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Editorial Note

I am pleased to present to you a collection of high quality papers that were presented at the 2007 International Academy of Business Disciplines Conference in Orlando, Florida, and were selected for publication in this issue of the *Journal of International Business Disciplines,* after going through a second round of triple-blind review.

My special thanks to the President of Frostburg State University, Jonathan Gibralter; to Danny Arnold, Dean of College of Business at Frostburg State University; to the Board of Directors of IABD; to *JIBD* Editorial Board; and to my distinguished colleagues who served as the external reviewers.

I also would like to thank Kathleen O'Connor, editor; Louis Falk, web coordinator; Reza Eftekharzadeh, treasurer; and Robert Page, managing editor for their outstanding contribution towards completion of this task.

The Editorial Board members and I would like to dedicate this issue of JIBD to all who make a determined effort to promote peace and prosperity for all citizens of the world.

Ahmad Tootoonchi, Chief Editor
Journal of International Business Disciplines

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ETHICS OF FEMALE AND MALE CONSUMERS: CONCEPTUALIZATION, REVIEW, AND RESEARCH AGENDA

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ABSTRACT

This paper conceptualizes the relationship between gender and consumer ethics. It lays the theoretical foundations to study whether female consumers are more sensitive to ethical problems than male consumers. Specifically, this study conceptualizes the relationship between gender and consumer ethics using Muncy and Vitell questionnaire (MVQ). Based on the literature review this study hypothesizes that female consumers are more sensitive to ethical problems than males. In addition, based on past research this study concludes that the relationship between gender and ethics still needs to be explored using finer theories, representative samples, and better statistical analysis. The theoretical precepts presented in this paper can be used to develop better marketing strategies, policy formation, job assignments, and internal training.

INTRODUCTION

This study conceptualizes the relationship between gender and perceptions of ethical problems in marketing (consumer ethics). The study suggests that significant differences exist between female and male consumers in consumer ethics. A variety of research has examined the ethical orientation of women and men. Some of the research has found that females are more ethically sensitive (Chonko & Hunt, 1985), have higher ethical standards (Dawson, 1992), possess a higher level of cognitive moral development (Goolsby & Hunt, 1992), and are more sensitive to and less tolerant of unethical activities (Ameen, Guffey, & McMillan, 1996). One study found women to be more ethical than men on certain practices (Fritzsche, 1995). Hasty, Bellizzi, & Diaz (1997) used a sample of 259 White and Hispanic respondents to analyze the ethical perceptions of 14 questionable practices. Results indicate that women found the 14 questionable practices more unethical than did men. On the other hand, few studies have found no significant differences between females and males (e.g., Swaidan, Vitell, & Rawwas, 2003).

As discussed above, results of past research are somewhat inconsistent. Although most research has found that females are more sensitive to ethical issues than males, some research indicates that males reject questionable activities more than females, and other research has found an insignificant relationship between gender and ethics (e.g., Fraedrich, 1993). Some researchers did not find any significant difference between females and males in terms of rejecting questionable activities (Swaidan, Vitell, & Rawwas, 2003). In Crittenden, Crittenden, and Hawes's (1986) study of marketing students, no differences were found between gender and ethical standards. Consequently, because past research concerning gender has been inconsistent, this study lays the theoretical background to examine more clearly the relationship between gender and perceptions of ethical activity.

Another problematic area of past research is the level of analysis. Many studies have investigated ethics in the marketplace by focusing primarily on the firm perspective and not the consumer perceptions. Bagozzi (1995) has emphasized that moral behavior is an aspect of relationship marketing that is in need of more attention. Past research emphasized that what we know about the consumers' ethical decision-making is still very limited (Vitell, Singhapakdi, & Thomas, 2001). In short, relatively few studies have examined consumer ethics in the marketplace. Yet, consumers are the most important component of the business process. Ignoring consumer ethics in research may result in the development of faulty marketing strategies because all aspects of marketing strategy (product, price, promotion, and place) are developed to satisfy consumers' needs and wants. To help correct this problem, this research is focused on the consumers' perceptions of ethics.

A final potential problem of past research has been the use of convenient samples consisting primarily of students. For example, Swaidan, Rawwas, and Al-Khatib (2004) used an African American sample that was collected from a historically black university. The convenient samples impede the generalizability of the findings of these studies. The use of students as surrogates, although appealing, has received wide criticism because of evidence that students are not adequate substitutes for the target population (Lamb & Stem, 1979). However, empirical comparisons of responses by students and the general population (Enis, Cox, & Stafford, 1972) have been inconsistent. A recent empirical study by Bergmann and Grahn (1997) found that students could be surrogates for general population representatives with similar characteristics. Some researchers claimed that students who are working adults (non-traditional students) could make representative samples. For example, Nonis and Swift (2001) mentioned the fact that over 84% of their sample was employed (part or full-time) demonstrates that the sample was, in fact, appropriate. Future research in this area should avoid student samples to improve the generalizability of gender research. To aid with the generalizability of the findings, this paper suggests the use of samples that are more representative of consumers.

The focus of this study is to conceptualize the relationship between the ethical beliefs of women and men in the United States regarding 26 consumption-questionable marketing practices. Four hypotheses are suggested where gender is the independent variable and consumer ethics are the dependent variables. ANOVA could be used to test the relationships between the independent and dependent variables after collecting the necessary data.

LITERATURE REVIEW AND HYPOTHESES

A large body of literature has developed concerning ethics in the marketplace; however, much of this research has focused primarily on the seller side of the buyer–seller dyad. Murphy and Laczniak (1981), after reviewing research in marketing ethics, concluded that the vast majority of studies have examined ethics as they relate to business or marketing situations, while only 5% examined ethics in consumer situations. This disparity in the marketing ethics literature has changed only a little since their initial review. For example, Vitell, Singhapakdi, and Thomas (2001) said that what we know about consumer ethics is still very limited. This is due to the inadequate attention devoted to examining ethical issues in the marketplace from the perspective of consumers. Yet, consumers are major participants in the business process, and ignoring them in ethics research may result in an incomplete understanding of that process because all aspects of consumer behavior (e.g., the acquisition, use, and disposition of goods) tend to have an integral ethical component.

Muncy and Vitell (1992) developed a consumer ethics model that examines the extent to which consumers believe that certain questionable behaviors are either ethical or unethical. The original study was followed by a number of related studies, including many cross cultural ones, by various authors using the original Muncy-Vitell questionnaire (MVQ) (e.g., Al-Khatib, Vitell, & Rawwas, 1997; Erffmeyer, Keillor, & LeClair, 1999; Kenhove, Vermeir, & Veniers, 2001; Rawwas, 1996; Rawwas, 2001; Rawwas, Vitell, & Al-Khatib, 1994). The MVQ is categorized along four dimensions (Muncy & Vitell, 1992). The first dimension is "benefiting from illegal activities"; the second dimension is "benefiting from questionable activities"; the third dimension is "passively benefiting from questionable activities"; and the fourth dimension is "no harm/indirect harm questionable activities." This paper will discuss these dimensions in detail under the suggested methodology section. Rawwas, Swaidan, and Oyman (2005) used the MVQ to compare the ethical beliefs of American and Turkish consumers. A sample of 376 subjects that consisted of American (n = 188) and Turkish consumers (n = 199) was used to distinguish the ethical beliefs and practices of the two samples. Swaidan, Rawwas, and Al-Khatib (2004) also utilized the MVQ to explore the ethical beliefs of African American students. Their findings suggest that consumers who score higher on the idealism scale and lower on the relativism scale were more likely to reject questionable activities.

On average, females expressed more willingness to reject questionable activities than males. Levin, Dato-on and Rhee (2004) used the MVQ to determine the ethical attitudes of college students toward downloading music without paying as well as their attitudes toward record companies and recording artists. The findings suggest that respondents who download music from the Internet differ from those who do not download in that down loaders have less of an ethical concern, indicating a greater willingness to endorse ethically questionable acts, and that down loaders are more likely to believe that downloading files does not harm the company or the artists. Swaidan, Vitell, and Rawwas (2003) used MVQ to explore the ethical beliefs of African American consumers. Results confirmed that consumers who score high on the idealism scale are more likely to reject questionable activities. Gender had no significant relationship on consumers' ethical orientation in their study. Polonsky, Brito, Pinto, and Higgs-Kleyn (2001) used the MVQ to examine whether there are differences between northern and southern European Union consumers' perceptions of ethical consumer behavior. The study sampled 962 university students across four northern EU countries (Germany, Denmark, Scotland, and Netherlands) and four southern EU countries (Portugal, Spain, Italy, Greece). Finally, Rawwas (2001) used the MVQ to compare the ethical beliefs (ethical judgments) of consumers from eight countries (i.e., United States, Ireland, Austria, Egypt, Lebanon, Hong Kong, Indonesia, and Australia).

