to progressively increase the participation of the enterprise systems and networks toward new generations of development.

Discussing the impacts of the European policy on the enterprise systems in the last decade, it already is clear how policy effects may have irreparably modified the enterprise network relationships (socio-functional, interrelated, and cohesive). These European choices suggested to include the territorial dimension in the business addresses for growth by the intra and inter-regional cooperation: The objective is to search new forms of balanced growth by assuming a polycentric organization (European Commission, 2010b). This influences both the European enterprise perspective and territorial development.

The territorialized performance of enterprise systems and networks, their values, and their behaviors should look at these parameters, and with regard to specific European territorial typologies, using sustainable methodologies. STeMA is a possibility for creating a geo-economic-territorial trend model to receive the territorial effects of the European policy on the re-launch of the enterprise systems and networks, based on the European SMFs Chart and the Europe 2020 Strategy.

References

- Aschauer, D. (1989). Is public expenditure productive? *Journal of Monetary Economics*, 23, 177-220.
- Barro, J. R. (1990). Government spending in a simple model of endogenous growth. *Journal of Political Economy*, 20(2), 221-247.
- Barca, F. (2009). *An agenda for a reformed cohesion policy: A place-based approach to meeting European Union challenges and expectations*. Retrieved from http://www.eurada.org/site/files/Regional%20development/Barca_report.pdf
- Bryant, C. R., & Preston, R. E. (1990). *Economic Development in Small Town and Rural Environments*, *Economic Development Bulletin*, 10. Waterloo, Canada: Economic Development Program, University of Waterloo.
- Camagni, R., Capello, R., & Chizzolini, P. (eds.). (2008). *Regional competitiveness: Towards a Theory of Territorial Capital. Modeling regional scenarios for the enlarged Europe: European competitiveness and global strategies*. Berlin: Springer-Verlag XVI.
- Carvalho, E., & Smith, L. (1992). *An Entrepreneurship and Community-based economic development*. *Economic Bulletin*, 12. Waterloo: University of Waterloo Economic Development Program.
- Den Butter, F. A. G., & Verbruggen, H. (1994). Measuring the trade-off between economic growth and a clean environment. *Environmental and Resource Economics*, 4, 187-208.

- Consiglio Europeo di Goteborg. (2001a, June 15-16). Conclusioni della Presidenza. Bruxelles: Author.
- Council of the European Union. (2000, March 23). Conclusions of the Presidency. Lisbon: Author.
- ESPON Report. (2006). *Territory matters for competitiveness and cohesion: Facts of regional diversity and potentials in Europe: ESPON Synthesis Report III. Results by autumn 2006*. Luxembourg: ESPON Coordination Unit.
- European Commission. (2001). *A white paper on European Governance*, COM(2001), 428/2. Bruxelles: CCRECEMR.
- European Commission. (2010a). *Europe 2020: A strategy for smart, sustainable, and inclusive growth*. Retrieved from http://ec.europa.eu/europe2020/index_en.htm
- European Commission. (2010b). Territorial Agenda of the European Union 2020 agreed at the Informal Ministerial Meeting of Ministers responsible for Spatial Planning and Territorial Development on 19th May 2011, Gödöllő, Hungary. Retrieved from [http://www.mmr.cz/getmedia/b77d445e-91f3-48d4-9b8d-fb55e979935d/Stav-a-perspektivy-uzemi-EU-\(anglicka-verze\)-1](http://www.mmr.cz/getmedia/b77d445e-91f3-48d4-9b8d-fb55e979935d/Stav-a-perspektivy-uzemi-EU-(anglicka-verze)-1)
- European Parliament's Committee. (2005). *Adaptation of Cohesion Policy to the Enlarged Europe and the Lisbon and Gothenburg Objectives, January 2005*. Brussels, Belgium: European Parliament. Retrieved from http://www.europarl.europa.eu/meetdocs/2004_2009/documents/dv/ip.b.regi.st.2004-008/ip.b.regi.st.2004-008en.pdf
- Jørgensen J., Steineke J. M., Copus A., Prezioso M., Hanes N., Al-Assi S., & Lennert M. (2006). Literature review on regional growth, competitiveness. In Lennert, M. (Ed.). *Territorial impacts of EU economic policies and location of economic activities, ESPON project 3.4.2, Final Report*, 136-160. Retrieved from http://www.espon.eu/export/sites/default/Documents/Projects/ESPON2006Projects/CoordinatingCrossThematicProjects/Economy/fr-3.4.2_Dec.2006-full.pdf
- Kok, W. (2004, November). *Facing the challenge: The Lisbon Strategy for Growth and Employment: Report from the High Level Group chaired by Wim Kok*. Brussels: European Commission.
- Krugman, P. (1995). *Development, geography, and economic theory*. Cambridge, MA: MIT Press.
- Lennert, M. (2006). *Territorial impacts of EU economic policies and location of economic activities. ESPON project 3.4.2, Final Report*. Retrieved from http://www.espon.eu/export/sites/default/Documents/Projects/ESPON2006Projects/CoordinatingCrossThematicProjects/Economy/fr-3.4.2_Dec.2006-full.pdf
- Lucas, R. E., Jr. (1988). On the mechanics of economic development. *Journal of Monetary Economics*, 22, 3-42.
- Martin, R. (2005, October 26). *Thinking about regional competitiveness: Critical issues. Background 'Think-Piece.'* Paper commissioned by the East Midlands Development Agency, [Nottingham, England]. Retrieved from http://didattica.unibocconi.it/mypage/upload/48731_20100601_124105_ROMARTINPAPER1.PDF
- Monfort, P. (2011, November 29). The regional and urban dimension of Europe 2020, in ESPON 2013 Programme Internal Seminar, Kracow, Poland, http://www.espon.eu/main/Menu_Events/Menu_InternalSeminars/internalseminar11112930.html
- O'Hara, S. U. (1997). Toward a sustaining production theory. *Ecological Economics*, 20, 141-154.
- Pearce, D. W. (1998). Environmental appraisal and environmental policy in the European Union. *Environmental and Resource Economics*, 11, 489-501

- Porter, M. E. (1990). *The competitive advantage of nations*. New York: Free Press.
- Porter, M. E. (1996). Competitive advantage, agglomerative economics and regional policy. *International Regional Science Review*, 19, 85-94.
- Prezioso, M. (1996). *Small-medium firms advanced services. Green Quality and Economic-territorial model of localization*. In *Proceedings of the Regional Science Association 36th Congress*, Zurich, Switzerland.
- Prezioso, M. (2001). Modello di organizzazione territoriale per la gestione della qualità ambientale della produzione. In Calafiore, G., Palagiano, C., & Partore, E. (Eds.), *Atti del XXVIII Congresso Geografico Italiano*, III, 2921-2943. Roma: Apogeo.
- Prezioso, M. (2007). *Territorial dimension of Lisbon-Gothenburg Strategy, ESPON 3.3 Project Final Report*, ARACNE Roma. Available http://www.espon.eu/export/sites/default/Documents/Projects/ESPON2006Projects/CoordinatingCrossThematicProjects/LisbonStrategy/fr-3.3_final_25-01-2007.pdf
- Prezioso, M. (2008a). Is it possible to give more relevance at territorial dimension onto competitive and sustainable policy choices? *Transition Studies Review*, 15(1), 1-32.
- Prezioso, M. (2008b). The Territorial Dimension of a Competitive Governance in Sustainability. *AGE - Spain Geography Bulletin* (Special issue), 46, 163-179. Available <http://age.ieg.csic.es/boletin.htm>
- Prezioso, M. (2010). The Sustainable environmental/economic Management Approach to manage global policy impacts and effects. In Cancilla, R., & Garganos, M. (Eds.), *Global environmental policies: Impact, management, and effects*, pp. 110-163. Hauppauge, NY: Nova Science.
- Prezioso, M., & Renzetti, P. (1999). *Organizing model for sustainable small and medium firms: The Italian case study*. Proceedings of European Regional Science Association 37th Congress, Dublin, Ireland.
- Puga, D. (1999). The rise and fall of regional inequalities. *European Economic Review*, 43, 303-334.
- Smith, A. (1776 [1981]). *An inquiry into the nature and causes of the wealth of nations*, Volumes I and II. R. H. Campbell & A. S. Skinner, eds. Indianapolis: Liberty Fund.
- Storper, M. (1997). *The regional world: territorial development in a global economy*. New York: Guilford Press.
- Toman, M. A. (1994). Economics and sustainability: balancing trade-offs and imperatives. *Land Economics*, 70(4), 399-413.
- United Nations. (2012). Report of the United Nations Conference on Sustainable Development. Retrieved from <http://www.uncsd2012.org/content/documents/814UNCSD%20REPORT%20final%20revs.pdf>
- Venables, A., & Gasiorek, M. (1999). *The welfare implication of transport improvements in the presence of market failure, part 1*. Report to Standing Advisory Committee on Trunk Road Assessment (SACTRA), Department of the Environment, Transport and the Regions (DETR), London, England.
- Vickerman, R. W. (1996). Restructuring of transport networks. *EUREC*, 3(96), 16-26.

About the Authors

Maria Prezioso (maria.prezioso@uniroma2.it) is Full Professor of Economic-Political Geography and Economics and Territorial Planning at the University of Rome "Tor Vergata." Author of STeMA methodology (*Sustainable Territorial Environment/Economic Management Approach*) applied to assess Territorial Impact Assessment (TIA) and Sustainable Environmental Assessment (SEA), she is vice president of the Italian Association of Geography (AGeI) and is an expert in competitiveness in sustainability regional spatial planning and territorial cohesion. (Note: Maria Prezioso is author of paragraphs 1 and 4.)

Maria Coronato (maria.coronato@uniroma2.it) is a Ph.D. student in Economic Geography at the University of Sassari, in Italy. She studies the issues related to the Green Economy and Risk Management to mitigate natural hazards looking for regional and national development in the European contexts. (Note: Maria Coronato is the author of paragraphs 2 and 3.)

Discussion Questions

1. What is the relation between enterprises and sustainable development?
2. What is the added value of sustainability for firms in the competitive glo-local market?
3. How can the new competitiveness determinants integrate with traditional localisation factors?
4. Can we consider the territorial capital and capability of the cohesive point between enterprise choice and political choice?

To Cite this Article

Prezioso, M., & Coronato, M. (2013, Spring). Sustainability in business practice: How competitiveness is changing in Europe. *Journal of Multidisciplinary Research*, 5(1), 57-71.



“[Untitled #14]”

Photo by Scott E. Gillig.

Image Copyright © by Scott E. Gillig.
All rights reserved. Used with permission.

Vision and Practice: The South African Information Society Experience

Ntombizandile Lesame

University of South Africa

Abstract

International and national data made available during the past few years indicate access to and use of information and communication technology (ICT) and services is declining in South Africa. In the past, South Africa led African countries in terms of ICT infrastructure development and access. However, more recent ICT statistics indicate other African countries, such as Nigeria, Mauritius, and Tunisia are advancing faster than South Africa. The World Economic Forum Global Information and Communication Report (2012) states the sub-Saharan African region still has the least developed ICT infrastructure in the world, and has a severe lack of ICT skills. Having considered the Southern African ICT infrastructure deficiencies, this article captures and evaluates ICT policy and regulatory interventions instituted by South Africa toward the creation of an information society (IS). This article provides a brief historical background on ICT access and use in South Africa, identifies stakeholders engaged in transforming South Africa into an information society, and evaluates South Africa's progress toward becoming an information society by comparing levels of public access to, and usage of, ICT in South Africa with that of selected African countries and BRICS (Brazil, Russia, India, China, and South Africa) countries.

Keywords

digital inclusion, digital illiteracy, information society, technology access, e-skills, e-skilling, Internet economy

Introduction

The main objective of this article is to assess the progress South Africa has made toward becoming an information society. Local telecommunications policy and sector analysts, academics, and information and communication technology (ICT) policy-makers have, over the past few years, expressed concern in the media about the chronic digital divide in South Africa, which has a negative impact on progress in becoming an information society. This article

chronicles the development of an information society in South Africa by providing a comprehensive analysis of key ICT indicators that form the basis of an information society with the purpose of understanding whether these indicators have contributed considerably to national attempts to reduce the burdensome digital divide. The article features the ICT Development Index (IDI), structured by the International Telecommunication Union (ITU), as an information-society measuring and benchmarking tool. In the final analysis, this article constitutes a major input to the digital divide and universal access to ICT policy debates, and records the historical development of South Africa as an information society since early 2000. This history can better inform present ICT policy makers about which ICT services require their attention and development as well as future industry policy directives and the implementation thereof.

The article also provides international views on the status of South Africa as an information society. Such views also have to alert national ICT policy makers, more especially since these views indicate South Africa is backtracking, rather than improving, with regard to ICT infrastructure development. In this regard, the 2012 World Economic Forum (WEF) "Networked Readiness" Report of 142 countries states that

despite counting on one of the most solid political and regulatory environments (23rd), and better framework conditions for entrepreneurs and innovation (50th) in the Sub-Saharan African region, South Africa at 72nd place, is not yet leveraging the potential benefits associated with ICT. (e-Skills Institute, 2012, p. 2)

Additionally, the fact that South Africa is no longer the African leader in ICT infrastructure and access, when compared to countries such as Nigeria (as South Africa used to be in the early to mid-2000s), also has caused more concern regarding South Africa's stagnant status as an information society.

South African ICT data indicate limited access and use of most technology, except mobile phones. High mobile phone access and usage levels, however, have not reduced digital exclusion but improved universal access to communications technology to a limited extent. This article explores the current status of South Africa as an information society and employs the ICT Development Index to measure this status. The article also evaluates whether South Africa has failed or passed the test of an information society, while also comparing the development of ICT and e-readiness of South Africa with that of other developing countries selected for the study. In its report, publicly released at the end of 2011, the South African National Planning Commission (NPC), a body appointed by the South African government to assess development challenges and obstacles in the country, declared that "ICT and broadband networks are at the core of economic-recovery strategies" (p. 5). However, if these ICT networks are underdeveloped and continue to remain so, South Africa may not experience the economic recovery desired by the NPC and the government. This article concludes that the lack of development of ICT facilities in the country exacerbates the chronic digital exclusion that continues to contribute to the creation of development barriers, rather than the creation of economic opportunities. Digital exclusion further contributes to the problem of digital illiteracy and a lack of much-needed e-skills in the country. A former South African Minister of Communications stated that "the ultimate goal of developing an Information Society is to empower individuals to be able to access the world of

electronic information and utilize it” (Padayachie, 2010, p. 23). However, Padayachie (2010) also noted in this report, that South Africa is grappling with an ICT deployment challenge because the government has not yet succeeded in its attempts to deploy ICT widely, as planned in its policy documents, hence the government has sought the assistance of the private sector and other interested stakeholders to improve ICT infrastructure rollout, and development and usage.

The first section of the article provides a brief history of the information society concept around the world and in South Africa. Section 2 of the article assesses the status of South Africa as an information society and provides national ICT statistics as reported over the past few years, with an emphasis on data relating to ICT access, usage, and skills. Section 3 of the article summarizes the research methodology used to gather the information. The article ends with concluding remarks and recommendations on the topic under discussion.

Meaning of and Brief Background on the Information Society Globally and in South Africa

An information society is broadly defined as a society that is able to transform itself by living, working, and playing through the exploitation of ICT. This transformation brings both significant opportunities and tremendous challenges for governments, organizations, and individuals as ICT changes the way they live and arranges their lives around the use of technology, such as mobile phones and computers. The South African definition of the information society is the one offered by Padayachie (2010), namely that of a society that provides ICT access to people so they can utilize it to improve their work and lives. This definition provides a quandary for South Africans because most people in South Africa cannot access ICT and, therefore, are unable to utilize it for work or to improve their lives. What most South Africans access and use are mobile phones, as later sections of this article show, but these mobile phones (as indicated by the 2012 WEF Report) have not improved their lives, although they have improved how people communicate with others. Since the middle of the twentieth century, philosophers and scholars have suggested the highly developed industrial societies of the world, such as the United States of America, Britain, the European Union, Japan, and Australia, are undergoing major economic, social, political, and cultural changes (Sonderling, 2007). While it was suggested initially that these changes were confined mainly to the highly developed societies of the West (or the developed nations of the Northern Hemisphere), it was during the last decades of the twentieth century that ICT extended globally and penetrated the less developed societies of the South. The result is the information society now is considered a global phenomenon, or a global information society. Some writers suggest information was always of central importance in society and, therefore, the information society is not an entirely new social formation but an extension and natural development of the modern industrial society and an example of late capitalism. Other writers argue the information society is an entirely new type of society: a post-modern society that has broken its relationship with its past (Sonderling, 2007). Most theorists agree that its defining character is the spread of ICT, and the new and central role of information and knowledge in contemporary post-modern society. Shedding more light on the meaning of the information society, Lyotard (1984) asserts that information has acquired a new place and value in contemporary society. In other words, an information society is a society in which the creation, distribution, use, and manipulation of information has become a significant economic, political, and cultural activity. Information is now the central driving force and

organizing principle of society. As Poster (1990) suggests, we now can refer to the mode of information that has replaced the mode of production as the defining character of the industrial society.

The idea of a mode of production (information) suggests the information society, like all of human society, is a result of social changes. For example, it is commonly asserted that a society changes because of revolutions. Many writers consider social developments and changes as driven by a series of revolutions: Hunter–gatherer societies were changed by an agrarian revolution, centuries later agrarian societies were changed by the industrial revolution, and the industrial society was changed by an information revolution. Braman (1993, 1995) provides a good discussion on the changes that brought the information society into existence and the importance of the information economy in such a society. Following such revolutions and changes, each society attempted to control the new societies and technologies of communication by formulating policies and legislations to regulate access and the use of technology within national borders. The debates and difficulty in defining the information society stem from the fact that different scholars approach the information society from different perspectives and interests. For example, some scholars consider the information society the result of technological determinism because of the spread of computers and ICT, while other writers consider the information society a cultural phenomenon, or even an imaginary product—a “social construction,” produced in post-modern talk and rhetoric (Sussman, 1999; Sonderling, 2007). Still other writers consider society a form of social relations, for example, Castells (1996, 2000) considers the information society as one consisting of a configuration of complex networks of social relationships.