Research also indicates that gender may play a part in consumer ethics. Ford and Richardson (1994) declared that gender was researched in more empirical studies than any other individual factor. Vitell (2003) concluded that gender was linked by more than one study to ethical beliefs, but still needs further study. Rawwas (1996), using an Austrian sample, proved that females are more likely to find questionable activities unethical. Beltramini, Peterson, and Kozmetsky (1984) established that female students were more concerned with ethical issues than male students were. Kelley, Ferrell, and Skinner (1990) reported that female researchers rated their behavior as more ethical than their male counterparts. Singhapakdi (2004) proved that male American students tend to be less ethical in their intentions than female students. Chonko and Hunt (1985) confirmed that female managers noticed more ethical problems than did males. Ferrell and Skinner (1988) substantiated that female marketing researchers exhibit higher levels of ethical behavior. Jones and Gautschi (1988) reported that females are less likely to be loyal to their company in an ethically questionable environment. Ruegger and King (1992) ascertained that female business students tend to be more ethical than male business students in their evaluation of different hypothetical business situations. Malinowski and Berger (1996) said that females responded more ethically than males. Loe and Weeks (2000) revealed that females have higher levels of moral reasoning than their male counterparts. Whipple and Swords (1992) provided evidence that females are more critical of ethical issues than their male counterparts. Ang, Cheng, Lim, and Tambyah (2001) demonstrated that males were more likely to have favorable attitudes towards piracy. Vitell, Lumpkin, and Rawwas (1991) validated that female "senior citizen" consumers were generally more ethical than their male counterparts. Franke, Crown, and Spake (1997) after meta-analyzing data from more than 20,000 respondents in 66 samples concluded that women are more likely than men to perceive business practices as unethical. Based on these compelling findings we suggest the following four hypotheses along the four dimensions of MVQ:

Hypothesis 1: Female consumers will be less tolerant of illegal questionable consumer activities than their male counterparts.

Hypothesis 2: Female consumers will be less tolerant of active questionable consumer activities than their male counterparts.

Hypothesis 3: Female consumers will be less tolerant of passive questionable consumer activities than their male counterparts.

Hypothesis 4: Female consumers will be less tolerant of no harm questionable consumer activities than their male counterparts.

SUGGESTED METHODOLOGY

SAMPLE

To test the stated hypotheses, it is suggested that a sample of respondents be selected to represent the typical consumer. Past research has relied heavily on convenient samples of students. Consequently, this paper suggests that a more representative sample be selected to improve generalizability of results. The size of the suggested sample should be around 1000 consumers.

MEASUREMENT OF CONSTRUCTS

A one-page survey will be administered to respondents. The instrument consists of two major parts. The first section measures consumer ethics along the four dimensions using the Muncy and Vitell (1992) scale (i.e., illegal, active, passive, and no harm) (see Appendix 1). The second part of the survey measures the demographics of the participants.

MVQ will be used to measure consumers' beliefs regarding 26 statements that have potential ethical implications. This questionnaire, developed by Muncy and Vitell (1992), has since been used and validated by various studies (e.g., Al-Khatib, Vitell, & Rawwas, 1997; Erffmeyer, Keillor, & LeClair, 1999; Kenhove, Vermeir, & Verniers, 2001; Rawwas, 1996; Rawwas, Vitell, & Al-Khatib, 1994; and Vitell & Muncy, 1992). The 26 statements have been derived to cover the domain of ethical judgments faced by consumers (Vitell & Muncy, 1992). It is confirmed that MVQ is a good measurement scale because it covers ethical behaviors in a wide variety of situations (Chan, Wong, & Leung, 1998). Responses to MVQ statements were coded so that a high score indicates high ethical beliefs and low score indicates low ethical beliefs. A five-point Likert scale with descriptive anchors ranging from "strongly believe that it is NOT wrong" (coded 1), to "strongly believe that it is wrong" (coded 5) is used. The MVQ is categorized along four dimensions (Muncy & Vitell, 1992). The first dimension is "benefiting from illegal activities" (ILLEGAL). Actions in this dimension are initiated by consumers and are either illegal or likely to be perceived as illegal by most consumers (Vitell & Muncy, 1992). An example of an ILLEGAL item is "Changing price tags on merchandise in a store." The second dimension, "benefiting from questionable activities" (ACTIVE), is also one where the consumer initiates the action. While, these actions are not as likely to be perceived as illegal, they are still morally questionable (Al-Khatib, Vitell, & Rawwas, 1997). An item that exemplifies ACTIVE is "Stretching the truth on an income tax return." The third dimension, "passively benefiting from questionable activities" (PASV), is one where consumers benefit from sellers' mistakes rather than their own actions (Kenhove, Vermeir, & Verniers, 2001). An item that denotes PASV is "Getting too much change and not saying anything." Finally, the fourth dimension is "no harm/indirect harm questionable activities" (NOHARM). These are actions that most consumers perceive as not resulting in any harm and, therefore, many consumers perceive them as acceptable actions (Erffmeyer, Keillor, & LeClair, 1999). An item that stands for NOHARM is "Copying and using computer software that you did not buy." Past Cronbach alpha coefficients for the ILLEGAL, ACTIVE, PASV, and NOHARM suggest that these dimensions are internally consistent.

IMPLICATIONS

If the hypotheses developed are supported by data analysis, several implications for marketing managers will be indicated. Because females would be more sensitive to ethical problems than males, firms would have to deal with females in a straightforward manner. The marketing policies would need to be clearly stated and closely followed when dealing with female consumers. Male consumers may expect more concessions and less strictly enforced policies. Male consumers would tend to justify the flexibility in policy by applying characteristics of the circumstances, thus, reflecting a more relativistic leaning. Employees who interface with customers would need training in dealing with the ethical differences between females and males.

While generalizing the hypotheses of this paper beyond consumer-firm relationships may be problematic, there is a high probability that firm-employee relationships would follow the same pattern. Females would expect clear, consistently followed policies while males would expect flexibility in policies based on situational circumstances. Consequently, policy formation and implementation would need to consider the different philosophies of females and males are.

Firms must realize that females may be more sensitive to questionable ethical practices than males. While all dealings with customers must be ethical, perceptions of female customers may be quite different from male customers' perceptions concerning how ethical certain practices may be. Many marketing activities are clearly illegal or unethical, but others are not so clear-cut. More females than males tend to consider the questionable practices to be unethical (Kelley, Ferrell, & Skinner, 1990; Loe & Weeks, 2000; Rawwas, 1996; Singhapakdi, 2004). Therefore, firms should tend toward the side of caution and avoid any practice that may have any hint of unethical problems. Though firms have many male customers who could be more tolerant of questionable practices, it would be wise to formulate and implement practices that will satisfy the stringent ethical expectations of female customers. It is best to implement policies that will be perceived as ethical by the most demanding customers.

It is reasonable that the ethical expectations of females would be evident in many firm-employee interactions. In response, all actions taken by a firm should be devoid of any hint of unethical characteristics. In addition, all employees should be trained to understand the differences between the ethical expectations and moral philosophy of females and males. Understanding the ethical expectations of females and males will aid in smoother interactions within the firm. Companies may want to use ethically sensitive employees in jobs that need higher ethical standards. Employees that are more sensitive can be used as leading examples for less sensitive employees. In addition, employees who are more sensitive to ethical issues can be used in coaching and development of other employees who are less sensitive to ethical issues.

Current study has implications for job assignments. In customer relations and in employee-firm relations, females may relate better to females and males to males in situations where ethical issues are present. It would be reasonable to assume that people who are closer in perceptions of ethics would relate better to each other. Companies that deal with consumers that are less sensitive to ethical issues need to boost their security measures to curb the unethical practices of their consumers.

The primary limitation of the proposed hypotheses is the generalizability to other areas. Hypotheses 1–4 pertaining to tolerance to questionable ethical practices in marketing would apply primarily to firm-consumer actions. Generalization of these hypotheses beyond the scope of the measure could be problematic.

CONCLUSION

This research conceptualizes the relationship between gender and consumer ethics. Gender is the independent variable and consumer ethics is the dependent variable. Based on past research this study concludes that the relationship between gender and ethics needs to be explored using finer theories, representative samples, and better statistical analysis. This study hypothesizes that females will reject questionable activities more than males. These hypotheses are important for marketing managers. Marketing managers could use these hypotheses to develop better strategies to handle their consumers (males versus females), for recruitment, job assignments, and job training. It seems that females could handle jobs that require ethical sensitivity more than men. Based on past research it appears that men need more training on ethical issues than females. In addition, it seems that female consumers will be more sensitive to ethical problems than their male counterparts.

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APPENDIX A: VITELL QUESTIONNAIRE (MVQ) ITEMS

Appendix 1: List of Muncy-Vitell Questionnaire (MVQ) Items
I. MVQ-Illegal Activities (LEGAL)
1. Returning damaged merchandise when the damage is your own fault. 2. Changing price tags on merchandise in a retail store. 3. Reporting a lost item as "stolen" to an insurance company in order to collect the money. 4. Using a long distance access code that does not belong to you. 5. Drinking a can of soda in a supermarket without paying for it. 6. Giving misleading price information to a clerk for a nonpriced item.
II. MVQ-Active (ACTIVE)
1. Using an expired coupon for merchandise. 2. Observing someone shoplifting and ignoring it. 3. Breaking a bottle of salad dressing in a supermarket and doing nothing about it. 4. Stretching the truth on an income tax return. 5. Not telling the truth when negotiating the price of a new automobile. 6. Using coupon for merchandise that you did not buy. 7. Returning merchandise to a store by claiming that it was a gift when it was not.
III. MVQ-Passive (PASV)
1. Saying nothing when the waitress miscalculates the bill in your favor. 2. Getting too much change and not saying anything. 3. Not informing the cashier about an unscanned item placed in the grocery bag. 4. Getting more food than you paid for at a fast-food restaurant and not informing the cashier. 5. Moving into a new residence and using a preexisting cable service that has not been purchased. 6. Lying about a child's age in order to get a lower price.
IV. MVQ-No Harm (NOHARM)
1. Returning merchandise after trying it and not liking it. 2. Tasting grapes in a supermarket and not buying any. 3. Spending over an hour trying on different clothes and not purchasing any. 4. Taking an ashtray or other "souvenir" from a hotel or restaurant. 5. Taping a movie off the television. 6. Recording an album instead of buying it. 7. Using computer software or games that you did not buy.
NOTE: The responses for the four ethics scales' items are: 1=strongly believe it is not wrong, 2=believe it is not wrong, 3=undecided, 4=believe it is wrong, 5=strongly believe it is wrong.

EXPORT COMMITMENT AND PERFORMANCE IN SMALL FIRMS

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ABSTRACT

This study extends empirical evidence on the relationship between export commitment and export intensity. Data collected through a mail survey of 173 U.S. small exporters indicates significant correlations between export intensity and three factorized measures of organizational commitment to exporting: interest in foreign markets, domestic and overseas export-related marketing activities. A discussion of the findings is presented within the behavioral framework of export performance and implications and direction for future research are discussed.

INTRODUCTION

Engaging small- and medium-sized enterprises (SMEs) in foreign markets and understanding the determinants of export intensity are important policy and research issues of growing interest in view of the economic growth effect of exports (Wilson, Mann, & Otsuki, 2005). Therefore, it is no surprise that government agencies offer export facilitation programs and research to explain export intensity is growing (Gourlay, Seaton, & Suppakitjarak, 2005; Morgan, Kaleka & Katsikeas, 2004; Sharma, Young, & Wilkinson, 2006; Wolff & Pett, 2000). Export intensity refers to the ratio of export sales to total sales of a firm (Gourlay et al., 2005; Ural & Acaravci, 2006, Wolff & Pett, 2000). SMEs that have a high export intensity ratio expand their markets beyond national borders and are likely to foster sales growth, job creation, and economic development. However, what are the key determinants of export intensity? Factors both in the firm's external and internal environments are likely significant factors from a contingency perspective (Cavusgil & Zou, 1994; Sharma et al., 2006; Walters & Samiee, 1990).

Although a few studies have examined factors within the firm that may explain export behavior (e.g. Cavusgil & Zou, 1994; Cavusgil & Noar, 1987; Dichtl, Leibold, Koglmayr, & Muller, 1984; Erramilli & Rao, 1990; Holzmuller & Kasper, 1991; Gripsrud, 1990; Johanson & Vahlne, 1977), research that has focused on the relationship between decision-maker export commitment is still very limited (Cavusgil & Zou, 1994; Moen & Servais, 2002, Walters & Samiee, 1990). More studies are needed for generalization. The commitment of a firm to exporting refers to its orientation to exporting. Walters and Samiee (1990) studied a small sample of U.S. firms and found that the variables that correlated with export success vary according to the dimension of export performance being examined. A significant relationship was found between the export proportion of sales and strategic planning but no significant relationship was found between commitment and export sales growth. However, Cavusgil & Zou (1994) found a positive relationship between export performance and commitment, as well as support of foreign distributors and subsidiaries. In view of the inconclusive findings in these and other studies, additional research is needed to enhance understanding regarding behavioral determinants of firm export performance. The present study addresses this gap with a focus on an expanded operationalization of organizational commitment and extends available knowledge on the relationship between organizational commitment and export intensity.

In the next sections of the paper, a review of the relevant literature is presented and hypotheses are developed. The research methodology is discussed and the results are presented and discussed. The paper concludes with a section on implications and suggestions for future studies.

RELEVANT LITERATURE AND HYPOTHESES

Organizational commitment to exporting in this study refers to the interest the decision makers of a firm have in foreign markets and their investment of time and resources in carrying out export-related activities (Sharma et al. 2006, Cavusgil & Nevin, 1981; Walters & Samiee, 1990). The concept of organizational commitment to exporting falls within the framework of the behavioral considerations of the internationalization process (Cavusgil & Nevin, 1981; Cavusgil & Noar, 1987; Dicthl et al., 1984; Johanson & Vahlne, 1977; Olson & Wiedersheim-Paul, 1978). Behavioral scholars argue that factors within the firm and not in its external environment are critical to exporting. In this regard, Johanson and Vahlne (1977) proposed that foreign market commitment is an underlying mechanism that determines export behavior. Similarly, Cavusgil and Nevin (1981) considered organizational commitment a meaningful internal determinant of exporting and proposed a model that causally links commitment and exporting. In their model, commitment was measured by items on marketing planning, the systematic exploration of the possibility of exporting, formal structure for evaluating export opportunities and policy regarding exports. A test of the proposed model showed that the level of a firm's commitment to export marketing was an explainable factor of whether the firm was currently exporting or not (Cavusgil & Nevin, 1981). Moen and Servais (2002) found that the future export involvement of a firm is influenced by its behavior. These findings suggest that the interest decision makers have in exporting may be a key determinant of exporting. This proposition is supported by Lim, Sharkey, and Kim (1991) who found a significant direct effect of interest on export adoption. These results suggest the following hypothesis:

Hypothesis 1: Interest in foreign markets is positively associated with export intensity.

Regarding the relationship between management interest and export market entry, Cavusgil and Nevin (1981) had earlier found that the reluctance of firms to export might be largely attributable to top management's lack of determination to export. Bello and Barksdale (1986) also found that the ability to sell to foreign buyers is associated with commitment to exporting. Commitment was defined as the importance attached to exporting as reflected in the firm's willingness to invest time and resources in its dealing with foreign buyers (Ford, 1984). Based on similar findings, Cavusgil and Nevin (1981) remarked that a firm's top management should be able to increase its probability of exporting by investing resources in market planning and by systematically exploring the possibility of exporting. The exploration of export opportunities involves carrying out export-related activities locally and in overseas markets. Foreign market visits by top executives, salespeople and engineers (Seringhaus, 1987), for example, have been considered important dimension of organizational commitment to exporting. Based on the preceding discussion, the following hypotheses can be posited.

Hypothesis 2: Domestic export effort is positively associated with export intensity.

Hypothesis 3: Overseas export effort is positively associated with export intensity.

In general, export-related activities are generally considered indicators of organizational commitment to exporting although the results of a few studies that have examined the relationship between commitment and export intensity are mixed (Cavusgil & Zou, 1994; Moen & Servais, 2002; Walters & Samiee, 1990). To extend these findings, the following proposition was examined in the present study:

Hypothesis 4: Organizational commitment to exporting is positively associated with export intensity.

SAMPLE AND DATA COLLECTION

A field study was conducted to examine the hypotheses outlined in the preceding section. A systematic random sample of 300 small export firms was selected from the United States Importers and Exporters Directory. The sample was restricted to a single U.S. state due to a need to reduce variance that may be contingent on state-specific conditions. In addition, the sampling of just one state provides results that state officials might consider insightful and useful for practical implications. The sample was also restricted to firms that are engaged in trading goods abroad.

A pretested mail questionnaire was sent to the president of each firm included in the survey. The presidents were chosen as respondents because, as top-level officers, they would be in a position to be fully aware of the international marketing efforts and policies of their firm. An initial mail out and a follow-up to nonrespondents were employed, resulting in a return of 173 questionnaires. Thus, the final responses rate was approximately 58%. An analysis of the responses indicated no significant problem of nonresponse bias.

MEASURES

EXPORT INTENSITY

The export intensity of a firm was measured by the ratio of export sales to total sales (Burton & Schlegelmilch, 1987; Walters & Samiee, 1990). Thus, respondents for the firms surveyed were required to indicate the approximate percentage of their firm’s annual sales that was derived from exporting.

ORGANIZATION COMMITMENT

Interest in foreign markets. The organizational commitment of a firm to exporting was measured using three sets of indicators. The first indicator is the interest of the decision makers in exporting (Seringhaus, 1987). It was measured by asking respondents to use a Likert-type scale item to indicate their agreement to the statement “my firm wants to win internationally.” Response choices ranged from *strongly agree* (5) to *strongly disagree* (1).

Domestic export effort. The second indicator is the international marketing activities carried out by a firm in the domestic market. This was measured using a nominal scale. Respondents were required to indicate whether their firm carried out marketing planning, and a systematic exploration of the possibility of exporting (Cavusgil & Nevin 1981). It was also measured by a firm’s frequency of developing sales from trade shows, trade fairs, and conferences organized in the domestic markets (Seringhaus, 1987).

Overseas export effort. The third indicator of organizational commitment to exporting is export related effort in overseas markets. Respondents were asked to indicate how often their firm carried out overseas export related activities (trade fairs, trade shows and exhibits, trade missions, market visits for matters relating to agents and distributors, and sales). Likert-type scale items were used and the response choices ranged from *very often* (5) to *very rarely* (1). An index of commitment was developed by summing the scores on the scale items and then dividing by the total number of items. The reliability estimate for the commitment measure was 0.71. With respect to the validity of the overall scale, a pilot study was conducted even though the operationalization of commitment in this study is consistent with prior studies. The results of the pilot study indicated that the content validity of the questionnaire was satisfactory.

ANALYSIS AND RESULTS

Regression analysis was used to examine the hypothesis advanced for the present study. Overall, the hypotheses proposed a positive association between organizational commitment to exporting and export intensity. The same relationship was posited with respect to three indicators of organizational commitment. The first step in analyzing the data consisted of examining correlations among the variables to check for problems of multicollinearity. As shown in Table 1, decision makers’ interest is moderately correlated with both export-related markets activities conducted locally and overseas. Thus, there was the presence of only a small level of multicollinearity. As a result, the variables were treated as independent in the analysis.

HYPOTHESES 1–3.