Globally, many observers agree the Tunis phase of the World Summit on the Information Society (WSIS), held in November 2005, marked the end of the Industrial Era and the beginning of the Information Age. This period in human history is characterized by the production, sharing, and use of information as a phenomenon that shapes human relations, business transactions, and government plans and operations. As far as the WSIS Declaration of Principles (2005) is concerned, an information society is one in which “everyone can create, utilize and share information and knowledge, enabling individuals, communities and people to achieve their full potential in promoting sustainable development and improving the quality of life” (p. 3). Since the administration of former President Thabo Mbeki, the South African Government has developed regulatory frameworks geared toward promoting South Africa as an information society. These laws and regulatory policies include the Telecommunications Act 103 of 1996, the Telecommunications Amendment Act 64 of 2001, the New Partnership for African Development (NEPAD) Terrestrial and Submarine (EASSy) Broadband project, which covers 23 countries in East and Southern Africa, and the Information Society and Development (ISAD) Plan and Multi-Stakeholder Policy Formulating Body, which is based at the national Department of Communications (DoC). These policies all promote wide access to ICT or universal access to ICT services.

Addressing the WSIS in Tunisia in November 2005, Thabo Mbeki promoted the creation of an information society by stating the following:

Indeed, the creation and development-oriented Information Society is in the best interest of the majority of humanity because most of the peoples of the world, especially from developing countries, are confronted by the challenge of exclusion in the context of

global economy, in whose development modern information and communications technologies play a vital role. (South African Presidential National Commission on Information and Development, 2005, p. 7)

From 2005 onwards, the South African government implemented several policy interventions and ICT projects to create a South African information society. This article mentions some of these interventions and projects, while attesting to the fact that South Africa has not yet achieved the status of an information society since most citizens do not have access to most ICT necessary to work, earn profits, and improve lives. Most citizens also do not enjoy the benefits gained from using ICT, as most are unemployed and suffer from poverty and social deprivation.

The current South African Minister of Communications, Dina Pule, also recognized the social deprivation challenge of South Africans and declared, while opening the first e-Skills Summit in Cape Town in July 2010, that

the historical imbalances between the advantaged and disadvantaged will be with us for quite some time and that it will take an even greater struggle, involving even greater commitment and passion, to create a more equal society in all aspects of our society and country. (p. 2)

Pule (2010) also acknowledged the challenge facing her department by stating that South Africa's greatest challenge is to "narrow the gap between the haves and have-nots, the skilled and the unskilled, as well as bridge new gaps, particularly those created by the digital age" (p. 2). One of the strategies Pule's government and Ministry of Communications has adopted and implemented to address this huge challenge is the development of an e-skills policy located within the broader ICT policy, aimed at teaching young people e-skills to improve their chances of gaining employment in the public and private ICT sectors. The e-skills policy is also aimed at addressing the huge lack of ICT skills. In this regard, another ICT policy formulator and implementer (the acting Director General of the Communications Ministry at the time) pointed out that the fact South Africa has a "major e-skills shortage is beyond doubt - with the communications industry alone requiring 70,000 people in 2010" (Wesso, 2010, p. 1). What is also inherently evident, and has been adopted by the South African government as a strategy to address e-skills shortages and teach ICT skills in different ICT centres and organisations around the country, is that public-private partnerships (PPP) are the best way to bring together government and private sector resources to improve ICT skills and embark on laborious e-skills training programs.

E-skills encompass all the ICT skills required to operate in the digital work environment, including working in ICT sub-sectors, such as e-government, e-health, and other work environments that demand ICT usage. The ICT deployment and human resources development (HRD) framework is developed through multi-stakeholder discussions in conferences and colloquia, the results of which are implemented as the strategy to pursue and achieve an inclusive information society. In 2005, the WSIS process stated e-skills are essential in empowering individuals so they can participate fully as citizens of the Information Society and take advantage of all the opportunities presented to them: opportunities for employment and wealth creation, for taking advantage of innovative education and learning strategies, and for using new life-

enhancing services, such as interaction with public authorities (National e-Skills Plan of Action [NeSPA], 2010, p. 1).

Historically, South Africa has been characterized by development and information production and use imbalances mostly associated with the huge digital divide in the country (Chetty, Blake, & McPhie, 2006; Oyedemi, 2009, 2011). The advent of democracy in 1994 changed the apartheid legacy on information production and usage by working toward providing ICT to most citizens by creating laws and policies geared toward achieving universal access to ICT and digital inclusion. One of the legal documents promulgating access to technology and information by citizens is the South African Constitution, according to which, “Everyone has the right of access to any information that is held by state or another person and that is required for the executive protection of rights” (chapter 2, section 32, of the *Bill of Rights* in the South Africa Constitution, p. 10). This article assesses the strides made by South Africa to provide to some, if not everyone, in the country with access to ICT and information toward building an information society. Much literature and documentation has been recorded on the digital divide in South Africa (Horwitz & Currie, 2007; Fuchs & Horak, 2008). Furthermore, South Africa’s vision of the information society is enshrined in a development strategy that states the following:

South Africa is an inclusive information society where ICT-based innovation flourishes. Entrepreneurs from historically disadvantaged population groups, rural communities and the knowledge-intensive industry benefit and contribute to the well-being and quality of life of our citizens. South Africa has a strong national ICT brand that captures the vibrancy of an industry and research community striving for excellence, characterized by innovative approaches to local and global challenges, and recognized for its contribution to the economic growth and well-being of our people and region. (South African ICT Research and Development Strategy, 2015, p. 13; ICT Vision, 2010)

The rollout of technology throughout the country by multi-stakeholders, both in the public and private sectors, is aimed at reducing this divide. Although the government and the private sector still have a long way to go toward eliminating the digital divide and digital exclusion, South Africa is taking small steps toward addressing these challenges. This article assesses the policy interventions, and information and communication technology (ICT) projects, that have been implemented in South Africa during the past few years toward creating an information society. Over the past few years, South Africa has witnessed continuous growth in ICT services and uptake. Fixed telephony continues to decline, while access to computers, the Internet, and mobile phones continues to improve, as figures in the next sections of this article indicate.

Research Methodology

One of the indices employed to measure the information society (IS) is the ITU’s ICT Development Index (IDI) (ITU, 2011). The IS measuring index is used in this article as most of the data encapsulated within this index is readily available, and it is, therefore, possible to record this information and analyze the status of South Africa as an information society in 2012. As a

conceptual framework, the IDI is divided into the three following sub-indices, which were used in this article to assess the IS in South Africa:

- (a) *Access sub-index*: This sub-index captures ICT readiness (e-readiness), and includes five infrastructure and access indicators, namely, *fixed-telephony, mobile telephony, international Internet bandwidth, households with computers, and households with Internet*.
- (b) *Use sub-index*: This sub-index captures ICT intensity, and includes three ICT intensity and usage indicators, namely, *Internet users, fixed- or wired-broadband, and mobile broadband*.
- (c) *Skills sub-index*: This sub-index measures ICT capability or skills as indispensable input indicators. It includes three proxy indicators, which are *adult literacy, gross secondary enrolment, and gross tertiary enrolment* (ITU, 2011, p. 25).

The South African Information Society Statistics: A Critical Analysis

South Africa spans 1,219,090 square kilometers, with a population of more than 49 million people. It is home to 6 percent of Africa's population and produces 25 percent of the continent's gross domestic product (GDP) (Kaisara & Pather, 2011, p. 213). Although South Africa is classified by the World Bank as a middle-income country, the post-apartheid democratic government inherited a society characterized by a huge range of developmental levels, and, as such, it remains one of the world's most inequitable societies with extensive disparities between rich and poor (Oyedemi, 2011). Despite the government's well-intended policy reform and service delivery initiatives, economic and social disparities still perpetuate. While there have been some success (e.g., South Africa was ranked 44th out of 131 countries in the World Economic Forum's Global Competitiveness Report 2007/8), there are a number of areas in which inequalities prevail—the continued perpetuation of the digital divide is one such area (Lesame, 2009). The digital divide is a phenomenon linked not only to access to new technologies, such as computers and the Internet, but also unequal access to and usage of new technologies (Fuchs & Horak, 2008, p. 99). The issue of global inequality is connected to the topic of the digital divide because technology is one aspect of material wealth, and wealth production is more and more often based on technology and knowledge.

The discussion in this section assesses how South African ICT services have developed regarding the three IDI sub-indices mentioned in the previous section.

ICT Access Sub-Index

The South African IDI dropped 10 places from 2002 to 2007 (ITU, 2011, p. 33). South Africa, the largest African economy and the top economy in Sub-Saharan Africa, ranked 87th in ITU's IDI ranking in 2007 (and 77th in 2002). According to the ITU (2011), and the South African Ministry of Communications national ICT statistics that were measured by means of the E-Barometer ICT Index, the country has relatively low ICT access and usage values, and little progress was made in improving ICT access and use during the five-year period between 2002 and 2007 (Bapela, 2011; Padayachie, 2011). For example, international Internet bandwidth is

only 852 bits/s/user (which is similar bandwidth in Ethiopia when compared to that in Tunisia, for example, which is 1800 bits/s/user; moreover, only 4.8 per cent of households had access to the Internet in 2007) (ITU, 2011). Tunisia, unlike South Africa, has moved up the IDI since 2002, and in 2007 moved up 11 places in IDI ranking to become number 83 in the world. This improvement is due to both improved ICT access and skills in that country. For example, mobile cellular telephone penetration was 76 percent in 2007, up from 6 percent in 2002, and tertiary enrolment increased from 23 percent in 2002 to 32 percent in 2007 (ITU, 2011). Bapela (2009) stated the South African e-Barometer Index revealed the ICT sector group of indicators indicated an average growth of -1.43 percent for the period from 2006 to 2009; in contrast, the Compound Annual Growth Rate (CAGR) for the education group of indicators demonstrated a low at 0.96 percent for the same period. Furthermore, the education sector's adoption of ICT, which plays a significant role in improving the quality of education when those being educated have access to and can effectively use ICT, ensuring accessibility of information and knowledge, remained low at 0.35 CAGR for the period from 2006 to 2009.

There are five indicators included by the ITU (2009, 2011) in the ICT access sub-index, namely: fixed-line penetration, mobile cellular penetration, international Internet bandwidth per Internet user, the proportion of households with computers, and the proportion of households with Internet access. This discussion now focuses on these indicators in a nutshell.

Fixed-line Penetration. South African Ministers and Deputy Ministers of Communications, as well as industry analysts, often state that fixed-line penetration has been dropping in South Africa since the early 2000s (Padayachie, 2009; Bapela, 2011; Perry, 2011; Goldstuck, 2012). A core reason for low penetration in South Africa is price (World Wide Worx, 2012). The telecommunications incumbent operator, Telkom, has failed to lower its prices to meet public satisfaction for many years, and several industry analysts have viewed it as abusing its market power by charging consumers high prices that many are unable to afford. The rental charge for an Asymmetrical Digital Subscriber Line (ADSL), for example, comes on top of a phone-line rental, which costs R140 at present (about \$US14) a line. World Wide Worx's (2012) research on mobile consumers has shown lower-income South African cellular phone users spend an average total of R100 (about \$US10) per month on their phones. The mere rental component of a line is beyond the reach of most South Africans, let alone the cost of using it to make calls or add ADSL (Goldstuck, 2012). Statistics South Africa, in its Consumer Survey of 2007, reported an increase in the ownership of radios, televisions, computers, and mobile phones between 2001 and 2007, but reported a decrease in landline penetration from 24.4 percent to 18.6 percent (South African Yearbook, 2008/09, p. 103). This percentage has been declining slowly since then, while mobile phone uptake has been dramatic and significant. South Africa also "suffers from low government ICT adoption, particularly those means of ensuring that we can make government services available online, and the country remains behind in government ICT adoption, compared to countries such as Singapore, Eretria, Finland and others" (Morokolo, 2011b). The United Nations' e-Readiness Index (2009, cited in South Africa Department of Communications, 2012a, p. 2) also indicates the South African main telephone line index is low, compared to that of other developing countries, and this low fixed-line telephone index raises questions about the e-readiness and the status of South Africa as an information society. An ICT policy specialist from the Republic of Korea, Ko (2009), declared that with the low levels of ICT access, South Africa would find it difficult to provide most citizens with access to public services, such as e-government, e-entrepreneurship, and e-learning services. Ko (2009) argued that unless

wider ICT access and use was prevalent in South Africa, most citizens would be unable to enjoy such social services that allow people to operate in an information society.

Mobile Cellular Penetration. Over the years, South Africa has witnessed tremendous growth in mobile phone penetration. South Africa has five mobile phone operators: Vodacom, Mobile Telephone Networks (MTN), Cell C, Virgin Mobile, and 8ta (or Heita, which means “hi there” in the local language). As in other African countries, mobile phone penetration has surged to greater levels over the past few years. The South African Communications Minister called the mobile phone growth “a mobile miracle” (Pule, 2010). Speaking at the first South African ICT Indaba (Major Conference) in June (2012a), Pule also declared there has been a worldwide increase in mobile cellular subscriptions with Apple selling two million iPads in 59 days, while mobile cellular subscriptions in South Africa “were over 50 million in 2010” (Pule, 2012b, p. 1). Around 10 million phones are sold annually in South Africa, according to Goldstuck (2012), and it is expected that smartphones will account for half of this number by 2013. Smartphone users, in turn, eventually become Internet users, a trend that already began in South Africa in 2010. Furthermore, in an Internet report, World Wide Worx (2012) revealed that cellular phone banking services have increased by 37 percent, and that South Africans in urban and rural areas aged 16 and above now use mobile phone banking services for personal and business use. The four biggest mobile phone markets in Africa are Nigeria, South Africa, Kenya, and Ghana (*e-Skills Institute Newsletter*, 2012, p. 1).

Regarding access to ICT in South Africa, it is clear the present and the future are mobile. Furthermore, research conducted by World Wide Worx in 2010 indicated the use of mobile Internet services has exploded in South Africa, although less than half of urban cellular phone users had phones capable of accessing the Internet at that time (Mobile Internet booms in South Africa, 2010). A study entitled “Mobile Internet in South Africa,” was conducted by Arthur Goldstuck of World Wide Worx, in a face-to-face setting among urban cellular phone users aged 16 and older, who represented 16 million South Africans. The study found that while 28 percent of the urban cellular market used mobile instant messaging (IM), as much as 65 percent of users have this capacity on their phones, meaning only 4.5 million out of 10.5 million potential mobile IM users actually use it. According to the study, some reasons why mobile phone owners had Internet applications on their phones but did not use them could be the result of ignorance, cost-related concerns, or limitations. The research report showed the use of specific applications, like Mxit and Facebook Mobile, far outpace browsing on the phone, even though both are available on almost two-thirds of the phones used by South Africa’s urban cellular phone users.

International Internet Bandwidth per Internet User. The 2009 e-Barometer Report revealed the South African broadband Internet penetration growth rates are far lower than that of countries such as Brazil, China, and the Republic of Korea (Bapela, 2011) (see Figure 1). Of the 105 million people using the Internet in Africa in 2011, only 31 million had broadband access, which means that while 12.8 percent of the population had Internet access, only 3.8 percent had broadband (Goldstuck, 2012). For fixed broadband, the number is lower, with around one (1) million fixed-line broadband subscribers, most of them in South Africa. This is mostly due to low access levels to fixed-line telephones and computers at home (World Wide Worx, 2012). In addition, South Africans’ access to radio and television has not reached the required levels, particularly in rural and remote areas. South African Communications Minister, Dina Pule, stated in the 2012 Communications budget speech (2012c), and in her opening address at the first South African ICT Indaba in June 2012 in Cape Town (2012a), that the government

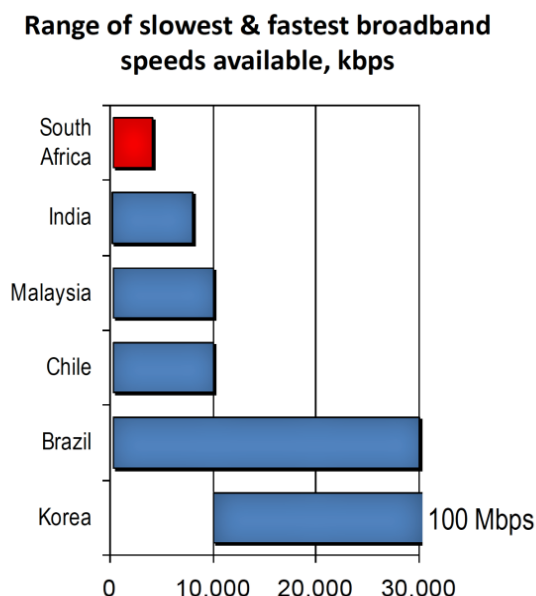
remains committed to delivering “100 per cent broadband penetration by 2020 and delivering a million jobs by 2020” (n.p.). Similar promises of ICT infrastructure delivery by government have been made in the past by the current Minister’s predecessors, but most of these promises have not been fulfilled, and the country’s ICT services remain poor and unimpressive. It, therefore, remains to be seen if the current Minister will differ from her predecessors and be able to convert her promises into reality. Critical ICT industry analysts, such as Muller (2012), believe what is needed to deliver ICT infrastructure and services in South Africa is “less talk and trips by government officials and more action” (p. 1). Telecommunications companies such as Sentech and Broadband Infracore are some of the companies that deliver broadband services according to what has been termed the “Broadband Master Plan” (Pule, 2012a; 2012c). The ITU (2011) states that,

wireless-broadband Internet access remains the strongest growth sector in many countries around the world and this has been the trend as well in South Africa. Mobile Internet – at broadband speeds – was practically non-existent in 2000, when the Millennium Development Goals (MDGs) were set, and was in its infancy when the WSIS was concluded in 2005. (p. 2)

At the same time, the ITU regards the mobile revolution – including the emerging mobile-broadband Internet – as a key enabler to achieve internationally agreed development goals.

Figure 1. Range of slowest and fastest broadband speeds available (kpbs)

- All of the countries have maximum broadband speeds faster than South Africa
- Korea offers 100 Mbps fiber optic/LAN connections whereas Brazil offers 30 Mbps
- In contrast, the fastest DSL speed in South Africa is 4 Mbps



Source: South Africa Department of Communications (2009). Reprinted with permission of the Director-General of the South African Department of Communications (Sekese, 2012).

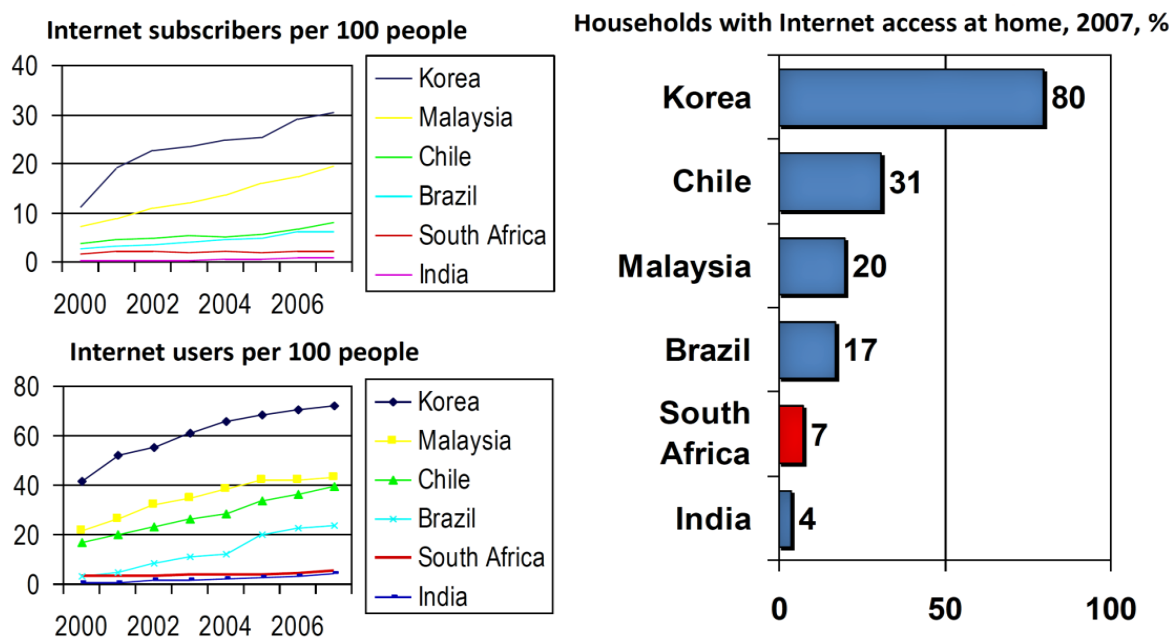
The information portrayed in Figure 1 was revealed by a study commissioned by the South Africa Department of Communications, and conducted by a local research company, BMI-Technology Group. The results of this study reveal South Africa's Internet access levels are low, compared to those of the other emerging economies shown in Figure 1. The study also reveals that, at the time, India had the smallest number of households with Internet access at home (South Africa Department of Communications, 2009). Of the six countries analyzed in the study, the Republic of Korea had the fastest maximum broadband speed.

The Proportion of Households with Computers. Few households in South Africa have access to computers. One of the key factors behind the mobile push onto the internet is the low penetration of both computers and fixed-line Internet access in South Africa (World Wide Worx, 2012). In Africa, it is estimated that only 7.9 percent of households have a computer, and half of these are in South Africa. The total number of computers in use in South Africa, largely in business, is around 9.5 million (Goldstuck, 2012). Despite these low levels, two-thirds of South Africa's small and medium enterprises (SMEs) declared in the World Wide Worx (2012) Internet study that they have Web sites (p. 10). They are, therefore, reaping the economic rewards derived from Internet access and use. This study also indicates e-commerce is growing at a rate of around 30 percent per annum and shows no signs of slowing down. What is apparent in this trend is that SMEs benefit more from Internet access and use than individuals. The result is an Internet economy of R59 billion in 2011, which makes up 2 percent of the South African economy, and is expected to grow to as much as 2.5 percent by 2016. Census 2011 results released by Statistics South Africa in October 2012 revealed more households have computers compared to ten years ago, with an increase of 21.4 per cent (or 3,092,542), up from 8.5 per cent in 2001 (Sowetan Newspaper, 2012).

The Proportion of Households with Internet Access. The latest Internet access statistics reveal that few households have Internet access. Most citizens access the Internet from mobile phones, rather than home computers. At the end of 2011, South Africa had approximately 8.5 million Internet users (World Wide Worx, 2012). This figure represents a 25 percent increase over the 2010 figure of 6.8 million, maintaining a high growth rate fueled by the explosion of smartphones in the market (Goldstuck, 2012). This growth results in Internet penetration in South Africa of approximately 17 percent. Despite rapid growth, this percentage lags significantly behind the largest Internet user bases in Africa, according to Goldstuck (2012). The countries leading the use of the Internet in Africa are Nigeria, with 45 million users, an indication of 29 percent penetration; Egypt, with 21.6 million users, representing 26 percent penetration; Morocco with 15.6 million users, an indication of 49 percent penetration; and Kenya with 10.4 million Internet users, representing 25 percent penetration. In all these countries, high Internet access results from Internet access and use via mobile phones, not from home computers.

Good progress also has been made in bringing Internet access to central government, research, and scientific institutions, and to some extent, schools, hospitals, libraries, and telecentres, at least in major cities in South Africa. The proportion of households with Internet access has improved over the past few years, although South African access levels still are lower than those of other emerging economies, as visible in Figure 2.

Figure 2. Internet subscribers per 100 people and households with Internet access at home, per cent (2007)



Source: South Africa Department of Communications (2009). Reprinted with permission from the Director-General of the South Africa Department of Communications (Sekese, 2012).

It is apparent from the developments depicted in Figure 2 that South Africa has far fewer Internet subscribers, and fewer households with Internet access, compared to the other countries. Figures found in the 2011 Census Report indicate an increase in the number of households with Internet access over the period 2001 to 2011, although this increase is not massive, with 1,239,187 (35.2 per cent) households having Internet access at home while 9,364,518 (64.8 per cent or 9.4 million households) have no Internet access – not at home, at work, via cellular phone, or elsewhere (Sowetan Newspaper, 2012). These figures indicate high digital divide levels the government has to address because the Internet is regarded as one tool that can reduce digital and information poverty prevailing nationally.

ICT Use Sub-Index

There has been considerable growth in the use of mobile phones and in accessing the Internet by means of mobile phones. The use of landlines has declined, as stated earlier. The use of home computers also has not improved much. Internet users were estimated by Internet World Stats (2012), which estimated the number of Internet users was at 5.3 million in 2009, based on a population of 49 million people. In 2011, these figures increased to approximately 8.5 million Internet users (World Wide Worx, 2012). It is apparent from these figures that if South African ICT and other service providers are to offer South African citizens any kind of services, the mobile phone is the best ICT to use for that purpose.

ICT Sub-Index Skills

As mentioned earlier in this article, South Africa has a huge shortage of ICT skills. Like other African countries, South Africa has a lack of personnel with ICT skills. Because South Africa is the most powerful economy in Africa, one would expect South Africa to have ICT personnel with better or advanced ICT skills. This, however, is not the case. A former, and fired-by-the-President, South African Communications Minister, Mr. Nyanda, lamented the huge ICT skills shortage in South Africa, expressing concern at the low number of university students registering for and studying in ICT courses (Tshividzo, 2009). One of the programs the government currently is running in an effort to deal with the challenge of this ICT skills shortage was the establishment of an E-Skills Institute in 2009, which capacitates students with ICT knowledge and skills (e.g., e-business and e-government). The government also has introduced the ICT Career Expo, an initiative by the Communications Ministry, in collaboration with the telecommunications services incumbent, Telkom, a company that has injected millions into ICT skills training programs and toward the government's Joint Initiative on Priority Skills Acquisition Initiative. Despite charging consumers high telecommunications prices, the incumbent operator, Telkom, has proved its support of ICT skills projects initiated by government. In addition to capacitating the youth and other citizens with digital skills, including digital broadcasting skills, Ms. Pule's Ministry of Communications also adopted and implemented the development of an e-skills policy aimed at teaching young people e-skills to enhance their prospects of finding employment in the ICT sector. What is also inherently evident is that public-private partnership attempts in ICT skills development in the past have not been adequate enough, resulting in the Ministry's initiative in 2009 to embark on laborious e-skills and digital broadcasting training programs. Furthermore, to improve the national effort to increase the ICT skills-base in South Africa, the Department of Communications has partnered with universities, Further Education and Training (FET) Colleges, and schools to train citizens in information technology skills, in cooperation with the e-Skills Institute and its portfolio organizations (Morokolo, 2011). This ICT skills program forms part of the department's implementation of its 2011-2014 Strategic Plan, which has ICT skills training as one of its main goals.

The New Multi-Stakeholder Approach to e-Skills Development

Starting in 2000, until 2009, South African Government departments embarked on ICT training projects single-handedly. "No one entity has the resources to fully address the imbalance of access to skills development for the underprivileged majority" (Hamid, 2010, p. 3). However, this development strategy proved to be less productive than expected, hence the decision to adopt a multi-stakeholder approach to e-skills training. Multi-stakeholders engaged in the new e-skills training initiative include universities, government Ministries of Higher Education and Training and Communications, civil society, and business and global development partners (e-Skills Institute, 2012). Universities participating in the ICT training programs in South Africa's nine provinces include the Durban University of Technology, the University of Pretoria, Walter Sisulu University, Vaal University of Technology, University of Limpopo, and the University of the Western Cape. Civil society organizations involved in the project include the South African Local Government Association, which represents local municipalities and ICT training

requirements thereof; the telecentre organization, an institution representing the e-skill training needs of communities and telecentres located in such communities; and the International Computer Driving License (ICDL), an organization specializing in teaching computer and online courses for different occupations. Global developmental partners engaged in the project include the United Nations Development Programme (UNDP), and the governments of Kenya and Rwanda. Business partners include the South African telecommunications incumbent, Telkom, and a private telecommunications company, Cisco, which add both financial and human resources as well as advanced ICT expertise.

Conclusions

This article explored the progress made by South Africa toward becoming an information society by analyzing current South African ICT statistics and comparing these statistics with those of other emerging economies. The ICT statistics in this article reveal that most South Africans have access to and use mobile phones, and that access to and use of the other ICT mentioned in this article still needs to be improved, if South Africa is to be a real information society. National ICT access is prevalent in advanced cyber cities, such as Cape Town, but most towns and rural areas, including schools, lack ICT services. Only when the areas lacking ICT have obtained ICT access and use will South Africa truly be regarded as an information society, according to the South African definition and goal for an information society, namely, “to empower individuals to be able to access the world of electronic information and utilize it” (Padayachie, 2010, p. 23). According to the proceedings of the first South Africa ICT Indaba (2012), South Africa plans to revamp its current ICT policy implementation by rolling out a broadband infrastructure for most citizens by 2020, in a quest to create an improved knowledge-based economy and information society. The government also plans to establish more community-based and shared ICT centres for ICT skills training, since the country has a severe shortage of ICT specialists and experts. The South African government, having embarked on a broadcast digital migration project in 2009, also believes this digital migration has created opportunities for ICT skills training in digital broadcasting, which will result in many South Africans (around 97 percent of the population) having access to radio and television because digital migration brings with it many more frequency spectrums, resulting in television and radio channels, and improved local content production. South Africa plans to complete its broadcasting digital migration process by 2015. The country, therefore, has about three years to improve public access to broadcasting services. Regarding fixed-line penetration, most South Africans have no access to fixed-line telephones, and it is likely this situation will continue as long as competition in this sub-sector is not fierce and the incumbent operator, Telkom, abuses its market power by charging consumers high prices, compared to similar operators in other African countries. Until the huge national urban-rural digital divide is reduced or eliminated, South Africa cannot be a real information society. The different economic, political, and social revolutions that have transformed South Africa into an industrial society have not changed the country into a fully-fledged information society. Neither is South Africa producing abundant information. Attempts are, therefore, being made to steer the country toward becoming an information society.

To ensure a truly national and inclusive South African information society, much remains to be done to bring its infrastructure and benefits to the poorest in the country. Future ICT policy directions need to readdress issues, not only of access but also of price, low quality and slow bandwidth, skills, content and language, and applications targeting low-end users; an assessment of progress will require continuous monitoring based on reliable indicators. This article is a valuable contribution to this process. The revolution experienced as a result of the mobile telephone needs to be replicated to bring people online. The emergence of new mobile devices (such as smartphones and tablet computers) is certainly accelerating this process, but they are still too expensive for economically deprived individuals.

References

- Bapela, O. (2011). Speech of the Honourable Deputy Minister of Communications, Mr Obed Bapela, Member of Parliament, on the occasion of the official launch of the e-Barometer Report. *Department of Communications: Republic of South Africa*. Retrieved from <http://www.info.gov.za/speech/DynamicAction?pageid=461&sid=20516&tid=38798>
- Braman, S. (1993). Harmonisation of systems: The third stage of the information society. *Journal of Communication*, 43(3), 133-140.
- Braman, S. (1995). Alternative conceptualization of the information economy. *Advances in Librarianship*, 19, 99-115.
- Chetty, M., Blake, E., & McPhie, E. (2006). VoIP deregulation in South Africa: implications for under-served areas. *Telecommunications Policy*, 30(5-6), 332-344.
- e-Skills Institute. (2012, February). *e-Skills Institute Newsletter*, 2, 1-2.
- Fuchs, C., & Horak, E. (2008). Africa and the digital divide. *Telematics and Informatics*, 25(2), 99-116.
- Goldstuck, A. (2012). *Internet matters: The quiet engine of the South Africa economy: Internet access in South Africa*. Johannesburg: World Wide Worx.
- Hamid, M. A. (2010). *Developing ICT Human Capital Successful Public Multi-Stakeholders Partnerships*. E-Skills Summit, July 26-28, Cape Sun Hotel, Cape Town, South Africa.
- Horwitz, R.B., & Currie, W. (2007). Another instance where privatisation trumped liberalisation: The politics of telecommunications reform in South Africa – A ten year retrospective. *Telecommunications Policy*, 31(8-9), 445-462.
- International Telecommunication Union (ITU). (2011). *Measuring the information society*. Geneva: International Telecommunication Union.
- Internet World Stats. (2012). *South Africa Internet Usage, Population, Broadband and Market Report*. Retrieved from <http://www.internetworldstats.com/af/za.htm>
- Kaisara, G., & Pather, S. (2011). The e-Government evaluation challenge: A South African Batho-Pele-aligned service quality approach. *Government Information Quarterly*, 28, 211-221.
- Ko, Y. S. (2009, September 21). *New technologies in implementing e-government: E-Government workshop, August 19*. Pretoria: University of South Africa.
- Langa, Z., Conradie, P., & Roberts, B. (2006). *Slipping through the net: Digital and other communication divides within South Africa*. Retrieved from Human Sciences Research Council, <http://www.ictportal.org.za/documents/d00024/>

- Lesame, N. C. (2009). *The impact of information and communication technologies (ICTs) on development: A case study of the influence of telecentres in the education of users*. (Doctoral thesis). University of South Africa, Pretoria.
- Lyotard, J. F. (1984). *The postmodern condition*. Manchester: Manchester University Press.
- Mbeki, T. M. (2003). *State of the Nation address by the President of South Africa*. Cape Town: South African Parliament.
- Mobile Internet booms in South Africa. (2010, May 27). *Mail & Guardian Online Staff Reporter*. Retrieved from <http://mg.co.za/article/2010-05-27-mobile-internet-booms-in-south-africa>
- Morokolo, E. (2011a, March 17). DOC lays out priorities. *SAITNEWS: Tracking IT in the Public Sector*. Retrieved from <http://saitnews.co.za/e-government/460/>
- Morokolo, E. (2011b, August 8). SA broadband still lags behind. *SAITNEWS*. Retrieved from <http://saitnews.co.za/broadband/broadband/>
- Muller, R. (2012, May 17). The broadband pipedream. *MyBroadband Tech and IT News Online*. Retrieved from <http://mybroadband.co.za/news/broadband/50115-the-broadband-pipe-dream.html>
- National e-Skills Plan of Action (NeSPA). (2010). *E-Skilling the nation for equitable prosperity and global competitiveness*. Pretoria: South Africa Department of Communications and the E-Skills Institute.
- Oyedemi, T. D. (2009). Social inequalities and the South African ICT access policy agendas. *International Journal of Communication*, 3, 151-168.
- Oyedemi, T. D. (2011). Digital inequalities and implications for social inequalities: A study of internet penetration amongst university students in South Africa. *Telematics and Informatics*, 29, 302-313.
- Padayachie, R. L. (2010). *eBarometer: Measuring the impacts of ICTs on development in South Africa*. Pretoria: South African Government National Department of Communications.
- Perry, S. (2011, September). Measuring up: The DoC (South African Government National Department of Communications) released its eBarometer Index in early August. *Brainstorm Magazine Online*. Retrieved from http://www.brainstormmag.co.za/index.php?option=com_content&view=article&id=4
- Poster, M. (1990). *The mode of information: Poststructuralism and social context*. Cambridge: Polity.
- Pule, D. (2010, July). "E-Skills Key to our Future": Opening address by South African Deputy Minister of Communications at the E-Skills Summit, July 26-28, Cape Sun Hotel, Cape Town, South Africa.
- Pule, D. (2012a). Opening speech by South African Minister of Communications at ICT Indaba. Cape Town: South Africa Department of Communications.
- Pule, D. (2012b). Local evidence-based research into mobile needs in South Africa. *e-Skills Institute Newsletter*, 6, 1.
- Pule, D. (2012c). Budget speech by Minister of Communications. Cape Town: South African Parliament.
- Sekese, R. (2012). Re-request for permission to use research results in an academic article. Personal communication, South African Government National Department of Communications, Pretoria, South Africa.
- Sonderling, S. (2007). *The information society*. Pretoria: University of South Africa.
- South Africa, Constitution. *Bill of Rights*. Cape Town: South African Parliament and Government Printers.