Regression analysis was used to examine these hypotheses. Hypotheses 1–3 posit that export intensity is a function of the decision makers’ interest in exporting as well as export marketing activities conducted in the domestic and overseas markets. The results of the analysis reported in Table 2 show significant positive correlations. The overall F test statistic of 41.6 is significant at the .05 level of significance. Thus, support was found for the three hypotheses.

The relative importance of each of the three variables with respect to their impact on export intensity is indicated by the magnitude of the beta coefficients reported in Table 2.

TABLE 1. CORRELATION MATRIX OF MEASURES OF ORGANIZATIONAL COMMITMENT AND EXPORT INTENSITY

Variables	1	2	3	4
1. Overseas export effort	1.00			
2. Interest in foreign markets	.52*	1.00		
3. Domestic export effort	.43*	.29*	1.00	
4. Export intensity	.57*	.52*	.41*	1.00

* Significant at 0.05 level.

TABLE 2. RESULTS OF MULTIPLE REGRESSION ANALYSIS OF MEASURES OF ORGANIZATIONAL COMMITMENT AND EXPORT INTENSITY

Variables	Beta coefficient	*t* value	Significance level
Overseas export effort	.349	4.82	.0001
Interest in foreign markets	.286	4.19	.0001
Domestic export effort	.181	2.78	.0001

Note: R-Square = .651; Adjusted R-Square = .425; F = 41.6, significant at the .0001 level.

As indicated, overseas export-related marketing activities have the strongest impact on export intensity. The second most important variable is decision makers' interest in exporting. Export-related marketing activities carried out in the local market are least important.

HYPOTHESIS 4

Hypothesis 4 proposed that the overall organizational commitment of a firm to exporting is positively associated with export intensity. Organizational commitment to exporting was defined as a firm's interest in exporting as reflected in its investment of time and resources in export related activities conducted locally and overseas.

TABLE 3. RESULTS OF A MULTIPLE REGRESSION PATH ANALYSIS OF ORGANIZATIONAL COMMITMENT AND EXPORT INTENSITY

Independent variables	Dependent variables			
	Overseas activities	Domestic activities	Commitment	Export intensity
	Beta coefficients			
Interest in foreign markets	0.51**	0.29***	0.30***	0.28***
Overseas export effort		0.43***	0.49***	0.35***
Domestic export effort	0.43***		0.33***	0.18***
Organizational commitment				0.60***

Note: ** Significant at the 0.001 level. *** Significant at the 0.0001 level.

The results of a regression path analysis performed to determine the structure of organizational commitment and relationships with export intensity are shown in Table3. It shows the causal path of export intensity. As indicated, decision makers' interest in exporting directly affects the frequency of conducting domestic export-related marketing activities (beta = .29) and overseas export related activities (beta = .51). In addition, overseas activities directly affect commitment (beta = .49) and domestic export marketing activities directly affect commitment (beta = .33). The direct correlation between organizational interest and commitment is also shown (.30). All *t* values were significant at the .05 level. A much stronger relationship was found between overall commitment and export intensity (R-square = .367, F = 99.2; $p < .001$).

This combined impact of decision makers' interest in domestic and overseas export related activities have a stronger correlation with export intensity than the individual measures. The beta for both the domestic and overseas activities are .10 and .34 respectively (see Table 3). Overall, organizational commitment accounted for about 36% of the variance in export intensity.

DISCUSSION

International business researchers with an interest in the export process have tended to focus on export behavior and market entry considerations (e.g., Dicthl et al., 1984, Holzmuller & Kasper, 1990; Lim et al., 1991) but have paid limited attention to export performance beyond the export adoption stage. Despite the relevance of this emphasis, theoretical and practical work on the determinants of export performance postexport adoption is lacking. The present study examined the organizational commitment to exporting as determinant of export intensity, which is a measure of export performance postexport adoption. The results indicated a significant correlation at the .0001 level and provide strong support for the relevance of organizational commitment in exporting, as indicated by previous empirical studies. For example, Cavusgil and Nevin (1981) and Seringhaus (1987) found commitment to be an important consideration in the export process.

The results of the present study also support several conceptual considerations of the behavioral framework of the internationalization process. This framework emphasizes that factors within the firm are important determinants of export behavior and performance (see Gripsrud [1990] for a brief review of relevant literature). Presently, however, evidence on the ability of various firm and management characteristics to discriminate between exporting and nonexporting firms is mixed (Cavusgil & Noar, 1987). However, decision-maker characteristics, in general, have been found to influence the foreign market orientation of a firm (Dicthl et al., 1984; Holzmuller & Kasper, 1990, 1991). In particular, decision-maker interest in foreign markets, doing business with overseas customers, and exploring market opportunities has been found to be significantly related to export adoption (Lim et al., 1991).

In addition to decision-maker interest in foreign markets, investment in export-related marketing activities was found to influence export intensity. This impact may be because environmental scanning activities enhance the market knowledge needed for export decision making (Reid, 1984). Overseas marketing activities, for example, provide several benefits. They are a means for gaining knowledge about the market opportunities and threats and provide opportunities for personal contact with prospective buyers and participants in the channel of distribution. Furthermore, overseas activities facilitate the development of trust and credibility, which seem to be important considerations in buyer-seller relationships across national borders (Ford, 1984).

IMPLICATIONS AND CONCLUSION

The present study provides major contributions to the conceptual framework of exporting in many regards. First, it supports normative considerations pertaining to the relevance of behavioral factors in export behavior and performance. Second, it points to the need for additional conceptual work that emphasizes post export-market entry considerations such as export intensity. Unlike previous studies, the present study extended the aggregate analysis of organizational commitment. Its indicators, firm interest in foreign markets, the conduct of domestic and overseas export-related activities, were all found to be significant determinants of export intensity. In addition, as shown in Table 1, the results suggest an export-intensity model with behavioral factors as important variables.

Considering the increasing competitive global market, and interest in what exporters need to do to expand their exports, the results of the present study provide useful practical guidelines. They suggest that firms would increase their export sales if they increased the level of their interest in foreign markets and their involvement in export-related activities. However, emphasis should be placed on overseas activities because they had a stronger influence on export intensity. The findings also suggest that firms should emphasize overseas sales efforts such as frequent participation in overseas trade fairs, trade missions and government activities, and programs that bring U.S. firms and foreign prospective buyers together in both domestic and overseas markets.

Furthermore, regarding programs geared toward educating small and medium-sized firms to start exporting or to improve their export performance, the findings suggest that export training efforts should emphasis the active engagement of small firms in export related activities. It would be important to also stress the need to maintain a persistent interest in exporting. This consideration might be predicated on the fact that Americans live too much in the present, they put too much emphasis on short-term goals, and will not make long-term commitments for the future. This value orientation may not guarantee success in foreign markets in which export development takes time and requires a continuous effort. In this regard, de Silva (1988) pointed out that export market development is not a short-term commitment. In fact, in many foreign markets, success might be experienced only through a strong commitment by management and efforts over a period of one to three years. Thus, temporal considerations in export development are important and Americans must be trained to be patient when exploring foreign market opportunities.

The generalization of the results of this study, however, is limited because the sample was selected only from one American state. Data obtained from firms in other states and non-U.S. firms may provide different results. However, in the context of previous studies that have examined organizational commitment and export market entry (Moen & Servais, 2002) this study provides insightful findings. The strong support for the correlation between organizational interest in exporting, domestic and overseas export-related activities on export intensity validates the contention of behavioral scholars that factors within the firm are key determinants of export performance. However, considering that previous studies have focused mainly on considerations at the export market, entry level in the context of developed countries, post-export adoption examinations of export intensity are needed to enhance normative and practical knowledge needed in the increasingly global economy of the new millennium. Recommended are studies focusing on export behavior in emerging economies and firms that are not yet engaged in exporting.

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RESOURCES AND CAPABILITES OF THE INTERNATIONALIZATION EXPANSION OF FRENCH SMEs: AN EMPIRICAL STUDY

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ABSTRACT

Although small- and medium-sized enterprises (SMEs) have been a major source of economic growth not only in Europe and the USA, but also in the emerging economies, the factors underlying their expansion into international markets have received very little attention in the literature. Using data from 90 manufacturing SMEs from six French regions, we examined the impact of different resources and capabilities on the level of internationalization of each firm. The results indicate that low-cost manufacturing capabilities and proactive managerial orientation towards international operations are positively associated with increased internationalization. Surprisingly, a focus on using knowledge resources is not related to the level of internationalization of French regional firms. The implications of these findings are discussed within the context of developing sustainable competitive advantage of SMEs in a transitional phase of their internationalization.

KEYWORDS: Internationalization, regional development, resources, management, French SMEs

INTRODUCTION

It is well known that small and medium-sized enterprises (SMEs) are the most important driver of the European Union (EU) economy, as they comprise over 80% of all European firms. With the increasing competition from European and not European firms, the issues of SME sustainability and competitiveness have become a focus of attention for both governments and researchers as the French government must now deal with radical changes in its economy. While traditional enterprises were large industrial firms that were focused on mass production, the transition period in the French economy brought forth not only the restructuring of these firms, but also the emergence of both the new bride of SMEs and restructured firms (Hutchinson & Xavier, 2004). Consequently, SMEs in France have become the backbone of economic growth. Simultaneously, they are a source of much concern, as the SME sector remains the main source of economic growth, especially as firms still have difficulty accessing much needed financing (Hutchinson & Xavier, 2004) and firms are still plagued by high taxes.