- South Africa, Department of Communications. (2009). *International peer benchmarking study on the South African ICT sector: A study conducted by BMI-TechKnowledge Group for the Department of Communications*. Pretoria: Government Printer.
- South Africa, Department of Communications. (2010). *South African National e-Skills Plan of Action – NeSPA*. Pretoria: Government Printer.
- South Africa, Department of Communications. (2012a). Aggregation of e-Skills Effort across South Africa. *e-Skills Institute Newsletter*, 5, 2.
- South Africa, Department of Communications. (2012b). Local evidence-based research into mobile needs in South Africa. *e-Skills Institute Newsletter*, 6, 1.
- South Africa, Government Communications and Information Services (GCIS). (2009). *Yearbook 2008/09*. Pretoria: Government Printer.
- South African Presidential National Commission on Information and Development (PNC on ISAD). (2005). *Towards an inclusive information society*. Pretoria: South Africa Department of Communications.
- South African Yearbook. (2008/09). *Communications*. Pretoria: Government Communications and Information Services (GCIS) Printers.
- Sowetan Newspaper. (2012, October 31). Census 2011: It's looking up for SA. p. 12.
- Sussman, G. (1999). The information society: Discourse, fetish, and discontents. *Journal of International Communication*, 6(1), 7-22.
- Tshivhidzo, E. (2009, September 29). SA lagging in ICT skills. *Buanews*. Retrieved from <http://mybroadband.co.za/news/General/9801.html>
- United Nations' e-Readiness Index. (2009). In South Africa, Department of Communications. (2012a). Aggregation of e-Skills Effort across South Africa. *e-Skills Institute Newsletter*, 5, 2.
- Wesso, H. M. (2010). Address by Acting Director-General at the opening of the Research Network (ResNes) Research Colloquium. Cape Sun Hotel, Cape Town, July 26-28.
- World Summit on the Information Society Declaration of Principles. (2005). *South African Presidential National Commission on Information and Development (PNC on ISAD): Towards an inclusive information society*. Pretoria: South African Government National Department of Communications.
- World Wide Worx. (2012). *Internet matters: The quiet engine of the South Africa economy: Internet access in South Africa*. Johannesburg: World Wide Worx. Retrieved from <http://www.internetmatters.co.za/>

About the Author

Dr. Ntombizandile Lesame (lesamnc@unisa.ac.za) is with the Department of Communication Science at the University of South Africa in Pretoria. She teaches and is a researcher of New Media, Telecommunications and Information Policy, and International Communication. She has authored several books, including *New Media: Technology and Policy in Developing Countries* (2005) as well as *New Media in the Information Society* (2011), both published by Van Schaik Publishers in Pretoria. She has published academic articles in journals and has presented papers in national and international conferences.

Discussion Questions

1. There are a few theoretical frameworks that explain the meaning of the information society. Which framework best describes the country you reside in as an information society and why?
2. Use Frank Webster's information society defining criteria in (1995 or any later edition) to describe and analyze whether the country of your residence is an information society or not.
3. Many countries in Africa are not yet regarded as information societies. Why is this so?
4. What is the role of the private sector in an information society?
5. What is the role of government in an information society?
6. What is the role of an individual in an information society?

To Cite this Article

Lesame, N. (2013, Spring). Vision and practice: The South African information society experience. *Journal of Multidisciplinary Research*, 5(1), 73-90.

Life Forward



Senator The Honourable Arnold J. Nicholson, Q.C. *Jamaican Minister of Foreign Affairs and Foreign Trade*

Senator Arnold Joseph Nicholson is the current Minister of Foreign Affairs and Foreign Trade. He was born in Rock River, Clarendon, on February 28, 1942, to the late Arnold A. Nicholson, a public health inspector, and his wife Bernice.

Educated at the University College of the West Indies, the Middle Temple Inn of Court in London, and the University of London, Senator Nicholson began his professional career in banking and worked in that profession from 1964 to 1968. In 1972, he was called to the Bar and practiced law both in Jamaica and Grenada between 1972 and 1992.

Mr. Nicholson soon entered politics and was Member of Parliament for West Central St. Andrew from 1989 to 1997, and served as Parliamentary Secretary in the Ministry of Education and Culture from 1992 to 1995. Between January and September 1995, he served as Minister of State in the Ministry of Legal Affairs and became Attorney General in September of that year. He was appointed to the Senate in January 1998 and Minister of Justice in 2001.

Senator Nicholson is a member of the Baptist faith and enjoys reading, music, cricket, and dancing. He is married to Yvonne and has two sons.

Interview

by Raúl Fernández-Calienes

Managing Editor, Journal of Multidisciplinary Research

1. Why study law?

Human beings have always lived together under rules of one kind or another. Such rules cater for the ideas of right and wrong that have been developed over time. The study of law, therefore, brings home the importance of the connection between rights and duties in the ordered society. As such, it assists immensely in rational and logical thinking.

2. What is your assessment of the current state of legal education, and what improvements can be made?

There has, in recent years, been a broadening of the avenues for legal education in Jamaica. The focus has centered on a Caribbean perspective with, of course, the British Legal System as the foundation stone. A sound base, therefore, has been provided for the development of the practice of law, in particular, in advocacy in the courts of justice. However, in my view, there needs to be a greater direction towards training for service within the private sector and social-related organizations. In that way, our legal education processes would make for the building of a wholesome society.

3. Government service may be described as multi-disciplinary, incorporating law, diplomacy, government, politics, economics, human relations, and so on. How do you blend these different fields in your daily work?

The multi-disciplinary nature of Government Service must certainly be geared towards helping to create the just society. In many respects, and particularly in a developing society such as ours, that service also has to be educational in character. Our people must come to understand why things are required to be done in certain ways for the development of the society as a whole. In other words, Government Service must be, and recognized as, a developmental tool.

It is the blending of all disciplines which are incorporated in that high calling which service to the people entails, that drives each daily challenge. Of course, it is a never-ending process, and each participant in governance must come to realize that he or she carries the baton during the time that he or she serves and is obliged to hand over that baton in a more favourable situation than it was handed to him or her.

4. What have been the most rewarding or fulfilling experiences in your life- personally, professionally?

There has been an intertwining of the fulfilling experiences in my personal and professional life. For, in both aspects, the rewards have come in being able to help in the development of my fellow citizens in Jamaica. Sadly, not enough of our people have been fortunate enough to receive the kind of education and life experiences with which I have been blessed. That, in my case, could not have taken place without the sacrifice of others. Therefore, if

others have sacrificed on my behalf, I feel myself duty bound to sacrifice on behalf of others, and, in any event, to whom much is given, from him or her much is expected. And so, I receive daily rewards and fulfillment from that kind of pursuit – both personally and professionally.

5. What have been the most difficult challenges you have ever faced?

Obstacles (difficulties), it is said, are those awful things you see when you lose sight of your goal. And yet, difficult challenges are inevitable along the journey of life. In my own case, perhaps the two most challenging circumstances occurred in the practice of the law and in representational politics.

In the mid-1980s, I was a member of the legal team that was engaged to represent several members of People's Revolutionary Government in Grenada who were charged with the murder of the Prime Minister Maurice Bishop and others. This was no ordinary legal assignment, for the real challenge was that the circumstances embraced the East-West Conundrum known as the Cold War. It, therefore, assumed international proportions, with few optimistic persons expecting that those accused individuals could escape the death penalty and executions.

In the early 1990s, when the prolonged legal processes came to an end, our legal team came to be acknowledged as having assisted in the lives of all those persons being spared.

Another difficult challenge came within the political arena. In the late 1980s, I was selected to be a candidate in the constituency of West-Central St. Andrew, at that time consisting of hardened inner-city communities where scores of persons had been killed as a result of political violence in the previous general election exercise in 1980. The challenge then was to have a peaceful campaign leading up to the election date in early 1989, since I had no intention of being associated with violence of any sort whatsoever.

I, therefore, engineered the creation of a Committee consisting of the several pastors of the many churches in the area to oversee the campaign in these communities. At the end of the day, I emerged victorious with not even one person injured.

6. What sources of strength have you drawn upon to face such challenges?

Of course, prayer and an abiding faith in the eventual triumph of good over evil have been the anchor and cornerstone in meeting such challenges. However, preparation and more preparation for those difficult tasks has no substitute. Without preparation, help from any quarter, including from the Almighty, is not likely to fall on fertile soil.

7. What do you see as your life's legacy?

If it should ever come to be accepted and recorded that I have contributed in any small way to the upliftment of my fellow citizens in Jamaica, I would be content. I believe also in the economic integration of the countries that are washed by the Caribbean sea, since they have so much in common – historically and culturally – and face the same challenges of small vulnerable highly indebted states. Respectfully, my view is that none of these countries, by itself, can swim alone in the challenging global economic ocean. I, therefore, continue to struggle in the vineyard of the coming into being of a truly Caribbean trading bloc, even if only for the reason that other

countries and regions across the globe are more and more unwilling to deal with trade matters on the basis of contact with each country individually.

8. What message do you have for the next generation of persons who choose to pursue law or public service?

The pursuit of public service should be approached on the basis that no person, body, or political party has a monopoly on wisdom; that State bodies should be democratically and legally accountable; and that they should promote good Government in the general interest, rather than in their personal interests, or the interests of limited sections of society. And let it also be remembered that the lawyers who are most appreciated are those who regard the practice of law as an abiding public service.

To Cite this Interview

Fernández-Calienes, R. (2013, Spring). Life forward: Senator The Honourable Arnold J. Nicholson, Q.C. (Jamaican Minister of Foreign Affairs and Foreign Trade). *Journal of Multidisciplinary Research*, 5(1), 91-94.

Power Distance Leads to Corporate Grapevine: The Mediating Role of Perceptions of Uncertainty

Nil Selenay Erden
Marmara University, Turkey

Abstract

The aim of this study was to investigate the phenomenon of grapevine from the standpoint of organizations. Accordingly, organizations with a high power distance could experience more information loss in communication flow between hierarchical levels, which could give rise to perceptions of uncertainty. One can think that high power distance could increase perceptions of uncertainty due to information losses. Those information losses would create gaps in the formal communication, and rumors that form the corporate grapevine would fill those gaps. In this respect, the current article tests the direction and nature of the relationships between power distance perceptions of uncertainty and grapevine. Results confirm that power distance increases the amount of grapevine through perceptions of uncertainty in a Turkish sample of workers. The article also discusses implications for further studies.

Keywords

grapevine, rumor, power distance, perceptions of uncertainty

Introduction

Communication quality is one of the major components of corporate success due to its role in fulfilling corporate functions, problem solving, decision making, and information exchange. Communication lies at the center of human interactions. One can think that organizations are corporate systems made up of human interaction and communication. In this respect, formal and informal communication taking place in an organization are an essential component of organizational functioning (Eroglu, 2006). As an organization grows larger, the hierarchical levels would increase in the number, enlarging formal communication channels as well. As channels of communication would increase in number, the likelihood of information gaps also would increase. Accordingly, informal communication networks that occur naturally, namely, as the corporate grapevine would lessen the information loss in the formal communication channels (Nicoll, 1994).

The uncertainty reduction theory (Berger & Calabrese, 1975) assumes people have a tendency to know about the future as well as have a desire to know about what already is taking place in their environment. Verbal and non-verbal communication, as well as dissimilarity, cause uncertainty, which characterizes the interaction process between two strangers (Bradac, 2006). As such, uncertainty boosts the desire to know more, basically because uncertainty can create discomfort as well as anxiety (Morrison, 2002). Thus, people often would engage in information seeking behaviors to cope with undesirable consequences of uncertainty (Knobloch & Solomon, 2002). The current study attempts to carry this phenomenon, uncertainty reduction in the interaction process that takes place between individuals to an organizational context. Since perceptions of uncertainty increase as information sharing decreases, workers may tend to know and explain what is uncertain by means of rumors through the corporate grapevine (Hargie, Tourish, & Wilson, 2002). Therefore, uncertainty would trigger the desire to know more about what is uncertain, leading to an informal communication network of corporate grapevine. Specifically, the present article attempts to draw attention to power distance as it could be an important factor that influences perceptions of uncertainty with the hierarchical levels and psychological distance it creates among the members of an organization.

Theoretical Background

Informal communication is an inevitable aspect of organizational life. No matter how well the formal communication works, people will engage in peer talks informally as to fulfill the need of socialization. In informal communication networks, people exchange rumors and gossip. Rumor is a cluster of information that flows between people. A rumor can be correct or incorrect, but would be uncertain, “as rumors are characterized by the desire of interpreting undefined or threatening situations” (Clegg & Irterson, 2009, p. 277). In contrast, a definition of gossip is a type of small talk that intends to criticize and disapprove a third person who is not present at the time of the talk (Eroglu, 2006). In this study, this researcher conceptualized gossip and rumor as ideas and information that go through the informal communication networks, namely as grapevine in an organization. Notes, reports and meetings make up formal communications networks. As formal communication has a very well documented structure, formal communications networks are structured and not open to rapid changes while informal communication networks are neither documented nor structured (Mishra, 2005). Management cannot control the informal communication as it can control formal communication. Thus, the informal communication network, grapevine, has the chance to go through all levels of hierarchy spreading information in a faster manner, compared to the structured formal communication networks (Harris & Hartman, 2001).

According to Davis (1973), 75% to 90% of information spread through grapevine is correct. While correct information can lessen the anxiety ambiguity creates, incorrect information can harm the effectiveness of an organization (Welles & Spinks, 1994). Communication is vital to human interaction, and informal communication has both good and bad sides, depending on the nature of the rumors it carries. In fact, having conversation is a natural human need that empowers the bonds between peers (Crampton, Hodge, & Mishra, 1998). A dynamic grapevine reflects the desire of sharing ideas about the organization and jobs. If workers are not talking about their organization or their jobs, they are not interested in the organizational life. Thus, the informal communication network reflects the spirit of an

organization (Davis, 1973). A manager, for instance, can get an idea about the wellbeing of the workforce by means of the rumors in the informal network. Rumors carry messages that reflect the attitudes, values, and emotions of the workforce (Sierra, 2002; Nicoll, 1994). Grapevine also can support the formal communication network by filling the information gaps and increasing the speed of information exchange. Managers can manipulate the grapevine to encourage information exchange and decrease perceptions of uncertainty about the events that create anxiety (Eroglu, 2006). Besides the good sides, grapevine can have bad sides if it carries rumors that create anxiety and fear. The rumors can carry incorrect information, as well, giving rise to misunderstandings and conflicts in the workforce.

Uncertainty in the organizational climate, distrust in formal communication, and a threatening organizational climate are as the driving forces behind grapevine (Crampton et al., 1998). In this respect, workers will tend to move away from fear and anxiety by relying on gossip and rumors (Mishra, 2005).

Uncertainty is one of the most powerful driving forces behind grapevine. According to Miliken (1987), uncertainty is the state of not being able to know or not being able to predict present or future events. If a person cannot predict the consequences of a decision or cannot know about the cause-effect relationships between various situations or events, perceptions of uncertainty would likely rise. According to Buono and Bowditch (1989), uncertainty has three dimensions: external uncertainty, organizational uncertainty, and individual uncertainty. External uncertainty occurs due to the changes in the market and technological advancements. Organizational uncertainty occurs due to changes in the organizational structure and culture. Individual uncertainty results from the role and status changes in the workplace. Bordia, Hunt, Paulsen, Tourish, and DiFonzo (2004) classified uncertainty into three groups: strategic uncertainty, structural (organizational) uncertainty, and job-level uncertainty. Strategic uncertainty refers to the changes in the external environment of an organization. The future direction of the organization, sustainability, and potential future problems are the strategic uncertainties, whereas structural uncertainty refers to the functions inside the organization. Job-level uncertainty points us to the future of job security, promotions, and changes in job roles. The current study predicts uncertainty about the job would lead to rumors that intend to fill the informational gaps in the formal system. Thus, the interest in this study is the perceptions of uncertainty about the job in general and power distance as a highly important cultural dimension, which would influence organizational communication processes. Power distance is a dimension of national culture that influences the culture of organizations as well (Hofstede, 1989). Power distance indicates the degree of inequality among the members of a society. Some people are more powerful than others as a result of their position, status, or education. High power distance indicates that members accept inequality in terms of power differences, whereas low power distance indicates that more equality exists among members of a society (Hofstede, 1994). In an organization with high power distance, superiors are more powerful; as a result, their subordinates and levels of hierarchy would be a symbol of power. In those workplaces, the interaction between levels of hierarchy would decrease because of the psychological distance between more and less powerful organizational members. In contrast, in an organization with low power distance, all members are equals and a flatter structure would replace the hierarchy (Hofstede, 1989). The centralization of power and existence of autocratic leadership are components of high power distance (Kamenchuk, 2004). Accordingly, if management centralizes power, and organization members accept power inequalities between members of the hierarchy, autocratic leadership

would be more likely to serve for getting jobs done through subordinates. In such organizations, superiors tell their subordinates what to do, and subordinates would not participate in the decision-making processes. The direction of communication would be downwards, and the amount of communication would decrease. Thus, the psychological distance between more powerful and less powerful ones would lead to information gaps, thereby to uncertainty and rumors. Therefore, the current study expects that power distance would increase perceptions of uncertainty and lead to increases in rumors, conceptualized here as the grapevine. In conclusion, this study predicts that power distance would increase perceptions of uncertainty, and perceptions of uncertainty would increase the amount of grapevine. Thus, perceptions of uncertainty would act as a mediator on the relationship between power distance and grapevine.

Method

Participants

One hundred thirty participants were contacted via e-mails using a convenience sampling method: 76 subjects (100%), 44 women (58%), and 32 men (42%) participated in the study. The age range was between 20 and 45 years ($M_{age}=27.03$, $SD=4.36$). In terms of education, 20 participants hold a master's degree, while 50 hold a bachelor's degree; only 6 of the participants had a high school degree.

Scales

Power Distance Scale (Islamoglu & Boru, 2005). The present research used the power distance scale to measure the degree of perceived power distance in an organization. The scale had three dimensions: obedience, supervisor support, and privileges. The research included the items that measure obedience and supervisor support considering the items regarding the privileges seemed irrelevant to the power distance conceptualization and other research variables. Example of an item is "Subordinates accept managerial decisions without questioning." Participants answered the eight items on a six-point scale ranging from "Totally Agree" to "Totally Disagree."

Uncertainty Perception Scale (Bordia et al., 2004). The present research used the original perceptions of uncertainty scale Yurdun and Ozer (2009) adapted to Turkish to measure perceptions of uncertainty regarding the job in general. The original scale included nine items, four of which this researcher excluded from the questionnaire due to their content being irrelevant to uncertainty within organizational structures. The five items included in the questionnaire measured the degree of uncertainty that currently exists within an organization, regardless of the potential future changes. Example of an item is "I do not have any information about how my performance is being assessed." Participants answered the five items on a six point scale ranging from "Totally Agree" to "Totally Disagree."

Grapevine Scale. This researcher measured the grapevine with five items she constructed. The content of the items paralleled with the items that measure perceptions of uncertainty. An example of an item is "It is possible to hear rumors about potential future promotions in my workplace." Participants answered the items on a six-point scale ranging from "Always" to

“Never,” intending to measure the frequency of rumor spread, therefore, the amount of grapevine within the organization.

Procedure

This researcher conducted the analyses via PASW 18 tool. She performed reliability analyses to ensure the scales had adequate Cronbach’s alpha levels. She interpreted the degree of the relationships between variables via correlation analyses while she tested mediator role of perceptions of uncertainty using Baron and Kenny (1986)’s three step regression method. Last, she ran independent sample t tests to test whether outcome variables differed among gender and educational backgrounds.

Findings

First, reliability analyses demonstrated adequate reliabilities with Cronbach’s alphas ranging through .83 - .91. Cronbach’s alpha was .86 for power distance scale, .83 for the uncertainly perceptions scale, and .91 for the grapevine scale. Second, correlation analyses tested relationships between variables. All research variables showed significant and positive correlations ($p < 0.01$). Table 1 shows correlation levels ranged from .44 to .63, which indicates the degree of correlation between research variables was at a moderate level.

Table 1
Correlations

Research Variables	Grapevine	Perceived Uncertainty	Power Distance
Power Distance	0.44*	0.63*	-
Perceived Uncertainty	0.51*	-	-
Grapevine	-	-	-

* Correlation is significant at the 0.01 level.

This researcher adapted Baron and Kenny (1986)’s three steps of regression to test mediation. Significance level was set .05 for the regression analyses. At the first step, the analysis aimed to test a significant relationship between independent and dependent variable. At the second step, the analysis aimed to test a significant relationship between the mediator and dependent variable. At the third step, the researcher entered the independent and mediator variables into the model as if they were independent variables. If the relationship between independent and dependent variables were insignificant at this step, and the mediator had significant contribution on the dependent variable, then she concluded there is full mediation. Accordingly, power distance (Beta= .44, $p < .05$) and perceptions of uncertainty (Beta= .51, $p < .05$) predict grapevine. At the third step, she took power distance and perceptions of uncertainty as independent variables whereas grapevine was the dependent variable. Analysis revealed that power distance did not contribute significantly to the model (Beta= .19, $p > .05$), whereas beta for perceptions of uncertainty was .40 ($p < .05$). In that case, the mediating role of perceptions of uncertainty receives full support as the relationship between power distance and

grapevine became insignificant when she took perceptions of uncertainty to the model, indicating perceptions of uncertainty act as a full mediator between power distance and grapevine. Thus, overall results indicated that power distance influences grapevine through a full mediation path of perceptions of uncertainty.

Finally, she ran independent samples t test to see if research variables differed among males and females. Results indicated no significant differences among males and females in terms of power distance, perceptions of uncertainty and grapevine. No significant difference existed between participants with different educational backgrounds either. Last, she ran correlation analyses to test if age had meaningful correlations with the research variables. No significant relationships existed in the sample between age and research variables.

Discussion

In this study, the researcher investigated the relationships between power distance, perceptions of uncertainty, and grapevine. Results indicate that power distance could increase perceptions of uncertainty and perceptions of uncertainty could increase the amount of grapevine in an organization. The researcher also found power distance contributes positively to corporate grapevine, and perception of uncertainty acts as a full mediator between power distance and grapevine. As the increase in the hierarchical levels brings more distance to the human interactions, the information exchange could suffer from correctness and speed. In addition to that, perceived inequality between superiors and subordinates also could lead to a perception about the information being privileged for more powerful ones and the more powerful ones - in an organization that would be superiors - would think that information sharing with subordinates is not necessary as the high hierarchical structure relies on formal communication while superiors limit their contact with subordinates due to organization members perceiving status differences. This finding is consistent with previous research that compares the amount and openness of communication between high and low power distance organizations (see Bialas, 2009). The meaningful relationship between perceptions of uncertainty and grapevine gives an idea about how workers cope with the ambiguities they face in their workplaces.

The results direct us to uncertainty reduction theory (Berger & Calabrese, 1975) that people would like to lessen the ambiguity of situations by relying on rumors, which would satisfy the sense of knowing for what is ambiguous and uncertain. As a result, workers who cannot reach the information from formal channels would rely on informal channels to lessen the ambiguity. This finding also is consistent with previous research (Bordia, Jones, Gallois, Callan, & DiFonzo, 2006), indicating employees would try to lessen the uncertainty through the rumor mill, especially at times of organizational change (DiFonzo & Bordia, 1998). Furthermore, as the organization grows larger in hierarchical levels, formal channels would enlarge, and information gaps would increase, so workers would try to fill those gaps of formal communication through informal communication networks. Turkey is a high power distance country as Hofstede (1989)'s research on countries indicates, meaning the assumptions of power inequalities in the workplaces influence the cultures of organizations, as well. At this point, managers should consider the organizational culture. They should consider that high power distance can lead to informational gaps in the communication. Even if it might not be possible to overcome the idea of information being a privilege for the more powerful ones, managers might consider increasing the amount of knowledge workers receive about situations that would create ambiguity and anxiety. Managers

also might consider managing the corporate grapevine in a way that can increase knowledge sharing in a truthful and rapid way. In this respect, managers can cultivate the corporate grapevine as a tool for closing the gaps in formal communication channels. This researcher collected data from a small sample of Turkish workers. Thus, future research should consider replicating those findings with larger and more diverse samples. Future research can compare low and high power distance organizations in terms of perceptions of uncertainty and the amount of grapevine. Future research should consider demographic variables also to see if they have significant interactions with the research variables. For example, future research can consider comparing workers on different positions to test the effect of status on information sharing in terms of formal and informal communication channels.

A major limitation of the current study was the use of mono-methods to gather data on variables. Specifically, this researcher measured the grapevine effect via use of a five-item scale. Thus, measuring this phenomenon with different methods could provide information that is more accurate. Results rely on the subjective and perceptive reports of the participants; therefore, readers should consider participant bias. This said, the findings of this study can shed light on the corporate grapevine and draw attention to the point that all workers could be in search of information, regardless of their managers' attitudes toward information exchange. Thus, managers in high power distance organizations should consider the anxieties of their workforce that may be due to the limited information sharing. From this standpoint, it is possible to use the corporate grapevine as a way to understand the workforce's concerns, needs, and desires, and to address those in a way that can be supportive for the channels of formal communication.

References

- Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, 51(6), 1173-1182.
- Berger, J. R., & Calabrese J. R. (1975). Some explorations in initial interaction and beyond: Toward a developmental theory of interpersonal communication. *Human Communication Research*, 1(1), 99-112.
- Bradac, J. J. (2006). Theory comparison: Uncertainty reduction, problematic integration, uncertainty management and other social constructs. *Journal of Communication*, 51(3), 456-476.
- Bialas, S. (2009). Power distance as a determinant of relations between managers and employees in the enterprises with foreign capital. *Journal of Intercultural Management*, 1(2), 105-115.
- Bordia, P., Jones, E., Gallois C., Callan, V. J., & DiFonzo, N. (2006). Management are aliens! Rumors and stress during organizational change. *Group & Organization Management*, 31(5), 601-621.
- Bordia, P., Hunt, E., Paulsen, N., Tourish, D., & DiFonzo, N. (2004). Uncertainty during organizational change: Is it all about control? *European Journal of Work and Organizational Psychology*, 13(3), 345-365.
- Buono, A. F., & Bowditch, J. L. (1989). *The human side of mergers and acquisitions*. San Francisco, CA: Jossey-Bass.
- Clegg, S. R., & Irtson, A. (2009). Dishing the dirt: gossiping in organizations. *Culture and Organization*, 15(3-4), 275-289.

- Crampton, S., Hodge, J., & Mishra, J. M. (1998). The informal communication network: Factors influencing grapevine activity. *Public Personnel Management*, 27(4), 569-585.
- Davis, K. (1973). The care and cultivation of the corporate grapevine. *Management Review*, 62(10), 53-55.
- DiFonzo, N., & Bordia, P. (1998). A tale of two corporations: Managing uncertainty during organizational change. *Human Resource Management*, 37(3), 295-303.
- Eroglu, E. (2005). Yöneticilerin dedikodu ve söylentiye yönelik davranış biçimlerinin belirlenmesi. *Kırgızistan-Türkiye Manas Üniversitesi Sosyal Bilimler Dergisi*, 7(13), 411-422.
- Hargie, O., Tourish, D., & Wilson, N. (2002). Communication audits and the effects of increased information: A follow-up study. *Journal of Business Communication*, 39(4), 414-436.
- Harris, J., & Hartman, S. J. (2001). *Organizational behavior*. Binghamton, NY: Best Business Books.
- Hofstede, G. (1989, December). Organising for cultural diversity. *European Management Journal*, 7(4), 7-26.
- Hofstede, G. (1994). Management scientists are human. *Management Science*, 40(1), 4-13.
- Islamoglu, G., & Boru, D. (2005). Kadın ve erkekler açısından güç aralığı. *M.Ü.Sosyal Bilimler Enstitüsü Dergisi*, 24(12-6), 71-87.
- Kamenchuk, O. (2004). Power distance perceptions in post-soviet Russia: Understanding the workplace environment. Unpublished doctoral dissertation, Utah State University, Logan, Utah.
- Knobloch, L. K., & Solomon, D. H. (2002). Information seeking beyond initial interaction, negotiating relational uncertainty within close relationships. *Human Communication Research*, 28(2), 243-257.
- Miliken, F. J. (1987). Three types of perceived uncertainty about the environment: State, effect, and response uncertainty. *Academy of Management*, 12(1), 133-143.
- Mishra, J. M. (2005). Managing the grapevine. *Public Personnel Management*, 19(2), 213-228.
- Morrison, E. W. (2002). Information seeking within organizations. *Human Communication Research*, 28(2), 229-242.
- Nicoll, D. (1994). Acknowledge and use your grapevine. *Management Decision*, 32(6), 25-30.
- Ozer, F., & Yurdun, A. (2012). Birleşme, devir alma süreci yaşayan örgütlerde paternalist liderlik tipinin işten ayrılma niyeti üzerine etkileri. Paper presented at the Management and Economy Conference, Izmir, Turkey.
- Sierra, L. (2002). Tell it to the grapevine. *Communication World*, 19(4), 28-29.
- Wells, B., & Spinks, N. (1994). Managing your grapevine: A key to quality productivity. *Executive Development*, 7(2), 24-27.

About the Author

Nil Selenay Erden (nilselenay@gmail.com) is a Ph.D. candidate in Organizational Behavior at Marmara University, Turkey, from which she also received her Bachelor of Science degree in Organizational Behavior. Her research interests include investigating the impact of national culture on organizational culture, relationships between organizational characteristics and attitudes toward jobs, sources of conflict in small-medium enterprises, and enhancement of communication skills.

Discussion Questions

1. How does the “uncertainty reduction theory” explain information seeking behavior?
2. Do you agree that the corporate grapevine can be used as a management tool? Why? Why not?
3. What are some differences between a high power distance and low power distance organization in terms of communication quality?

To Cite this Article

Erden, N. S. (2013, Spring). Power distance leads to corporate grapevine: The mediating role of perceptions of uncertainty. *Journal of Multidisciplinary Research*, 5(1), 95-103.



“[Untitled #2]”

Photo by Scott E. Gillig.

Image Copyright © by Scott E. Gillig.
All rights reserved. Used with permission.

Journal of Multidisciplinary Research, Vol. 5, No. 1, Spring 2013, 105-120.
ISSN 1947-2900 (print) • ISSN 1947-2919 (online)
Compilation Copyright © 2013 by St. Thomas University. All rights reserved.

Transformative Learning: A New Model for Business Ethics Education

Gabriella Tello
St. Thomas University

Diane Swanson
Kansas State University

Larry Floyd
Liberty University

Cam Caldwell
St. Thomas University

Abstract

Although many scholars and practitioners acknowledge business ethics education to be an important priority for business schools, they criticize the current approach to teaching business ethics at many schools as ineffective. This article introduces a new integrative model for teaching business ethics that integrates key elements of Bloom's Taxonomy, Fink's Taxonomy of Significant Learning, and Transformational Learning. Research briefly describes the current status of business ethics education and identifies nine elements of the proposed model of Transformative Learning. The identified propositions allow business faculty to use them to assess the application of Transformative Learning on business ethics education.

Keywords

Business ethics education, transformative learning, Bloom's Taxonomy, Fink's Taxonomy of Significant Learning, and Transformational Learning.

Introduction

Scholars and business professionals alike have criticized business schools for being slow to change, irrelevant in their focus, and ineffective at teaching students behavioral models that prepare them for the workplace (Ghoshal, 2005; Krehmeyer, 2007; Mintzberg, 2004; Mitroff & Swanson, 2004; Pfeffer & Fong, 2002). Training tomorrow's business leaders to make decisions that benefit organizations and honor duties to their stakeholders is essential for improving the long-term profitability of business while honoring their duty to society (Solomon, 1992). Despite the compelling evidence that current practices are not effective, the status quo in business ethics education has remained largely unchanged for the past decade (Swanson & Fisher, 2011).

Swanson and Fisher (2008) state business schools deemphasize their focus on teaching ethically-based learning objectives. According to Senge (2006), business schools should teach more complex behaviorally-based skills that can prepare students to become lifelong learners. Goleman (2007) believes that developing insights about the application of business ethics concepts may show students how to relate more effectively with others. According to the Arbinger Institute (2002), students may develop an enhanced understanding of themselves and their values through an ethics-based course. In addition, students who learn to distinguish between what they know and do not know about business concepts will be more capable of assessing the application of business ethics principles (Meyer, Land, & Baillie, 2010). Teaching higher level skills to students about moral values and the consequences when businesses do not honor duties to stakeholders requires a more comprehensive and insightful approach to ethics education than simply providing basic definitions and concepts about various ethical theories (Datar, Garvin, & Cullen, 2010; Kouzes & Posner, 2008a, 2008b). Unfortunately, the predominant approach to teaching business ethics at most business schools is to attempt to teach business ethics "across the curriculum" on a piecemeal basis, rather than offering a stand-alone course on business ethics (Cavanagh, 2009; Swanson, 2004).

This article begins by introducing the status of business ethics education. It then introduces a new integrative model for teaching business ethics that goes beyond current teaching methods. This new model integrates key elements of Bloom's (1956) Taxonomy of Learning with those of Fink's behaviorally-based Model of Significant Learning, and change-oriented Transformational Learning (Mezirow, Taylor, & Associates, 2009). The model of Transformative Learning encourages a holistic approach to teaching ethics. This model also increases students' understanding of moral dilemmas while helping them to evaluate clearly their own ethical lenses and duties that those facing moral dilemmas owe to others (Badaracco, 1997).

The Current Status of Business Ethics Education

Although teaching business ethics should be a priority for every business school, less than one-third of all Association to Advance Collegiate Schools of Business (AACSB) accredited business programs offer a stand-alone course in ethics and fewer require one (Cavanagh, 2009; Swanson, 2004). Business schools that do not have a stand-alone ethics course rely on the ability of faculty to incorporate ethics topics in their courses, despite the fact "most (business) professors lack ethics training" (Ferrell & Ferrell, 2008, p. 225). Schools that adopt this across-the-curriculum approach do so under the AACSB standard that enables schools to "assume great flexibility in fashioning curricula to meet their missions and to fit with the specific circumstances

of particular programs...(and to) meet the needs of the mission of the school and the learning goals for each degree program” (AACSBa, 2012, Standard 15). According to Swanson (2004), “hundreds of professors and practitioners launched a collective effort to try to persuade the AACSB to require at least one ethics course as a condition of accreditation” (p. 43).

Swanson and Fisher (2008, 2011) suggest business school deans play a key role in determining whether business schools will emphasize the teaching of business ethics. Several scholars report that business school administrators have a responsibility to align their schools’ ethical values with those promoted by their university’s mission (McCabe, Trevino, & Butterfield, 2002; Weber, Gerde, & Wasieleski, 2008). In a survey of business school deans, Evans and Weiss (2008) noted “more than 80% of the CEOs, deans, and faculty agree that more emphasis should be placed on ethics education” (p. 51). Evans and Weiss (2008) also found “between 73% and 81% of the respondents (of CEOs, deans, and faculty) agree with the statement ‘A concerted effort by business schools to improve the ethical awareness of students eventually will raise the ethical level of actual business practice’” (p. 51).

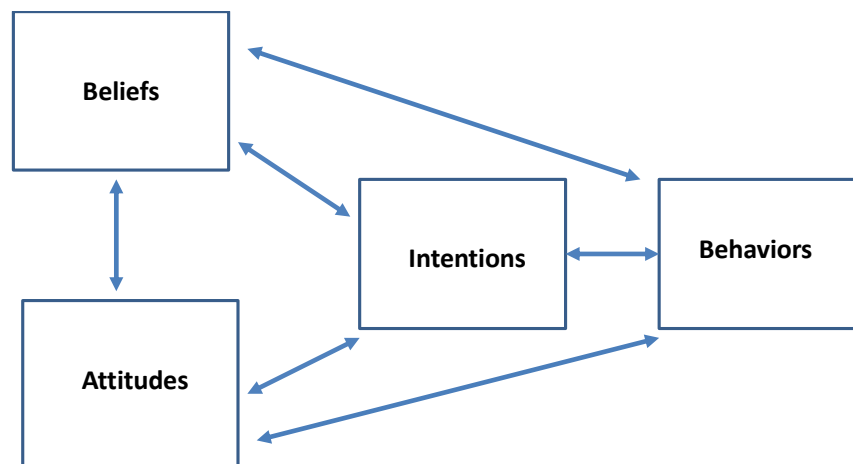
According to Swanson and Fisher (2008), two-thirds of all AACSB-accredited business schools claim to deliver ethics without requiring a stand-alone business ethics course (p. 1). This claim suggests professors from every business discipline are adequately knowledgeable about ethics to teach the application of ethical principles within their own disciplines (Swanson, 2004). Both academics and practitioners have urged campus administrators to rethink their assumptions about business ethics education (Mitroff & Swanson, 2004; Krehmeyer, 2007). It is within this context that the proposed model of Transformative Learning is a sound approach to teaching business ethics.

Modeling Transformative Learning: Propositions for Business Ethics

The terms “transformational” and “transformative” have described educational theory for some time (Mezirow, *et al.*, 2009) to explain the pursuit of excellence in meeting the demands of change while creating added value for organizations and individuals. Transformative Learning is an integrative model that combines essential elements of other learning approaches.