With increasing competition from local and foreign companies over the last decade, more and more manufacturing companies in the six regions are being forced to look outside their home markets in order to survive. However, internationalization implies risk and uncertainty. Thus, SMEs that are often limited in their resources might face higher uncertainty than large firms. As such, many SMEs that are successful in their domestic markets might fail in their attempts to enter foreign markets because of limited resources, lack of business experience and know-how, and increased competition. Thus, understanding what motivates SMEs to increase their levels of internationalization is important in understanding the survival of firms and the growth of the French economy.

Recent literature on internationalization debates the ability of traditional internationalization models (e.g., Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; Dunning, 1988) to explain the international behaviors of smaller firms and calls for not only testing existing theory, but also for the formation of new frameworks in new contexts (Madsen & Servais, 1997; Fillis, 2001; Peng, 2001). One of these new contexts has been the internationalization of SMEs. To date, research has focused on the internationalization decisions of large firms entering (e.g., Shama, 1995; Meyer, 2001; Nakos & Brouthers, 2002; Brouthers & Nakos, 2004). However, we still know relatively little about the internationalization activities of SMEs in particular. Our study addresses this gap by exploring the internationalization of manufacturing SMEs of six regions from a resource-based perspective. Specifically, we examined this issue by looking into whether the possession of cost-orientation capabilities, knowledge-orientation capabilities, and proactive managerial orientation influence the level of internationalization, and in what ways. We chose these resources because, although it is generally held that SMEs have the flexibility and ability to adapt to their environment more quickly than large enterprises, SMEs must be able to use these advantages in internationalizing. This paper allows us to see whether SMEs are indeed using these advantages.

We compare the resources and levels of internationalization of SME firms from the manufacturing sector in six French regions: Aquitaine, Brittany, Ile de France, North-Calais, Lorraine, and Rhone-Alpes. The firms include those established both prior and after the Euro was launched, which allows us also to understand whether the new currency affects the resources and capabilities of the firms toward greater internationalization.

We targeted SME firms for several reasons: the internationalization process is considered to be growing rapidly (Hoskisson, Eden, Lau, & Wright, 2000), in France very few studies of these firms have been conducted thus far in terms of outward internationalization, and SMEs in these regions have only recently begun their internationalization activities. Thus, this research allows us to capture some of the first steps of smaller firms in their international expansion activities. These internationalization activities are driven by several factors. The enlargement of the EU and removal of trade barriers have forced local firms to compete not only with more experienced western European ones, but also with other countries. These SME manufacturing firms have sought new markets not only to increase production volume, but also to establish ties in emerging markets and to improve profitability.

We next reviewed the literature on internationalization theory and the resource-based view, and linked this work to analyzing SMEs in the transition stage of their internationalization. We used these frameworks to develop three hypotheses that predicted the level of internationalization of SMEs. We then presented the methods and constructs applied in this study and its empirical results. We ended with a discussion of the results and implications for further studies of the internationalization of SMEs.

REVIEW OF THE LITERATURE AND RESEARCH HYPOTHESES

Internationalization theories have generally focused on the effects of the environment, resources, and the experience of the firm on entry mode selection criteria. According to internationalization stages models, firms gradually increase their foreign market commitments, as sudden leaps to distant markets and complex entry modes are hindered by uncertainty that is fueled by lack of market information and differences in culture (Johanson & Vahlne, 1977, 1990; Cavusgil, 1982). Within this work, special attention is given to the importance of experiential knowledge, which can only be learned through personal experience (Johanson & Vahlne, 1977) and which increases with increasing market or product complexities. As firms acquire knowledge of and experience in foreign markets, they begin to enter physically more distant markets and to utilize higher-involvement entry modes. Johanson and Vahlne (1977) also state that the best way for firms to acquire experiential knowledge quickly is by hiring personnel who have experience with working in foreign markets or by acquiring another firm.

However, acquiring firms or employees is not the only way for firms to increase knowledge. Firms also do so by developing partnerships or relationships with other firms. More recently, there has been a focus on network models as a complement to stages theories. Coviello and Munro (1997) have argued that the integration of network theories with incremental internationalization models can help to understand better the internationalization processes of SMEs. Firms might use their network relationships with foreign partners to enter foreign markets, both physically close and distant, by sharing resources and coordinating actions with other firms (Johanson & Mattson, 1988). Johanson and Mattson (1988) proposed a framework for analyzing the possible international strategies of the firm based on its degree of internationalization and how internationalized the market is. Highly internationalized firms in global markets will already possess resources, which will attract network partners, and will coordinate their resources internally (Nummela, Saarenketo, & Puumalainen, 2004). On the other hand, newly internationalizing firms in already internationalized markets, such as the EU, will seek out foreign partners with the necessary resources to help them enter foreign markets (Knudsen & Madsen, 2002).

Much of the literature on the internationalization of the firm has focused on multinational enterprises (MNEs) (Andersson et al., 2004). More recently, however, scholars have begun examining the internationalization processes of SMEs. Not surprisingly, such research has revealed that smaller firms do not always behave in ways prescribed to larger enterprises (Knight & Cavusgil, 1996; Fillis, 2001; Bell, 1995). For example, SMEs might enter foreign markets from their inception, leapfrog initial foreign market entry modes, and even successfully compete with large global firms (Andersson, Gabrielsson, & Wictor, 2004; Bilkey, & Tesar, 1977). Hence, the appropriateness of stages models to explain the internationalization of SMEs has been debated in the literature. Andersen (1993) points out to several studies that have shown that SMEs do not select foreign markets as methodically as presumed by the incremental internationalization models. Andersson et al. (2004) argue that the stages model does not explain why some small firms internationalize while others do not. Likewise, Oviatt and McDougall (1994) and Knight and Cavusgil (1996) criticize the model as lacking explanations for the internationalization of small, “born global” firms, which lack both resources and experience, as the stages model posits, are requisites for increasing internationalization. These firms are established by individuals with a global focus from the start and a commitment to rapid internationalization (Bell, Crick, & Young, 2004; Nummela, Puumalainen, & Saarenketo, 2005).

Although alternative explanations to stages models such as transaction costs analysis (Anderson & Gatignon, 1986) and Dunning’s (1988) eclectic paradigm have been developed, these frameworks have rarely been applied in analyzing the behavior of SMEs. Nakos and Brouthers (2002), for example, note only one study (Brouthers, Brouthers, & Werner, 1996), which applied Dunning’s OLI framework to small firms. Thus, it is questionable whether theories used to explain large firm behavior can be applied to SMEs (Lyles, Saxton, & Watson, 2004). It has been suggested that, although network theories provide insights into SME internationalization, they explain the mechanisms for overcoming resource constraints, rather than provide a stimulus for internationalization (Bell et al., 2004).

Peng (2001) argues that, despite the existence of relatively few studies analyzing SME internationalization from a resource-based view, this perspective might be a central point in explaining why some SMEs successfully internationalize while others do not. He uses the resource-based view to argue that it is knowledge about internationalization opportunities that serves as a primary resource of SMEs and gives them a competitive advantage in internationalizing. Dalli (1995) also states that it is mainly the availability of internal resources that determines whether small firms will be sufficiently committed to international activities. Hoskisson et al. (2000) have also stated that the resource-based view is one of the most useful theories for analyzing the early stage of SMEs internationalization. In addition to the resource-based view, Uhlenbruck, Meyer, & Hitt (2003) also propose that researchers consider organizational learning, as firms must learn to adapt to the dynamic environment, to recognize market opportunities, and to develop the capabilities to do so. In the case of SMEs, they state that it is likely intangible resources, such as knowledge, learning and human capital, that will give firms a competitive advantage, as opposed to tangible resources (Peng & Ilinitch, 1998).

THE INTERNATIONALIZATION OF SME FIRMS

Although there has been an increase in studies addressing the foreign entry strategies of firms investing in foreign countries, we still know relatively little about the internationalization strategies of SME firms themselves (Oviatt & McDougall, 2005). Several studies have addressed the issues of foreign direct investment sourcing strategies, location attractiveness, wages, and the institutional environment of countries (Meyer, 2001; Nakos & Brouthers, 2002; Bevan, Estrin, & Meyer, 2004), from the perspective of foreign companies investing in EU countries. Danis and Parkhe (2002) analyzed international alliances and differences in management practices between partners in 17 Hungarian-Western cooperative ventures, and found that Hungarians were more oriented toward personal relationships, production versus market orientation, autocratic management styles, hierarchical structures, and low sharing of information as compared to their western counterparts (Liuhto & Jumpponen, 2001). However, these studies focused on larger companies. There is yet a dearth of studies investigating these issues from the viewpoint of SMEs, especially a dearth of empirical studies analyzing international activity from the resource-based and learning perspectives. Research is needed to identify the key resources that distinguish successfully internationalized SMEs and that provide a basis for competitive advantage to be exploited at the transition stage of internationalization (Meyer & Peng, 2005).

In considering resources, we take the broader definition of Meyer and Peng (2005), which includes organizational learning, knowledge, and capabilities. Firms in some European countries face many hurdles, such as bureaucratic obstacles and lack of financial capital, and it is generally thought that a major impediment to the internationalization of SMEs is a lack of resources. However, many firms do internationalize successfully, indicating they possess certain resources that give them advantages over other firms. According to Meyer and Peng (2005), the valuable, rare and nonimitable resources that allow firms to attain a sustainable competitive advantage in European countries are likely different from those of US firms, and a key challenge is in identifying them. Among those resources that might be most important for EU firms are networks and flexibility (Meyer & Peng, 2005), as well as tacit knowledge, top management attitudes and experience, and cost strategy. Uhlenbruck et al. (2003) state that flexibility, which stems from the ability to identify and acquire resources through organizational learning, is especially important in a dynamic environment. We address this challenge by considering the impact of resources and capabilities in the hypotheses developed in the following sections.