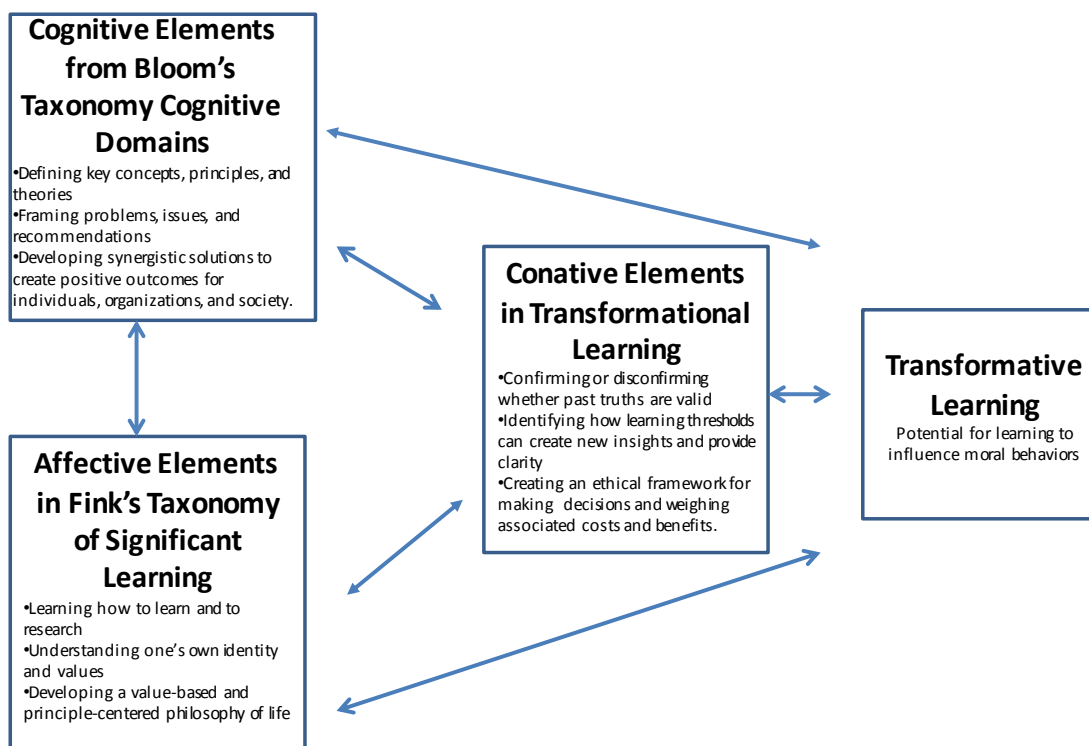
Transformative Learning involves key elements of Bloom’s Taxonomy of Learning, Fink’s Taxonomy of Significant Learning, and Transformational Learning. It develops how to understand and apply knowledge aimed at creating greater value for themselves, organizations, and society. Transformative Learning combines elements found in the Theory of Reasoned Action (Fishbein & Ajzen, 1975). Fishbein and Ajzen (1975) develop the Theory of Reasoned Action to describe the relationships between beliefs, attitudes, intentions to act, and the actual behaviors in which people engage (Hale, Householder, & Green, 2003). According to this model, an individual’s behaviors are an interrelated combination of how one thinks and feels about a concept or idea, which then promotes the intention to act that results in actual behavior (Fishbein & Ajzen, 2009). Figure 1 shows the relationship between the factors that make up the Theory of Reasoned Action.

Figure 1. Theory of Reasoned Action



In applying the Theory of Reasoned Action to influencing students' behavior, the degree to which faculty influence student ethical behavior is a function of the impact of their cognitive, affective, and conative dimensions of teaching (Vallerand, Pelletier, Deshaies, Cuerrier, & Mongeau, 1992). Hence, the model of Transformative Learning includes three cognitive elements from Bloom's Taxonomy, three affective elements from Fink's Taxonomy of Significant Learning, and three conative elements from Transformational Learning. Figure 2 represents correlations that are consistent with the Theory of Reasoned Action.

Figure 2. The Transformative Learning Model



Bloom's Taxonomy of Learning

Bloom's (1956) taxonomy of learning is a well-established model for higher education. Bloom and colleagues saw this taxonomy as a vehicle for developing a common language for learning goals; a basis for understanding the meaning of educational objectives; a means for determining the congruence of objectives, activities, and assessment; and a tool for framing the possibilities for specific courses or curricula (Krathwohl, 2002, p. 212). Anderson and Krathwohl (2001) summarized the six cognitive domains of Bloom's Taxonomy in ascending order:

1. *Knowledge*: The ability to recall previously-learned materials by recalling facts, terms, basic concepts, and answers, including knowledge of terminology, categories, theories, principles, and abstractions.
2. *Comprehension*: The ability to demonstrate an understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating main ideas.
3. *Application*: The ability to solve problems to new situations by applying acquired knowledge, facts, techniques, and rules in a different way.
4. *Analysis*: The ability to examine and break information into parts by identifying motives or causes, evaluating relationships and organizing principles, and making inferences or finding evidence to support generalizations.
5. *Synthesis*: The ability to compile information and elements in a new pattern to propose alternative solutions.
6. *Evaluation*: The ability to present and defend opinions by making judgments about information, the validity of ideas, or quality of work based upon a set of criteria.

Notwithstanding the fact that understanding key definitions and terms is a valid foundation for learning, scholars have been critical of how Bloom's Taxonomy consists primarily with learning facts and concepts, rather than how to think reflectively about them (Wineburg & Schneider, 2009). Although basic knowledge is an appropriate and "fundamentally sound concept," Wineburg and Schneider (2009) note "knowledge possessed does not mean knowledge deployed" (pp. 57-58). It is the application of knowledge that is at the heart of both great education (Piper, 1993b) and successful business performance (Pfeffer, 1998).

Apparently, faculty claim to require students to achieve the upper level skills of Bloom's Taxonomy, but struggle to do more than ask students to learn facts and to demonstrate their ability to recall definitions, concepts, and theories. For example, in a survey of 140 university faculty by Paul, Elder, and Bartell (1997), nearly 80% of teachers say they value and do things in their classrooms to promote critical thinking skills, but only 19% actually were able to give a clear explanation of what constituted critical thinking. Moreover, only 8% were able to identify important criteria and standards by which they evaluate the quality of their students' thinking.

Below are three of the nine elements of the Transformative Learning model that relies heavily on Bloom's Taxonomy:

Element One: Defining Key Concepts, Principles, and Theories. Business ethics incorporates multiple theories and perspectives about duties, social and economic outcomes, freedoms, and justice. Defining these concepts requires familiarity with a great

deal of information (Brady, 1999; Hosmer, 2010). Ethical theories, as well as theories about moral values, are foundational to personal, organizational, and societal decision making (Solomon, 1992). As part of Transformative Learning, correct understanding of basic concepts and knowledge is vital.

Element Two: Framing Problems, Issues, and Recommendations. Understanding the consequences of decisions for others and formulating recommendations for improved decision making are essential to understanding ethics, and identifying and assessing ethical dilemmas (Badaracco, 1997, 2002).

Element Three: Developing Synergistic Solutions to Create Positive Outcomes for Individuals, Organizations, and Society. Covey (2011) notes that creating such solutions is dependent upon the ability to consider creative options that are not immediately apparent. Ethics education requires students to understand and apply ethical and moral concepts and to propose creative, synergistic, positive solutions corresponds to these higher level cognitive skills and is critical to Transformative Learning.

The importance of these three cognitive elements suggests that faculty need to deliver ethics education holistically. Although standard business ethics textbooks adequately summarize these cognitive elements of business ethics education (Carroll & Buchholtz, 2012; Trevino & Nelson, 2010), other business textbooks are often limited in their explanations of ethical issues and theory. Therefore, faculty members from other disciplines who teach ethics “across the curriculum” are unlikely to understand this limitation.

Additionally, business faculty who teach courses in Accounting, Economics, Statistics, and Finance, which tend to have “right and wrong answers,” will emphasize teaching concepts and ideas that are more cognitive and analytical in their focus (Datar, et al., 2010; Mintzberg, 2004). With regard to student perceptions, the prediction is that students who take a stand-alone ethics course will tend to adopt the attitude of their professors in the rating of learning objectives (McCain, 2005). Therefore, the following propositions show the importance of requiring ethics education:

P_{1a}: Faculty in schools that do not require a stand-alone ethics course will rate learning objectives aimed at defining concepts, principles, and theories as sufficient for delivering ethics education.

P_{1b}: Faculty in schools that require a stand-alone ethics course will rate learning objectives aimed at defining concepts, principles, and theory as necessary but not sufficient for delivering ethics education.

P_{1c}: Faculty who teach Accounting, Economics, Statistics, and Finance will rate learning objectives aimed at defining concepts, principles, and theories as sufficient for delivering ethics education.

P_{1d}: Students in schools that do not require a stand-alone ethics course will rate learning objectives aimed at defining concepts, principles, and theories as sufficient for delivering ethics education.

P_{1e}: Students in schools that require a stand-alone ethics course will rate learning objectives aimed at defining concepts, principles, and theory as necessary but not sufficient for delivering ethics education.

Fink's Taxonomy of Significant Learning

Fink's Taxonomy of Significant Learning integrates the cognitive dimensions of Bloom's Taxonomy with attitudes and dimensions in the affective domain (Fink, 2003). Piper (1993b) emphasizes "ethics is as much an attitude as it is a set of skills and knowledge" (p. 119). The three elements from Fink's Taxonomy included in the Transformative Learning model can facilitate the creation of important learning experiences, assist students to become more self-aware (Caldwell, 2009), teach students key skills associated with how to learn (Fink, 2003), and enable students to develop critical attitudes about ethical and moral conduct (Piper, 1993b, p. 119).

These learning outcomes can, in turn, enable students to develop personal insights into their own identities and values. Accordingly, Levine, Fallahi, Nicoll-Senft, Tessier, Watson, and Wood (2008) explain that Fink's model "goes beyond rote knowledge, or even application" (p. 247). Ultimately, this affective approach to student learning can encourage students to reflect on how they make decisions, be responsible for their own learning, and become owners and partners in their learning process (Fink & Fink, 2009; Piper 1993b). Fink's Taxonomy is made up of six categories of learning that are integrated and interactive, rather than hierarchical. Fink (2007, pp. 13-14) described them as follows.

1. *Foundational Knowledge*: This knowledge constitutes the facts, principles, relationships, and theories that students must learn and remember.
2. *Application*: This category incorporates the use of key information to accomplish a desired outcome, solve a problem, make a decision, or utilize creative thinking for an intended purpose.
3. *Integration*: Students are given the opportunity to identify the similarities or interactions between ideas, events, theories, and subject matter.
4. *Human Dimension*: This category is about the process of learning about oneself and/or how to interact with others.
5. *Caring*: Caring encompasses changing one's feelings, opinions, values, or interests in relation to a subject.
6. *Learning How to Learn*: This category includes helping students to understand how to keep on learning about a subject after they have completed a course.

Fink (2003) acknowledged that his model incorporated cognitive elements of Bloom's model but introduced affective elements that he noted were critically important in the learning process. Fink (2003) proposed that higher order learning incorporated an affective process that linked greater self-awareness, a commitment to understanding the importance of values, and the impact of learning in creating connection with others. The following are the three elements of Transformative Learning that derived from Fink's Taxonomy.

Element Four: Learning How to Learn and Research. Teaching students to learn how to learn, how to research key ideas, and to communicate what they have learned are fundamental to Fink's model. This includes the ability to seek out insights independently, rather than simply relying upon the information that makes up a course (Fink, 2003).

Element Five: Understanding One's Own Identity and Values. The importance of understanding one's values and articulating a personal identity is essential to developing a sound ethical perspective (Trevino & Nelson, 2010). Ideally, this leads to a clearly articulated personal identity, which enhances the capacity for high achievement and a sense of purpose toward others in society.

Element Six: Developing a Value-Based and Principle-Centered Philosophy of Life. This is the element in Fink's taxonomy that goes directly to the ability to creating moral meaning and coherence in one's life. Covey (1992, 2003, 2004, 2011) repeatedly identified the importance of a value-based and principle-centered personal philosophy as a foundation for discovering one's voice and for honoring one's personal moral code or conscience.

These three elements of Transformative Learning go to the importance of the affective domain in student learning and suggest that business faculty members have the obligation to deliver learning experiences that require students to learn to learn, reflect upon their values, and develop a philosophy of life that has meaning to them and their relationship with others. Scholars have noted that many business faculty tend to focus narrowly on definitions in the cognitive realm (Orlich, Harder, Callahan, Trevisan, & Brown, 2012). Because of such influences, business faculty at schools with a required ethics course will be more attuned to the affective elements of learning. Hence, faculty members rate affective learning objectives associated with Transformative Learning higher than faculty at schools that teach ethics across the curriculum.

Management faculty will value the behavioral and affective aspects of teaching more than faculty who teach more analytical coursework (Mintzberg, 2004). Students who have not taken a stand-alone ethics course are less likely to be exposed to the affective elements of ethics in a significant way (Fallahi, Levine, Nicoll-Senft, Tesser, Watson, & Wood, 2009). On the whole, faculty are not as likely to teach classes that emphasize affective learning outcomes. Consequently, students in business schools that deliver ethics across the curriculum will be less likely to value the importance of affective learning objectives. These affective elements allow the formulation of the following propositions:

P_{2a}: Faculty in schools that do not offer a stand-alone ethics course will rate learning objectives associated with Fink's Taxonomy lower than faculty in schools that offer such a course.

P_{2b}: Faculty in schools that offer a stand-alone ethics course will rate learning objectives associated with Fink's Taxonomy higher than faculty in schools that offer such a course.

P_{2c}: Management faculty will rate learning objectives associated with Fink's Taxonomy higher than faculty in who teach Accounting, Economics, Statistics, and Finance courses.

P_{2d}: Faculty who teach ethics courses will rate learning objectives associated Fink's Taxonomy higher than other faculty.

P_{2e}: Faculty who have published in ethics journals will rate learning objectives associated Fink's Taxonomy higher than other faculty.

P_{2f}: Students in schools that require a stand-alone ethics course will rate learning objectives associated Fink's Taxonomy higher than students in schools that do not require such a course.

Transformational Learning

Transformational Learning is a positive and growth-oriented learning model (Merriam, 2004) that integrates the cognitive with the affective in the pursuit of personal and organizational excellence (Mezirow, 2000). This transformational view places individual learning within an organizational context--an important consideration for business students. Transformational change typically results from critical reflection after dealing with a dilemma or significant emotional event (Mead & Gray, 2010). Such an event may require a person reconsider previous paradigms and assumptions and modify his or her mental models (Boyd & Myers, 1988).

In terms of Transformational Learning, organizational leaders need to strive to confirm or disconfirm what is and is not true (Schein, 2010; Weick, 2009). Pfeffer (1998) explained that leaders have the obligation to confirm the validity of conventional wisdom by adopting an evidence-based approach for governing their organizations (cf., Pfeffer & Sutton, 1999, 2006). It is within an organizational context that business students will face many moral choices that ultimately have an impact on society. Accordingly, students are more likely to change their behaviors if the faculty who teach them about ethical concepts understand the complex practical relationships between cognitive, affective, and conative elements and individual behavior. Scholars who have written about Transformational Learning suggest that it is the following:

1. Voluntary and self-directed, once learners have developed the foundations skills to engage in learning about a particular subject area (Knowles, 1975, 1980).
2. Practical and problem-oriented in addressing issues that have application in the learner's life (Cranton, 2006).
3. Action-oriented in motivating the learner to follow a course of conduct that requires personal growth (Mezirow, 1991).
4. Participative and collaborative and involving shared experiences (Cranton, 2006).

These qualities mesh with the aspect of intentionality that distinguishes Transformational Learning from the cognitive and affective (Cranton, 2006, p. 1). Transformative Learning seeks to optimize the ability of individuals in organizations to create long-term value while honoring duties owed to stakeholders while pursuing continuous improvement (Caldwell, Hayes, & Long, 2010).

The following are the three conative elements of Transformative Learning for the proposed model of Transformational Learning.

Element Seven: Confirming or Disconfirming whether Past Truths are Valid. The capability to think deeply about issues, to examine whether assumptions are correct, and to discern their applicability within specific conditions are practical skills that are critical for personal growth (Arbinger Institute, 2002) and business success (Pfeffer, 1998; Pfeffer & Sutton, 2006).

Element Eight: Identifying How Learning Thresholds can Create Learning Insights and Provide Clarity. The constant testing of assumptions challenges a threshold view of reality and provides a basis for adopting new insights that add value. This ability is a fundamental element of personal growth and organizational innovation and meaning (Meyer, Land, & Baillie, 2010; Novak & Gowin, 1984).

Element Nine: Creating an Ethical Framework for Making Decisions and Weighing their Costs and Benefits. The responsibility to achieve superior outcomes involves weighing costs and benefits associated with organizational goals that balance the creation of long-term financial success with other important social considerations (Hosmer, 2010; Schein, 2010; Swanson, 1999).

Faculty in schools that teach business ethics across the curriculum will not have the benefit of in-depth training in individual and organizational ethics possessed by faculty in schools that require a stand-alone ethics course. Therefore, faculty from schools that teach ethics across the curriculum will be more likely to rate the importance of the complex conative elements of ethics lower than other faculty. Faculty members from schools that teach ethics across the curriculum will not rate such elements highly since no such faculty will be on hand at their schools.

Management faculty who are more likely to be familiar with the importance of conative learning concepts because of their training in those concepts will be more likely to give importance to understanding factors associated with laying the foundation for organizational and individual change (Datar, et al., 2010) and related learning objectives. The following propositions are based upon these elements of Transformative Learning:

P_{3a}: Faculty in schools that do not require stand-alone ethics courses will rate conative learning objectives lower than faculty from schools that require such a course.

P_{3b}: Faculty in schools that require a stand-alone ethics course will rate conative learning objectives higher than faculty from schools that do not require such a course.

P_{3c}: Faculty who teach Management courses will rate learning objectives associated with Transformational Learning higher than faculty who teach Accounting, Finance, Economics, and Statistics.

P_{3d}: Faculty who teach ethics will rate learning objectives associated with Transformational Learning higher than all other faculty.

P_{3e}: Faculty who have published academic in ethics journals will rate learning objectives associated with Transformational Learning higher than all other faculty.

P_{3f}: Students from schools that require a stand-alone ethics course will rate learning objectives associated with Transformational Learning higher than students in schools that do not require such courses.

Contributions and Implications for Further Research

This article has introduced a model that potentially can inform and aim how business ethics education can create long-term value for organizations and their stakeholders. This approach makes four main contributions to the literature.

1. It provides an integrative model for teaching ethics that incorporates key elements of well-accepted learning theories and is consistent with effective learning practices. The model of Transformative Learning in context with the Theory of Reasoned Action provides a logical connection between cognitive, affective, and conative elements that impact human behavior. Transformative Learning is both internally logically sound and consistent with behavioral theory.
2. Our new perspective about teaching business ethics lends additional credence to the view that business ethics education is likely to be ineffective within a context that lacks a stand-alone ethics course in the curriculum.
3. Empirical research can test the propositions provided that are related to Transformative Learning. These propositions are an opportunity to assess the ultimate value of Transformative Learning in having an impact on student attitudes, knowledge of ethical issues, and appreciation for the importance of moral choices in business decision making.
4. In context with research that has suggested improvement in business ethics education, this article adds to that literature and encourages scholars and administrators to examine more closely the importance of reassessing business ethics education in the modern business school.