KNOWLEDGE-ORIENTATION AND COST-ORIENTATION CAPABILITIES

In this and the following section, we first consider the impact of a knowledge-orientation within the firm and then consider a cost-orientation within the firm and the respective link to the level of internationalization.

Because firms in a transition stage generally lack physical capital resources (Steensma, Tihanyi, Lyles, & Dhanaraj, 2005), both the resource-based and learning perspectives are useful in explaining the internationalization levels of SMEs, as these firms must not only overcome their lack of physical resources, but also acquire knowledge about markets and develop the skills needed to successfully internationalize (Eriksson, Johanson, Majkard, & Sharma, 1997). In addition, SMEs must also overcome numerous external barriers, such as macro environmental variables and lack of information and knowledge. In the transition stage, market information is typically provided by state agencies, and firms neither employed environmental scanning nor possessed the knowledge of how to internationalize (Uhlenbruck et al., 2003). According to Hitt, Dacin, Levitas, Edhec, and Borza (2000) SME firms are unlikely to be able to compete with MNE firms in product technologies, and their management capabilities and decision-making skills are likely to be underdeveloped, as top managers have less experience than MNE managers. Among the main challenges to learning by SME firms, Uhlenbruck et al. (2003) list the lack of prior knowledge needed to identify which opportunities to pursue and which resources to use in doing so.

The difficulties regarding knowledge and learning merit greater understanding because increasing internationalization involves information and knowledge accumulation (Liesch, Welch, Welch, McGaughey, Petersen, et al., 2002). Because SME firms often cannot compete on tangible resources, they are more likely to rely on intangible "resourcefulness," such as forming ties with other firms and leveraging their specific knowledge (Peng, 2001). Uhlenbruck et al. (2003) note several ways for firms to acquire tacit knowledge, such as establishing alliances with customers and suppliers, observing successful firms, or hiring employees with specific knowledge. Coviello and Munro (1995) note that internationalization activities stem not only from the strategic decisions of company management, but also from the opportunities arising from the firm's network of relationships with other firms. The ability to learn from other firms can help the firm to attain higher performance and competitive advantage (Hoskisson et al., 2000). However, firms do not necessarily have to rely on firms within their own national boundaries for such knowledge. Smaller firms have the advantage that they are more likely to work through intermediaries to obtain knowledge, which might help them to achieve more rapid internationalization (Peng, 2001). As knowledge is often embedded in the firm's routines and social context, smaller firms might also more easily absorb knowledge, as they do not have to overcome existing organizational rigidities. As such, knowledge resources linked to learning from external players should be particularly important to SMEs.

Besides learning from customers and other external players, SMEs also need to utilize their human capital. The company's general staffing decisions (e.g., hiring and training) determine the firm's ability to continue internationalizing (Liesch et al., 2002). It is important for SMEs to recognize the potential of their human resources, to be able to attract skilled employees, and to use their capabilities. Peng (2001) points out several studies (e.g., Lee & Miller, 1999) that have shown that companies that view employees as a valuable source of competitive advantage are more likely to attain that advantage. In particular, SMEs that develop knowledgeable and skilled workers can use them to create a competitive advantage. Companies that value their employees and those which seek unique skills in their employees will provide an important resource that should assist in internationalization. Thus, having a focus on obtaining knowledge and developing internal learning capabilities will positively influence the level of internationalization of SMEs:

> Hypothesis 1: The greater the knowledge-orientation of SME firms, the greater the level of internationalization.

Although internationalization has been linked to the firm's ability to leverage tacit resources and knowledge across borders (Kogut & Zander, 1992), the primary advantage a firm has for international operations might simply be related to cost. Previous studies considering cost and internationalization have considered either internationalization and cost structures (Pan, 2002; Mansi & Reeb, 2002) or the cost strategies of domestic firms in a non-US context (Lyles et al., 2004). Having a cost orientation might be especially beneficial for firms in Europe for several reasons. In western European countries, wage levels are considered high (Slovakia wins*,* 2004), with basic education enrollment above 95% (United Nations Economic Commission for Europe, 2000). As such, aside from location advantages, SMEs in the regions might be able to benefit from a cost strategy in attracting customers and undertaking internationalization (e.g., in using the low-cost wage reservoir from Central and East European countries). The regions have a strong history of manufacturing and engineering capabilities, which would further support a low-cost orientation (Kogut & Zander, 2000). Thus, we predict that having a cost-orientation might provide a viable approach to expand in international markets:

> Hypothesis 2: The more cost-oriented SME firms are, the greater their level of internationalization.

MANAGERIAL ORIENTATION

According to Fahy, Hooley, Cox, Beracs, Fonfara, et al. (2000), the rapid change in the economic environment implies that the issue of resource development and exploitation is "crucial." Although it is important to have the right set of resources and capabilities, a firm must be able to use them properly. Management has the responsibility to develop the means of leveraging resources and capabilities. Therefore, the capabilities of top management of firms are critical to their success (Hitt et al., 2000). For example, Allmendinger and Hackman (1996) find that an aggressive managerial orientation combined with proper resources can be the difference between survival and failure for organizations transitioning from national to international markets. This issue of managerial orientation is especially important in SME firms, where general management skills are still limited, and managers might base their current decisions on prior knowledge. Fey, Adaeva, & Vitkovskaia (2001) also highlight the importance of managerial leadership in the success of firms in transition stage. Because most SME decisions are made by one or a few top managers, we expect that managerial characteristics will influence the level of internationalization. In line with the findings of researchers (Wiedersheim-Paul, Olson, & Welch, 1978; Cavusgil & Naor, 1987; Reuber & Fischer, 1997; Harveston, Kedia, & Davis, 2000; Knight, 2001), we expect that the attitudes of managers in SMEs will influence the level of internationalization of the firm. The attitude of interest for this study is the attitude of managers towards being successful in international operations. We call this a "proactive orientation" of management towards internationalization.

A proactive view toward establishing relationships, having an international outlook, and acquiring an understanding of the company's advantages are factors that are expected to distinguish more internationalized companies from those less so. According to Ireland, Hitt, and Sirmon (2003), small companies and new ventures tend to be more skilled in identifying opportunities, but are less so in exploiting them over time than large firms. Thus, a proactive attitude toward exploiting international opportunities can make a difference, even for a company with other resources and capabilities. This is an important point for SMEs, because individual managers in SMEs wield greater influence over the firm's decisions than in larger companies. Having a top manager who is committed to using the firm's capabilities to initiate and increase its level of internationalization should lead to internationalization success. As a result, we predict the following:

> Hypothesis 3: The more positive the managerial orientation of firms is towards internationalization, the greater the level of internationalization.

METHODS

SAMPLE AND DATA COLLECTION

To test our hypotheses, we collected data through questionnaire surveys from a sample of companies in six French regions: Aquitaine, Brittany, Ile de France, North-Calais, Lorraine, and Rhone-Alpes. We identified a sampling frame of small and medium size industrial manufacturing firms. In accordance with EU Commission recommendations (2003), SMEs were defined as companies having fewer than 250 employees and an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

Our sampling frame was derived from the Kompass database (Tavares & Young, 2002). This database covers almost two million firms and allowed us to form our sampling frame with the following criteria: (a) SME firm (as defined above), (b) locally owned, (c) involved in manufacturing. In total, 2404 firms were identified that met our criteria in the six target regions. Using this database allowed us to target both a broad range of French regions and active companies. In contrast, firms in local registers are often registered, but were inactive or near bankruptcy. The alternative option of using import-export directories of the country also appeared unreliable as these directories consisted of few companies and primarily small exporters.

The questionnaire was developed simultaneously in French and English. Back-translation was not conducted from English due to the researcher's bilingual capabilities. However, the English-language version was thoroughly checked for any inconsistencies in meaning, and small corrections were made before distributing the final version.

The survey was administered to 2404 companies in several stages both electronically (by e-mail) and by post from May 2005 to May 2006. Companies were sent reminders 3 and 6 weeks after initial receipt of the survey. In total, 274 companies responded, for a response rate of 13.2%. Our response rate is not atypical of the rate for international surveys, especially with the secretive nature with which firms in France treat their data (Harzing, 1997). Of those responding, some were excluded because they did not want to participate (n = 39), were incomplete (n = 41) or they did not meet our criteria as SMEs (n = 7). This left us with 187 usable surveys. Of these, we focused on the 90 firms that were involved in contract manufacturing because that is a common initial step towards internationalization (Peng & Luo, 2000). Table 1 provides detailed response rates by region. To test for nonresponse bias, we used the firms that returned surveys, but that declined to participate as representative of firms that did not return a survey. Using two-tailed *t* tests, we found no significant differences between respondents and nonrespondents regarding firm size.