Furthering research may substantiate the vital role ethics experts can play in business schools, not only in teaching an ethics course but also in assisting other faculty to understand how to deliver ethics effectively in their courses. Additional research also may indicate that efforts to garner support for ethics learning objectives are likely to fall short, absent a required ethics course in the curriculum. If student motivation to behave ethically is greater in business schools that require an ethics course and that apply Transformative Learning concepts within the business classroom, the potential benefit from reconsidering current business ethics education models is worth careful evaluation.

Conclusion

At a time when the world's economy continues to feel the repercussions of ethical missteps in many sectors, the need for sound business ethics education is more valuable than ever. Improving the quality of business ethics education is no guarantee that future leaders will act ethically, but there is no longer any uncertainty about the potential consequences of dishonesty and unethical practices in today's business world. Nearly twenty years ago, Harvard scholar Thomas Piper (1993a) observed that placing leadership, ethics, and corporate responsibility at the center of management education is "a call for a deeper sense of purpose, a broader sense of responsibility and accountability, a more proactive spirit, and a more encompassing set of questions, rigorously reasoned" (p. 7) about ethical conduct in business and education. Great teaching is far more than the dissemination of information. Transformative Learning is a learning model that reminds business faculty, administrators, and accrediting bodies that their responsibilities extend far beyond the current standards for teaching ethics which are inadequate to address today's demands and tomorrow's hopes.

References

- AACSB. (2012a). Business accreditation standards: Standard 15 management of curricula. Retrieved from <http://www.aacsb.edu/accreditation/business/standards/aol/standard15.asp>
- AACSB. (2012b). Ethics/Sustainability Resource Center, Frequently Asked Questions. Retrieved from <http://www.aacsb.edu/resources/ethics-sustainability/faq.asp>
- Anderson, L., & Krathwohl, D. A. (2001). *Taxonomy for learning, teaching and assessing: A revision of Bloom's Taxonomy of educational objectives*. New York: Longman.
- Arbinger Institute. (2002). *Leadership and self deception: Getting out of the box*. Berkeley, CA: Berrett-Koehler.
- Badaracco, J. L., Jr. (1997). *Defining moments: When managers must choose between right and right*. Boston, MA: Harvard Business School Press.
- Badaracco, J. L., Jr. (2002). *Leading quietly*. Boston, MA: Harvard Business School Press.
- Bloom, B. S. (1956). *Taxonomy of educational objectives, the classification of educational goals, handbook 1: Cognitive domain*. New York: David McKay Company, Inc.
- Boyd, R. D., & Myers, J. G. (1988). Transformative education. *International Journal of Lifelong Education*, 7(4), 261-284.
- Brady, F. N. (1999). A systematic approach to teaching ethics in business. *Journal of Business Ethics*, 19(3, pt. 2), 309-318.
- Caldwell, C. (2009). Identity, self-awareness, and self-deception: Ethical implications for leaders and organizations. *Journal of Business Ethics*, 90(Supp. 3), 393-406.
- Caldwell, C., Hayes, L., & Long, D. (2010). Leadership, trustworthiness, and ethical stewardship. *Journal of Business Ethics*, 96(4), 497-512.
- Carroll, A. B., & Buchholtz, A. K. (2012). *Business and society: Ethics, sustainability, and stakeholder management* (8th ed.). Mason, OH: South-Western.
- Cavanagh, G. F. (2009). What's good for business? *America*, 200(4), 20-22.
- Covey, S. R. (1992). *Principle-centered leadership*. New York: Simon & Schuster.
- Covey, S. R. (2003). *The seven habits of highly effective people: Powerful lessons in personal change*. New York: Simon & Schuster.
- Covey, S. R. (2004). *The 8th habit: From effectiveness to greatness*. New York: Free Press.
- Covey, S. R. (2011). *The 3rd alternative: Solving life's most difficult problems*. New York: Free Press.
- Cranton, P. (2006). *Understanding and promoting transformative learning: A guide for educators of adults*. San Francisco, CA: Jossey-Bass.
- Datar, S. M., Garvin, D. A., & Cullen, P. G. (2010). *Rethinking the MBA: Business education at a crossroads*. Boston, MA: Harvard Business School Publishing.
- Evans, F. J., & Weiss, E. J. (2008). Views on the importance of ethics in business education: Survey results from AACSB deans, CEOs, and faculty. In D. L. Swanson & D. G. Fisher (Eds.), *Advancing business ethics education* (pp. 43-56). Charlotte, NC: Information Age Publishing.
- Fallahi, C. R., Levine, L. E, Nicoll-Senft, J. M., Tesser, J. T., Watson, C. L, & Wood, R. M. (2009). Using Fink's integrated course design: How a book changed our students' learning, our university, and ourselves. *New Directions for Teaching & Learning*, 2009(119), 43-52.

- Ferrell, O. C., & Ferrell, L. (2008). A decision making framework for business ethics education. In D. L. Swanson & D. G. Fisher (Eds.), *Advancing business ethics education* (pp. 221-241). Charlotte, NC: Information Age Publishing.
- Fink, L. D. (2003). *Creating significant learning experiences: An integrated approach to designing college courses*. San Francisco, CA: Jossey-Bass.
- Fink, L. D. (2007). The power of course design to increase student engagement and learning. *Peer Review*, 9(1), 13-17.
- Fink, A. K., & Fink, L. D. (2009). Lessons we can learn from the voices of experience. *New Directions for Teaching & Learning*, 2009(119), 105-113.
- Fishbein, M., & Ajzen, I. (1975). *Belief, attitude, intention, and behavior: An introduction to theory and research*. Indianapolis, IN: Addison-Wesley.
- Fishbein, M., & Ajzen, I. (2009). *Predicting and changing behavior: The reasoned action approach*. New York: Psychology Press.
- Ghoshal, S. (2005). Bad management theories are destroying good management practices. *Academy of Management Learning & Education*, 4(1), 75-91.
- Goleman, D. (2007). *Social intelligence: The new science of human relationships*. New York: Bantam Publishing.
- Hale, J. L.; Householder, B. J., & Greene, K. L. (2003). The theory of reasoned action. In J.P. Dillard & M. Pfau (Eds.), *The persuasion handbook: Developments in theory and practice* (pp. 259-286). Thousand Oaks, CA: Sage.
- Hosmer, L. T. (2010). *The ethics of management* (7th ed.). New York: McGraw-Hill Irwin.
- Knowles, M. S. (1975). *Self-directed learning: A guide for learners and teachers*. Englewood Cliffs, NJ: Prentice Hall/Cambridge.
- Knowles, M. S. (1980). *The modern practice of adult education: From pedagogy to andragogy*. Englewood Cliffs, NJ: Prentice Hall/Cambridge.
- Kouzes, J. M., & Posner, B. Z. (2008a). *Credibility: How leaders gain and lose it, why people demand it*. San Francisco, CA: Jossey-Bass.
- Kouzes, J. M., & Posner, B. Z. (2008b). *The leadership challenge* (4th ed.). San Francisco, CA: Jossey-Bass.
- Krathwohl, D. R. (2002). A revision of Bloom's taxonomy: An overview. *Theory into Practice*, 41(4), 212-218.
- Krehmeyer, D. (2007, October 26). Teaching business ethics: A critical need. *Business Week Online*, p. 4.
- Levine, L. E., Fallahi, C. R., Nicoll-Senft, J. M., Tessier, J. T., Watson, C. L., & Wood, R. M. (2008). Creating significant learning experiences across disciplines. *College Teaching*, 56(4), 247-254.
- McCabe, D. L., Trevino, L. K., & Butterfield, K. D. (2002). Honor codes and other contextual influences on academic integrity: A replication and extension to modified honor code settings. *Research in Higher Education*, 43(3), 357-378.
- McCain, T. (2005). *Teaching for tomorrow: Teaching content and problem-solving*. Thousand Oaks, CA: Corwin Press.
- Mead, J., & Gray, S. (2010). Contexts for threshold concepts. In J. H. F. Meyer, R. Land, & C. Baillie (Eds.), *Threshold concepts and transformational learning* (pp. 97-113). Boston, MA: Sense Publishers.

- Merriam, S. B. (2004). The role of cognitive development in Mezirow's transformational learning theory. *Adult Education Quarterly*, 55(1), 60-68.
- Meyer, J. H. F., Land, R., & Baillie, C. (Eds.). (2010). *Threshold concepts and transformational learning*. Boston, MA: Sense Publishers.
- Mezirow, J. (1991). *Transformative dimensions of adult Learning*. San Francisco, CA: Jossey-Bass.
- Mezirow, J., (Ed.), (2000). *Learning as transformation: Critical perspectives on a theory in progress*. San Francisco, CA: Jossey-Bass.
- Mezirow, J., Taylor, E., Associates, (Eds.), (2009). *Transformative learning in practice: Insights from community, workplace, and higher education*. San Francisco, CA: Jossey-Bass.
- Mintzberg, H. (2004). *Managers not MBAs: A hard look at the soft practice of managing and management development*. San Francisco, CA: Berrett-Koehler.
- Mitroff, I. I., & Swanson, D. L. (2004, June). An open letter to the deans and faculties of American business schools: A call for action. *Academy of Management News*, 7-8.
- Novak, J. D., & Gowin, D. B. (1984). *Learning how to learn*. New York: Cambridge University Press.
- Orlich, D. C., Harder, R. J., Callahan, R. C., Trevisan, M. S., & Brown, A. H. (2012) *Teaching strategies: A guide to effective instruction* (2nd ed.). Boston, MA: Wadsworth.
- Paul, R., Elder, L., & Bartell, T. (1997). *California teacher preparation for instruction in critical thinking: Research findings and policy recommendations*. Sonoma, CA: Foundation for Critical Thinking.
- Pfeffer, J. (1998). *The human equation: Building profits by putting people first*. Boston, MA: Harvard Business School Press.
- Pfeffer, J., & Fong, C. T. (2002). The end of business schools? Less success than meets the eye. *Academy of Management Learning & Education*, 1(1), 78-95.
- Pfeffer, J., & Sutton, R. (1999). Management half-truths and nonsense: How to practice evidence-based management. *California Management Review*, 48(3), 77-100.
- Pfeffer, J., & Sutton, R. (2006). Evidence-based management. *Harvard Business Review*, 84(7/8), 184-190.
- Piper, T. R. (1993a). Rediscovery of purpose: The genesis of the leadership, ethics, and corporate responsibility initiative. In T. R. Piper, M. C. Gentile, & S. D. Parks (Eds.), *Can ethics be taught? Perspectives challenges, and approaches at Harvard Business School* (pp. 1-12). Boston, MA: Harvard Business School Press.
- Piper, T. R. (1993b). A program to integrate, leadership, ethics, and corporate responsibility into management education. In T. R. Piper, M. C. Gentile, & S. D. Parks (Eds.), *Can ethics be taught? Perspectives challenges, and approaches at Harvard Business School* (pp. 117-149). Boston, MA: Harvard Business School Press.
- Schein, E. A. (2010). *Organizational culture and leadership*. San Francisco, CA: John Wiley & Sons.
- Senge, P. M. (2006). *The fifth discipline: The art & practice of the learning organization*. New York: Doubleday.
- Solomon, R. C. (1992). *Ethics and excellence: Cooperation and integrity in business*. New York: Oxford University Press.
- Swanson, D. L. (1999). Toward an integrative theory of business and society: A research strategy for corporate social performance. *Academy of Management Review*, 24(3), 506-521.

- Swanson, D. L. (2004). The buck stops here: Why universities must reclaim business ethics education. *Journal of Academic Ethics*, 2(1), 43-61.
- Swanson, D. L., & Fisher, D. G. (2011). Assessing business ethics education: Starting the conversation in earnest. In D. L. Swanson & D. G. Fisher (Eds.), *Toward assessing business ethics education. Advancing business ethics education* (pp. 1-21). Charlotte, NC: Information Age Publishing.
- Swanson, D. L., & Fisher, D. G. (2008). Business ethics education: If we don't know where we're going, any road will take us there. In D. L. Swanson & D. G. Fisher (Eds.), *Advancing business ethics education* (pp. 1-23). Charlotte, NC: Information Age Publishing.
- Trevino, L. K., & Nelson, K. A. (2010). *Managing business ethics: Straight talk about how to do it right* (5th ed.). Hoboken, NJ: Wiley and Sons.
- Vallerand, R. J., Pelletier, L. G., Deshaies, P., Cuerrier, J.-P., & Mongeau, C. (1992). Ajzen and Fishbein's theory of reasoned action as applied to moral behavior: A confirmatory analysis. *Journal of Personality & Social Psychology*, 62(1), 98-109.
- Weber, J., Gerde, V. W., & Wasieleski, D. M. (2008). A blueprint for designing an ethics program in an academic setting. In D. L. Swanson & D. G. Fisher (Eds.), *Advancing business ethics education* (pp. 85-101). Charlotte, NC: Information Age Publishing.
- Weick, K. E. (2009). *Making sense of the organization*, Vol. 2. West Sussex: Wiley & Sons.
- Wineburg, S., & Schneider, J. (2009). Was Bloom's Taxonomy pointed in the wrong direction? *Phi Delta Kappan*, 91(4), 56-61.

About the Authors

Gabriella Tello (gtello@stu.edu) is a current graduate student in the School of Business at St. Thomas University in Miami Gardens, Florida. She is completing a Master of Science in Management degree with a concentration in justice administration. This article came about as an opportunity to become a first author and join a current professor at St. Thomas University with the publication of this article. Additionally, her interest is in the justice field and the ethics involved at the managerial level.

Diane Swanson (Swanson@k-state.edu) holds the Edgerley Family Chair in Business Administration and is Professor of Management at Kansas State University in Manhattan, Kansas. She has written two books about business ethics education and is one of the leading scholars in the world on revising business ethics education.

Larry A. Floyd (Larry.a.floyd@gmail.com) received his Masters degree in Business Administration from Liberty University in Lynchburg, Virginia. He has written several articles about a variety of business ethics issues.

Cam Caldwell (ccaldwell@stu.edu) is Associate Professor of Management at St. Thomas University in Miami Gardens, Florida. He writes about and teaches business ethics.

Discussion Questions

1. How does this model of transformative learning change how faculty members prepare for teaching business ethics principles?
2. How can adding affective and transformational learning elements enable faculty members to encourage students to think about the application of ethical principles and values?
3. Why might business school deans and faculty members be reluctant to create stand-alone business ethics courses as required classes in business school curricula?
4. How can the propositions presented in this paper be applied by faculty members interested in helping their students to do a better job of understanding how they can honor ethical duties in tomorrow's business world?

To Cite this Article

Tello, G., Swanson, D., Floyd, L., & Caldwell, C. (2013, Spring). Transformative learning: A new model for business ethics education. *Journal of Multidisciplinary Research*, 5(1), 105-120.

Journal of Multidisciplinary Research, Vol. 5, No. 1, Spring 2013, 121-122.
ISSN 1947-2900 (print) • ISSN 1947-2919 (online)
Compilation Copyright © 2013 by St. Thomas University. All rights reserved.

Book Review

Book Details

Greenberg, A. (2012). *This machine kills secrets: How wikileakers, cypherpunks, and hacktivists aim to free the world's information*. New York: Dutton, 370 pages, hardcover, ISBN 978052595320-3.

Reviewer

Larry Treadwell, M.A.

Synopsis and Evaluation

Whether you agree or not with what Julian Assagne and, more recently, Bradley Manning have done, Wikileaks and sites like it have changed the landscape of the Internet and freedom of information, while polarizing the debate on the legality and ethics involved in the leaking of information. The key to anonymous whistle blowing is cryptology and its ability to separate the information from the information about the person providing it. A protocol commonly referred to as PGP provides the encryption of the data, and another protocol known as TORs and the use of remailers makes possible anonymity. Wikileaks is not the first time such sensitive information has been made available to the public and surely will not be the last. The first famous case was that of Dr. Daniel Ellsberg's leaking of 13 years worth of sensitive documents to the U.S. press on the U.S. involvement and policy in the Vietnam War, now known as the Pentagon Papers. Yet, behind the press sensationalism of the leaking of data such as the Pentagon Papers, Bradley Manning, and the Iraqi war documents as well as the host of other documents made available on sites such as Wikileaks is the story of the individuals whose belief in freedom of information has led to the U.S. Government's attempt to restrict not only the availability of such information but also the ability to encrypt it and make it available anonymously. The U.S. Government's view is that cryptography protocols such as PGP and TOR should not be available to general public. This is because protected data havens may provide access to illegal and taboo information. Yet, Crypto-anarchist groups such as the Cypherpunks and Anonymous, and other dedicated individuals, believe so strongly in the freedom of information that they have not only strived to create the necessary cryptographic protocols such as PGP and TOR but also have sought to create the mechanisms for providing the leaking and access to such information, which in their belief, keeps the playing field level. *This Machine Kills Secrets* is their story and how they fought to make freedom of information possible in a digital world.

The book's research, engaging writing style, and relevance to current events all make this essential reading for anyone who wishes to understand better how the connections between cryptography, technology, and the Internet make whistle blowing sites such as Wikileaks possible. The book reads like a story, with elements of a spy and mystery thriller, making it hard to put down. The author provides an insightful and informative view of various groups involved, an understandable explanation of the technology necessary to make it happen, governmental attempts to restrict such technology and spy on its citizens, and the ramifications and benefits of anonymous whistle blowing. When placed in context with governmental attempts to obtain secretly information on citizens, the research provides for provocative debate on the legality of whistle blowing sites such as Wikileaks as well as on the need for such sites, and the morality and ethics behind them. The work is highly recommended for universities libraries with collections in computer science, mathematics, ethics, communications, business, and political sciences.

In the Author's Own Words

"I sought out the history and future of an idea: digital, untraceable anonymous leaking" (p. 4). "It's a living idea—one that continues to evolve in the minds of all those who aim to obliterate the world's institutional secrecy" (p. 8). "We have come to the conclusion that fomenting a worldwide movement of mass leaking is the most cost effective political intervention available to us" (p. 131). "An analysis by the magazine *The Atlantic* five months later would show that close to one out of every two issues of *The New York Times* in 2011 cited a document published by Wikileaks" (p. 176). "By 2011 Wikileaks had risen to a place in the world's perception where even a mere threat of a leak served the purpose Assange had laid out in his five-years-earlier essay on conspiracies. By Assange's reckoning, it wasn't the leaks themselves, after all, but rather the fear of leaks" (p. 178). "The first serious infowar is now engaged. The field of battle is Wikileaks. You are the troops" (p. 186). "The idea is to create a more active Wikileaks, one that isn't just receiving these documents, but actively capturing new data from secret places. He says, here is a technology you already have. Here is a way to apply it to create a transparent society by force" (p. 317).