TABLE 1. RESPONSE RATES BY REGION

Region	Ile de France	Rhone-Alpes	Aquitaine	Brittany	North-Calais	Lorraine	Total
Surveys sent	578	366	494	463	208	295	2404
Undeliverable	94	57	76	68	11	18	324
Received	72	50	85	36	12	19	274
Incomplete	12	9	12	6	0	2	41
Non-SMEs	6	0	1	0	0	0	7
Declined participation	19	9	5	5	1	0	39
Usable	35	32	67	25	11	17	187
Response rate	14.9%	16.2%	20.8%	9.1%	6.1%	6.9%	13.2%

RESEARCH INSTRUMENT

The questionnaire consisted of three parts. The first part included general questions about the company, such as date of establishment, legal status, number of employees, and ownership. The second part of the survey consisted of several groups of questions concerning the reasons for internationalizing, the process of internationalization, the countries in which SMEs conduct international activities, and the degree of involvement in each country. The final group of questions in this section asked respondents to indicate the extent of agreement on a 5-point Likert-type scale to a series of statements about their contract manufacturing activities and the extent to which various barriers hinder their internationalization activities. These questions were included with the intent to gauge the attitudes of managers, who have network ties, toward internationalization in general, and to capture the drivers and barriers to the initial steps of the internationalization process. The focus on network relationships is important, especially, as these ties facilitate access to resources and information (Peng & Luo, 2000; Lyles et al., 2004). The last part of the questionnaire included questions about respondent demographics.

MEASURES

The constructs in our study were all measured with multi-item scales. A listing of the items and the question format used to develop the independent variables are provided in Appendix 1.

Dependent variable. The dependent variable for this paper is the firm's Level of Internationalization. This variable is operationalized by calculating the weighted average of a firm's international operations across different countries. Each respondent was asked to indicate the number of countries with which it was engaged in each of the following operations: foreign manufacturing contracts in the home market, exporting, licensing or contract manufacturing abroad, sales subsidiary, joint-venture, or wholly owned subsidiary. The literature on internationalization stages distinguishes various stages of international activity and treats internationalization as entry into foreign markets and acquisition of experience through export or direct investment modes (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977). We follow this general approach and added the fulfillment of foreign orders in the home market, also known as "contract manufacturing." We included contract-manufacturing activities in the home market as an initial step in the internationalization process as firms might be internationally active without having a presence in foreign markets (Cavusgil, 1982).

We used the following formula to gauge the level of internationalization: (# of contract manufacturing countries served from the home market * 0.5) + (# of export countries * 1) + (# of contract manufacturing or licensing countries * 2) + (# of sales subsidiary countries * 3) + (# of JV countries * 4) + (# of WOS countries * 5). This weighted average approach gives greater weight to operations that involve greater investments, greater risk, and greater presence.

In their review of internationalization measures, Hassel, Hopner, Kurderlbusch, Rehder, and Zugehor, (2003) found only three measures of Level of Internationalization in the literature: the UNCTAD Transnationality Index, the Transnationality Spread Index of Ietto-Gillier (1998), and the Degree of Internationalization Scale of Sullivan (1994). These indices measure the internationalization of the world's largest multinationals and are comprised of data that is not accessible for SMEs of six regions. Thus, we had to rely on a more simplistic measure to capture the level of internationalization of SMEs in the regions. Our measure is based on the premise that internationalization follows a pattern beginning with pre-export ties in the home market and ending with foreign production (Johanson & Vahlne, 1977). Thus, higher involvement entry modes are considered to involve more risk, investments, and other resource commitments than lower modes (Dunning, 1998). In an attempt to synthesize the existing "degree of internationalization" measures, Hassel et al. (2003) included the variable Geographical Spread, defined as the total numbers of countries in which firms are active. When we compared their geographic spread categories (where 0-7 countries indicates a low spread and over 16 countries a high spread) to ours, the results were very consistent (Pearson's $C = .829$, $p < .001$).

Independent variables. The first independent variable, Knowledge Orientation, measures the degree to which a firm's competitive advantage is based on the key resource of knowledge. The measure was developed based on the Knowledge Specificity measure of Noorderhaven, Nooteboom, and Berger, (1998) and the Knowledge Intensity construct of Autio, Sapienza, and Almeida (2000). Five items from the survey were used to measure this variable, with a Cronbach α value of 0.75. The measure is an arithmetic mean for the five items.

The second independent variable, Cost Orientation, measures the degree to which a firm's competitive advantage is based on cost. The respondents assessed three items on a 5-point scale regarding the degree to which they perceive that their buyers are interested in securing low prices, the extent to which received orders are labor-intensive and the extent to which firms view low price as a main advantage. The Cronbach α of this scale was 0.53. Although this reliability score is somewhat low, we include the measure on the basis that Cronbach α scores above 0.50 can be considered acceptable for exploratory studies (Nunnally, 1978). This measure is an arithmetic mean of the three items.

The third independent variable, Management's Orientation, is based on the firm's response to five items. The items were developed based on previous work that has focused on managerial views towards international operations (Wiedersheim-Paul et al., 1978; Noorderhaven et al., 1998; Mockaitis, Vaiginiene, & Giedraitis 2006). The questions comprising this construct focused mainly on the extent to which firms actively pursue opportunities in international markets, through seeking out and retaining network relationships, acquiring information about international market opportunities and using it to secure an advantage over competitors. The Cronbach α of this five-item scale was 0.73. This measure is an arithmetic mean of the five items.

Control variables. Because the level of internationalization might be influenced by various factors such as firm size, industry, country, and founding period, these were included as control variables in the study. We measured Size as the natural log of the total number of employees in the firm. Size might be related to the level of internationalization given that larger firms tend to have resources that are more available (Calof, 1993, 1994; Barkema & Vermeulen, 1998). Thus, we expect this variable to have a positive relationship with the level of internationalization. The firms are grouped into five Industry categories: automobile and electrical parts (26 firms), machine and metal processing (71), plastic and rubber (27), pulp and paper (21), and textiles

(42). These categories are similar to those used in prior research (Hitt et al. 2000; Khanna & Rivkin, 2001). Dummy variables were assigned for each industry category. Because we dropped the “textile” category while assigning industry dummies, the coefficients for the other industry categories are to be compared against this category. To account for unobserved differences across regions, dummy variables were assigned for each region (Shaver, Mitchell, & Yeung, 1997; Kogut, Walker, & Anand, 2000). Because we dropped the North-Calais category while assigning region dummies, the coefficients for the other regions should be compared against this region. The last independent variable is Transition*,* which denotes whether the firm was founded before transition from national currency to the European one. We set the start of the transition stage at 2000 for all of the regions in our study. We coded this variable as 1 if the firm was founded before the Euro and 0 if the firm was founded after the emergence of the new currency. In our sample, 23 firms were founded after the Euro. The remaining 67 firms were founded before it.

RESULTS

Table 2 provides the correlation matrix and descriptive statistics for the dependent and key independent variables used in our study. The dummy variables for industry and region are not included for simplicity. Transition stage is a binary variable and the rest are continuous variables. Correlations for the primary independent variables are 0.34 or lower. VIF values were below 4.0 for the industry and region dummy variables and below 2.0 for all other variables, which is much less than 10, the level at which multicollinearity would be a concern (Neter, Wasserman, & Kutner, 1990).

TABLE 2. DESCRIPTIVE STATISTICS AND CORRELATION MATRIX (N = 90)

Variable	N	Mean	StD	1	2	3	4	5	6
1. Level of Internationalization	90	9.58	7.60	1.00					
2. Knowledge Orientation	88	3.58	0.71	0.13	1.00				
3. Cost Orientation	89	3.34	0.70	0.24^{*}	0.23^{*}	1.00			
4. Managerial Orientation	89	3.36	0.87	0.22^{*}	0.34^{**}	0.23^{*}	1.00		
5. Transition	90	0.26	0.44	0.07	0.11	0.08	0.27^{**}	1.00	
6. Size	90	4.24	1.10	0.24^{*}	0.45^{**}	$0.20^{\dagger}$	0.36^{**}	0.44^{**}	1.00

Note: $p < .10 = \dagger$; $p < .05 = *$; $p < .01 = **$

The results of our modeling are presented in Table 3 using OLS. Model 1 reports the results for only the control variables. We see that larger firms are more international than smaller firms. This result holds in all the models. The industry control variables do not contribute significant explanatory power to the model.

Model 2 shows the results for analyzing the relationship between the knowledge-orientation of the firm and the level of internationalization. We had predicted a positive relationship, but knowledge orientation does not demonstrate a significant relationship with internationalization, after controlling for the other effects in the model. Thus, Hypothesis 1 is not supported suggesting that developing a strong knowledge base does not significantly contribute to increasing internationalization in firms. This result is similar to that found by Mockaitis et al. (2006), regarding the importance placed on learning capabilities of firms.

TABLE 3. RESULTS OF OLS REGRESSION.

	Model 1	Model 2	Model 3	Model 4	Model 5
Constant	-7.15	-7.23	-20.92**	-13.58*	-24.73**
Knowledge orientation		0.02			-0.93
Cost orientation			3.46**		3.29*
Managerial orientation				2.13†	2.31†
Control variables					
Transition	-0.34	-0.42	-0.95	-1.11	-1.80
Size	2.76**	2.76*	2.78**	2.38*	2.63*
Region					
Brittany	2.63	2.45	3.14	3.25	3.65
Ile de France	6.90†	6.91†	8.94*	8.42*	10.44**
Rhône-Alpes	5.90†	6.00†	6.80*	5.96†	6.81*
Lorraine	1.14	1.13	3.66	1.15	3.40
Aquitaine	4.21	4.20	5.49	4.25	5.71
Industry					
Auto and electric	2.08	3.17	5.73	2.44	6.44†
Machine and metal	0.84	0.88	1.62	1.36	1.92
Plastic and rubber	4.19	4.27	7.27*	6.24†	9.01*
Pulp and paper	-1.94	-1.94	-0.57	-0.49	0.72
N	90	88	89	89	87
R^2	0.14	0.14	0.21	0.18	0.25
Adjusted R^2	0.02	0.01	0.09	0.05	0.10
F Value	1.17	1.06	1.71*	1.36	1.70†

Notes: The dependent variable is "level of internationalization." For Region, the omitted dummy variable is North-Calais. For Industry, the omitted variable is Textile. $P < .10$ = †; $p < .05$ = *; $p < .01$ = ** using two-tailed tests.