Reviewer's Details

Larry Treadwell IV (ltreadwell@stu.edu), is an Associate Professor at St. Thomas University, in Miami Gardens, Florida. His research interests are multidisciplinary in nature and concentrate on the collaboration with the library and faculty of other disciplines such as counseling, religion, education, and business.

To Cite this Review

Treadwell, L. (2013, Spring). [Review of the book *This machine kills secrets: How wikileakers, cypherpunks, and hacktivists aim to free the world's information*, by A. Greenberg]. *Journal of Multidisciplinary Research*, 5(1), 121-122.

Journal of Multidisciplinary Research, Vol. 5, No. 1, Spring 2013, 123-125.
ISSN 1947-2900 (print) • ISSN 1947-2919 (online)
Compilation Copyright © 2013 by St. Thomas University. All rights reserved.

Book Review

Book Details

Poling, J. M., & Kim, H. S. (2012). *Korean resources for pastoral theology: Dance of Han, Jeong, and Salim*. Eugene, OR: Pickwick Publications, 127 pages, softcover, ISBN 978-1-60899-584-4.

Reviewer

Jonathan Chad Roach, Ph.D.

Synopsis and Evaluation

Poling and Kim, a faculty and student writing team from Garrett-Evangelical Theological Seminary, believe pastoral theologians should engage Asian churches as conversation partners “about the nature of care and healing in today’s world” (p. 1). Their work has three major objectives. First, they examine the important contributions South Korean theology can make to pastoral theology in the United States. Second, they explore the contradictions of modernism in the religious context of South Korea. Finally, they ask if South Korean spirituality can transform modernism (p. 5).

They review the early history of Korea to help Western readers encounter the alterity of the Korean experience while setting the historical foundations for modern states. Next, the authors explore the modern history of Korea, beginning in the 19th Century, and including Donghak Nationalism, the arrival of the first Protestant missionaries, Japanese colonialism, the Korean War, military dictators, and the rapid transformation from a rural, agricultural economy to an urban, industrial economy. They also explore *Minjung* theology, a native Korean expression of theology that emerged in the 1970s as a faith-based response to political oppression.

The authors change gears in chapter three as they examine the religions of ancient Korea and the way in which these many religions coexist, even with a history of not coexisting peacefully. They begin with Shamanism, which according to the authors, “is the deepest layer of religion in Korea” (p. 34). Shamanism seeks to solve human problems by creating interactions between humans and spirits, including deities, heroes, and ancestors. They examine expressions of Buddhism, including the Taego-jong and Jogye-jong branches, as well as Taosim and Confucianism. The authors also engage new religious expressions, including the Chondogyo Tradition, the Jeungsan Tradition, Won Buddhism, North Korean Juche, the Unification Church, and Modernism as religion.

Poling and Kim argue that many Koreans do not confine themselves to religious tradition only; rather, they participate in rituals and activities from many different religious traditions. After mapping out this foundation, they argue “the distinctive mark of Korean spirituality could be the courage to face into internal contradictions while responding with compassion to the suffering and hope of all people” (p. 63).

After this historical framework, the authors engage the concepts of *Han*, *Jeong*, and *Salim* as three conversation points for a Korean and Western dialogue for pastoral theology. They introduce *Han* as a concept from *Minjung* theology that expresses “an accumulation of suppressed and condensed experiences of oppression” (p. 30). They believe “*han* refers to the long-term, often intergenerational, effects of unrelieved trauma on persons, families, and communities” (p. 72). The authors argue that “*Han* is the deep sadness that comes when we feel the full impact of the ambiguities that make up our life” (p. 85). They argue that *Han* will help pastoral theologians understand the long-term impact of trauma inherited from previous generations and roots beings in time.

The concept of *Jeong* is more complex than its common translation of “love.” The authors believe “*jeong* resists a simple English translation because it has many layers and richer meanings” (p. 74). This concept includes nurturing and caring interpersonal relationships as well as love and affection that “is rooted in relationality, inclusivity, mutuality, and interconnectedness” (p. 75). It captures the ambiguities of personal identity where people are shaped by both positive and negative relationships. They believe “*Jeong* is about acknowledging and honoring the relationships that have given us our being” for better or worse (p. 81). They argue that “*Jeong* helps us see this complexity as resource and challenge” (p. 93).

The final concept, *salim*, which an average Korean would define as “just women’s work in house,” refers to culturally devalued work, such as cooking, washing, and cleaning, with a deep sense of caring for others (p. 75). The authors argue that “a recovery of *salim* could show the important link between chores of everyday life and more lofty positions of public leadership” (p. 76) meaning life goes on because of the “mundane details of everyday life” (p. 86). The authors argue that “*Salim* can help Western caregivers see that the drive for abundant life, harmony, and peace comes through everyday events” (p. 93).

Although there is an inherent choppy in this text as the two authors attempt to blend their ideas and write about themselves in the first person, the content is a rich conversation that accomplishes its purpose very well. One critique is the chapters do not always work as a whole. The development of *han*, *jeong*, and *salim* does not begin until the second half of the book. It would have been helpful if these concepts had been brought into conversation throughout the chapters on history and religion in Korea, instead of building upon them. Second, the correlation of these three concepts with Trinitarian and feminist theologies, although well developed, is brought into conversation with pastoral theology only near the end of the book. It would be wonderful if this section on pastoral theology could be expanded in future publications.

None of these critiques take away from the value of this book. For me, as an Anglo-American theologian who married into a Korean family and has taught Korean students in theology, this book provides valuable new insights and richer theological understanding into the Korean world views and theological foundations of faith. In particular, the concept of *salim* is well developed and appears as a strong, potential conversation point for Anglo-American’s everyday or ordinary theology and Latino/a theology’s *lo cotidiano*. This volume is strongly recommended

for clergy serving Korean and Korean-American populations, pastoral care, and Clinical Pastoral Education (CPE) students as well as theological faculty.

In the Author's Own Words

“South Korean Christians know something about living in relationships that are characterized by ambiguity and multiplicity. *Han* describes the interreligious reality of shared suffering and trauma that can lead to depression, suicide, murder, and revenge, or it can lead to solidarity and commitment to seek justice in community. *Jeong* describes the deep emotional bonding that occurs among humans when they live together and share common challenges. *Jeong* is ‘sticky’ because once persons are bonded by *jeong*, they belong to one another for good or evil. *Salim* is a concept that emphasizes everyday labor involved in fostering healthy and sustaining relationships in which we give and receive life with one another...We hope that *salim*, through the dance of *han* and *jeong* for love and justice, will bring healing and wholeness to our everyday lives” (p. 114).

Review's Details

The Reverend Jonathan Chad Roach (jroach@stu.edu) is the Library Administrator at St. Thomas University. He holds a Ph.D. in practical theology from St. Thomas University, a Master of Library and Information Science from Wayne State University, and a Master of Divinity from Ecumenical Theological Seminary. He is ordained clergy in the National Association of Congregational Christian Churches and currently is working in the area of clergy burnout within a contextual theology of work.

To Cite this Review

Roach, J. C. (2013, Spring). [Review of the book *Korean Resources for Pastoral Theology: Dance of Han, Jeong, and Salim*, by J. M. Poling, & H. S. Kim]. *Journal of Multidisciplinary Research*, 5(1), 123-125.



“[Untitled #3]”

Photo by Scott E. Gillig.

Image Copyright © by Scott E. Gillig.
All rights reserved. Used with permission.

Instructions to Authors

Criteria for Publication

The [*Journal of Multidisciplinary Research*](#) (JMR) seeks to publish authors who produce original, insightful, interesting, important, and theoretically bold research. Demonstration of a significant “value-added” contribution to the field’s understanding of an issue or topic is crucial to acceptance for publication. Articles should make strong empirical contributions. Methodological articles are welcome, but they must contain accompanying theoretical and empirical contributions. Articles must be relevant to practice. The best submissions are those that identify both a compelling multidisciplinary issue and a strong theoretical framework for addressing it. Practical relevance may be indirect in some cases; however, authors should be as specific as possible about potential implications. All articles, reviews, and other writings in the JMR must be accessible to a wide-ranging readership. Authors should make evident the contributions of specialized research to general leadership theory and practice, avoid jargon, and define specialized terms and analytic techniques.

Authors should write manuscripts as simply and concisely as possible, without sacrificing meaningfulness or clarity of exposition. The journal editor-in-chief will evaluate manuscripts in terms of their contribution-to-length ratio; i.e., he or she may permit manuscripts that make strong contributions more pages than those making narrower contributions. At his or her own discretion, the editor-in-chief may allow additional space to papers that make very extensive contributions or that require additional space for data presentation or references (such as meta-analyses, qualitative works, and work using multiple data sets). It is generally in an author’s best interest to be very judicious about manuscript length, yet the editors recognize that some manuscripts are more complex and extensive than others, and will consider such differences.

Style Guide

Manuscripts must be no more than 26 double-spaced pages, justified, with one-inch margins and half-inch indentations, in Microsoft Word, in Times New Roman 12-point font, *using active voice*. Manuscripts must include an abstract (up to 200 words), keywords (up to seven terms), references, a brief biography (up to 100 words), and discussion questions (up to five). As appropriate, manuscripts may include relevant tables and figures (in their correct position in the text, not separate and not at the end), and appendixes (at the end of the text).

Submission Requirements

When authors submit their manuscripts to the JMR for publication consideration, they agree to abide by JMR publication requirements. Specifically, an author must:

- Agree that his or her manuscript is not under review for publication elsewhere and that he or she will not submit it to another publication during the review period at the JMR.

- Attest that the manuscript reports empirical results that have not been published previously. An author whose manuscript utilizes data reported in any other manuscript, published or not, must inform the editors of these reports at the time of submission.
- Confirm he or she has not submitted the manuscript previously to the JMR for review. He or she may submit a manuscript that previously was released in conference proceedings, but the editors may view this manuscript less favorably.
- Agree that, during the review process, he or she will take down all other versions of submitted manuscripts (e.g., working papers, prior drafts, final drafts) posted on any Web site (e.g., personal, departmental, university, archival, working series).
- Follow the sixth edition of the *Publication Manual of the American Psychological Association* (APA). At the initial stage, the editors tend to review less favorably those manuscripts that do not conform to APA and may return them to the author for revision prior to submission to the full review process.

Submitted articles must support the core values of St. Thomas University (<http://www.stu.edu>).

The Review Process

Desk rejections. The JMR's Editor-in-Chief makes an initial judgment about the suitability of the manuscript for the JMR (sometimes with the assistance of an expedited blind review). The editor-in-chief may reject manuscripts that do not fit with the mission of the JMR (e.g., no conceptual foundation) or that are extremely weak (e.g., containing methodological flaws or no theoretical or empirical contribution).

Normal review process. All submissions to the JMR are double-blind peer-reviewed; manuscripts prepared in a way that compromises blind review may be returned for revision prior to being reviewed. For each manuscript that passes the initial review stage, the editor-in-chief assigns an action editor and two to three reviewers; at least two reviewers will be external to the university. The action editor makes a publication decision about a manuscript in conjunction with recommendations members of the JMR's Editorial Review Board or other qualified reviewers provide.

The JMR strives to provide constructive and developmental feedback to authors within approximately five weeks. The initial quality of the manuscript, however, can influence dramatically both the efficiency and effectiveness of the review process. The better developed a manuscript and the ideas it contains, the easier it will be to review, and the better the feedback its author will receive. Therefore, prospective authors should have scholarly colleagues review their manuscripts prior to submission to the JMR.

Reviewing for JMR. Submission of a manuscript to the JMR also carries an implicit quid pro quo: willingness to review for the JMR. The cornerstone of the editorial process at the JMR is the willingness of colleagues to provide each other feedback through the peer review process. The JMR expects that authors who submit manuscripts to the JMR for review are willing to reciprocate by reviewing for the JMR if called upon to do so.

Final note. To submit a manuscript, all prospective authors must ensure they remove the title page and all author-identifying references from the file, and they e-mail the complete manuscript to the JMR Editor-in-Chief (hgringarten@stu.edu).

About the Journal

Advertising

For information on advertising, please contact the journal Editor-in-Chief (hgringarten@stu.edu).

Disclaimer

The publisher, editor-in-chief, managing editor, associate editors, and reviews editor, and the members of the editorial advisory and editorial review boards cannot be held responsible for errors or any consequences arising from the use of information contained in the *Journal of Multidisciplinary Research*; the views and opinions expressed do not necessarily reflect those of the publisher, editor-in-chief, managing editor, associate editors, or reviews editor; neither does the publication of advertisements constitute any endorsement by the publisher, editor-in-chief, managing editor, associate editors, or reviews editor of the products advertised.

Indexing and Listing

The [Journal of Multidisciplinary Research](#) is indexed in ProQuest, EBSCO, Gale/Cengage, de Gruyter, and the Elektronische Zeitschriftenbibliothek (EZB). It is listed in the *Directory of Open Access Journals*, AcademicKeys, JournalSeek, MediaFinder, NewJour, the CUFTS Journal Database, and the Open University of Hong Kong Electronic Library.

Open Access Journal

The *Journal of Multidisciplinary Research* does not charge readers or their institutions for access. Our users have the right to read, download, copy, print, search, or link to the full texts of articles.

Permissions and Reprints

For information on permissions and reprints in relation to the *Journal of Multidisciplinary Research*, please contact the journal Editor-in-Chief (hgringarten@stu.edu).

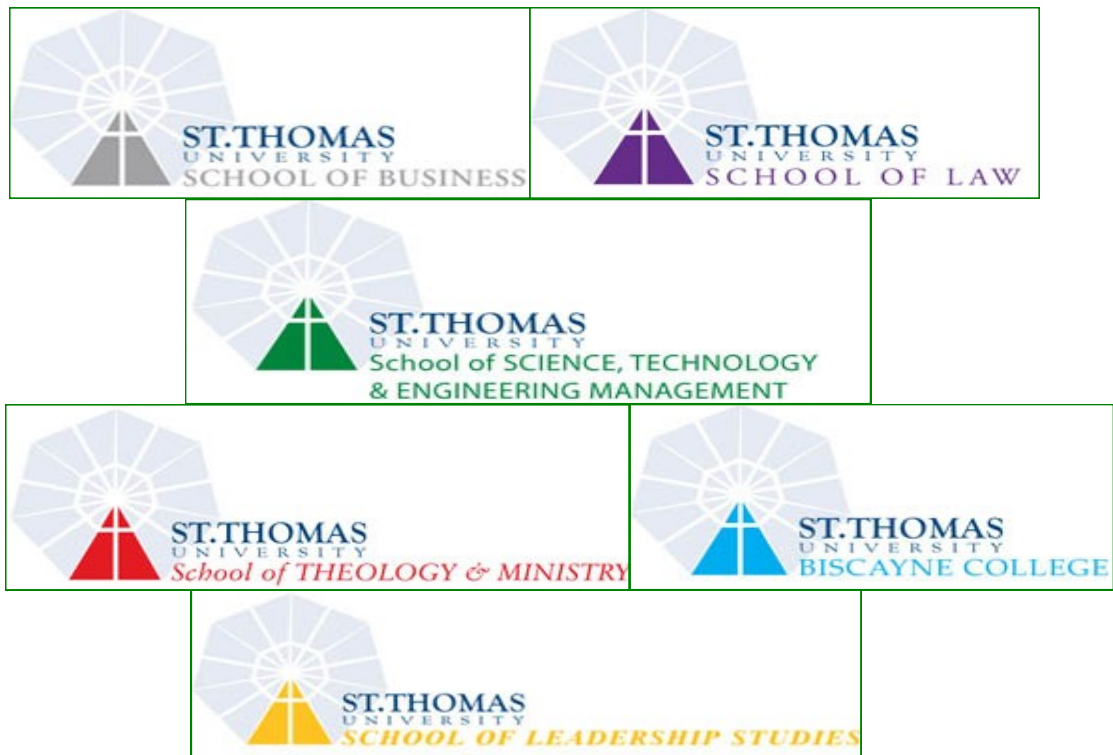
Sponsorship

The *Journal of Multidisciplinary Research* is made possible by the generosity of Professor Craig Reese, Ph.D., and the financial support of the St. Thomas University School of Business.

To Cite Articles

To cite articles from the *Journal of Multidisciplinary Research*, you may use the following example:

Dunn, M. W., Dastoor, B., & Sims, R. L. (2012, Spring). Transformational leadership and organizational commitment: A cross-cultural perspective. *Journal of Multidisciplinary Research*, 4(1), 45-59.



Editorial Review Board

The [*Journal of Multidisciplinary Research*](#) Editorial Review Board consists of selected individuals, expert in their field(s), reviewing submissions to the journal and serving for one year.

The Hon. William Altfield, *Miami-Dade County Court Judge, Florida*

Barbara Beliveau, Ph.D., *St. Mary's College of Maryland*

Eldon Bernstein, Ph.D., *Lynn University*

Paul Breman, D.B.A., *Utrecht School of Applied Sciences, The Netherlands*

Attilio M. Costabel, Esq., *Costabel P.A.*

Michael E. Dillon, Jr., Ph.D., *Lincoln Memorial University*

Claudia E. Fisher, Ph.D., *Lemontree Brand Strategy Consulting, Munich, Germany*

Leandro D. Gryngarten, Ph.D., *Georgia Institute of Technology*

Lawrence D. Hubbell, Ph.D., *University of Wyoming*

Elias Kirche, Ph.D., *Florida Gulf Coast University*

Anne-Marie Mitchell, J.D., *Stone Pigman Walther Wittmann, New Orleans, U.S.A.*

Lloyd Mitchell, M.B.A., C.P.A., *St. Thomas University*

Khaldoon Nusair, Ph.D., *University of Central Florida*

Christy A. Powers, J.D., LL.M., *St. Petersburg College*

Selen Razon, Ph.D., *Ball State University*

Craig Reese, Ph.D., *St. Thomas University*

Michelle I. Seelig, Ph.D., *University of Miami*

Song, Seok-Ho, Ph.D., *St. Thomas University*

Rick A. Swanson, J.D., Ph.D., *University of Louisiana-Lafayette*

Tseng, Chien-Chi, Ph.D., *University of Florida*

Patricia Widener, Ph.D., *Florida Atlantic University*

Margaret Wilkins, Ph.D., *University of Tennessee*

JMR

Journal of Multidisciplinary Research
<http://www.jmrpublication.org>