Model 3 reports the results for the relationship between the degree of a cost-orientation in the firm and the level of internationalization. We had predicted a positive relationship and the results support this prediction. Thus, firms that have developed an ability to manufacture cost-competitively have, on average, increased levels of internationalization, controlling for the other variables in the model. This positive relationship holds in the full model (Model 5) as well. Thus, Hypothesis 2 is supported for both the partial and the full models.

The results for the relationship between managerial orientation and the level of internationalization are depicted in Model 4. We had predicted a positive relationship and the estimated coefficient for this independent variable is positive and significant. This positive relationship holds in Model 5 as well. Thus, Hypothesis 3 is supported, suggesting that management attitudes towards internationalization are associated with the level of internationalization that the firm achieves.

Model 5 reports the results using all of the independent variables. The coefficients associated with cost-orientation and managerial orientation continues to be positive and significant and the knowledge orientation variable continues not to contribute significantly to the model. The coefficients for Ile de France and Rhône Alpes are significantly positive.

DISCUSSION AND IMPLICATIONS

With this research, we set out to better understand factors that are related to the degree to which SMEs from the French six regions internationalize. To achieve this, we developed a set of hypotheses based on different resources and capabilities that firms might use in internationalizing (Madsen & Servais, 1997). We found that cost-orientation capabilities and a proactive orientation toward foreign expansion are positively related to internationalization, whereas a knowledge orientation was not significantly related.

Perhaps most surprising was the finding that a knowledge orientation was not significantly related to the level of internationalization, after accounting for the control variables. Given the tacitness of knowledge and the importance of learning to succeed in international markets, a knowledge orientation was predicted to have an impact on internationalization. There are several possible explanations for this finding. The first reason might be related to the work of Johanson and Vahlne (1977, 1990), who posited that knowledge about foreign markets might only be acquired through working in those foreign markets. This experience leads to lower uncertainty and greater commitments in foreign markets. Given that SMEs from the six regions are relative newcomers to the international arena, the explanation might be that knowledge resources and learning have not become sufficiently integrated in the firm's operations, or firms have not yet developed the necessary absorptive capacity (Uhlenbruck et al., 2003). The second possible explanation links to the first. Namely, by developing ties with foreign firms (e.g., buyers) and exploiting the cost orientation capabilities the firms already possess, these SMEs are giving themselves time to develop the knowledge and learning systems needed to be successful in their future international operations. As wages in Europe increase and regulatory requirements due to EU membership raise costs, the cost advantage experienced by these firms might erode. In light of other research that did not find a relationship between cost-orientation and firm survival in EU SMEs (Lyles et al., 2004), future research might inform us whether a knowledge orientation becomes more important as the cost advantage of firms decreases.

The use of cost orientation capabilities has clear policy implications beyond the regions in our study. Although firms in other EU markets might have an initial cost advantage, that advantage might disappear over time. Thus, firms need to establish capabilities to learn and to build knowledge-based resources. Governments in EU markets should also determine how their firms can be competitive in global markets and encourage this two-prong approach. The strategy of the Chinese government to encourage low-cost manufacturing while concurrently encouraging or requiring firms from developed economies to undertake more value-added activities in China is one example of an emerging economy's use of such an approach (Michailova & Liuhto, 2000).

The results regarding the positive and significant relationship between managerial orientation and internationalization underline the importance of intangible resources for SMEs. Smaller firms tend to have a disadvantage in terms of physical resources and the results for the control variable Size suggest that, everything else held constant, larger firms tend to be more internationalized. However, a proactive view of managers, coupled with other capabilities such as a cost-orientation, might be the foundation for success. Future studies might examine this management orientation in other European regions where institutional constraints might not result in such a strong influence from management attitudes and orientation.

Although not the focus of the paper, it is worth noting that firms from Ile de France and Rhone Alpes, showed evidence of greater levels of internationalization in different models, relative to the ones of Lorraine. As Meyer and Peng (2005) indicated, there might be interactions between institutional frameworks and the resources and capabilities of firms. Additional studies that consider variation in institutional frameworks would be of benefit, not only better explaining managerial behavior, but also providing policy guidance to governments. Clearly, the common currency entry has provided SME firms access to a much larger market, which can encourage internationalization (Makhija & Stewart, 2002). Additionally, meeting EU requirements might have forced firms to improve their legal and business frameworks, easing the internationalization process for smaller ones. Future research might be able to clarify this question.

Also interesting were the results regarding the control variable Transition. Although previous research indicated that many SME firms were slow to change to the international-market, that constraint did not have an influence on our results (Kogut & Zander, 2000; Hitt et al., 2000, (Manolova, Brush, Edelman, & Greene, 2002). This lack of significance might be related to our focus on SME firms or that those firms that were not able to adjust to the international competition have already failed.

As with any research, this work has several limitations. The first is that we focused solely on the manufacturing sector. Because there were few service firms operating during the period of our study, we chose to focus on the manufacturing sector to ensure representation of firms founded before and after the birth of the Euro. Future work could consider the internationalization of service SMEs and how that process compares to the manufacturing SMEs in the regions. Although age of the firm did not have a significant effect on the level of internationalization in our study (results not reported here), we did not distinguish between established firms and "new ventures." A comparison of the internationalization activities of these types of firms across countries would also be of interest for future studies.

In this study, we focused on the current level of internationalization of firms with network relationships in their home markets to assess the extent to which related resources are important drivers of internationalization, but not the process of internationalization itself. Many of the firms in our study rely on low cost to secure manufacturing contracts from foreign buyers in their home markets (Uhlenbruck & De Castro, 2000). Whether these network ties help firms to enter foreign markets on their own and whether firms are able to use their cost advantages and other resources in entering foreign markets is not known. Further research might also focus on the degree to which SMEs leverage these resources in their internationalization process and direction of internationalization.

Despite these limitations, we believe that our study makes three contributions to the literature on transitional stage of the internationalization of SMEs. First, it provides a starting point to better understand how SMEs in Europe are taking initial steps to internationalize. By expanding beyond their home markets, they not only have the opportunity for growth, but also the potential to be serious competitors in the global economy (Ghoshal, 1987). Second, the results regarding different resources indicate that not all intangible resources are equally important. For SMEs, having a proactive orientation appears more important than developing knowledge resources and learning capabilities. Third, firms in transitional stage clearly have resources and capabilities that can be used in the international arena. Our research suggests that a cost-orientation is one such resource. Firms and their governments should leverage this orientation as much as possible when appropriate, but also consider that a cost advantage might not be sustainable. We invite other researchers to track the development of SMEs in other European regions to determine how strategies change over time as the economies develop and competition from other countries becomes more intense.

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APPENDIX 1

The survey respondents were asked to indicate the extent of agreement to each statement concerning their contract manufacturing activities: 1 = *completely disagree*, 2 = *disagree*, 3 = *somewhat agree*, 4 = *agree*, 5 = *completely agree*.

Cost Orientation (alpha = 0.53)

1. Our buyers are mainly interested in securing the lowest price
2. The orders we receive are labor-intensive
3. Low price is our main advantage

Knowledge Orientation (alpha = 0.75)

1. The fact that we do business with international buyers has increased our technological know how.
2. We have made substantial investments in order to meet delivery times demanded by our customers
3. We have invested much time in learning how to assure the quality demanded by our international customers
4. We try to increase our employee skills on a regular basis
5. We conduct employee training regularly

Proactive Orientation (alpha = 0.73)

1. We aggressively pursue any opportunities for international orders
2. We regularly conduct buyer searches
3. We always try to secure orders from new companies
4. We search for buyers throughout the world.
5. We seek buyers with the intent to find potential partners for investment activities in the future.

URBAN VERSUS RURAL: HUMAN RELATIONS PERSONNEL AND PRACTICES IN MICROENTERPRISES

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ABSTRACT

Human resource management (HRM) practices, support systems, and personnel profiles were examined in microurban (9 or fewer employees) and rural enterprises. The investigation is an exploratory descriptive study employing a discussion of the results of a questionnaire. The authors' hypotheses were that urban and rural microenterprises would differ significantly in HRM practices, support systems, and personnel profiles. The research findings suggest the authors' hypotheses were generally incorrect. These results might advance the concept that the Internet, access to information, and management information systems has made possible comparable HRM activities and functions in both urban and rural enterprises. Additionally, the rural micro firm's general environment might be less inclined to litigate than the urban microfirm's environment, thus reducing the rural microfirm's need for extensive legal advice or more formalized employee handbooks.

INTRODUCTION

Do microbusinesses intentionally seek sustainable competitive advantage through sophisticated human resource management practices? Administrative problems including accounting, finance, personnel, and general management issues have been identified as one of three critical problems facing small business owners (Chrisman & Leslie, 1989). For small business firms, employees have frequently been a key factor in determining their success or failure (Hornsby & Kuratko, 2003). Entrepreneurs have always been dependent on human capital when compared to financial or physical capital (De Kok, 2003). Microenterprises (9 or fewer employees) will most likely be dependent upon recruitment and retention of human capital as components for success. Yet, the importance of HRM might be underaddressed in the initial start-up stage of a business and only as the business enters its growth and maturity stages will HRM issues become more formalized (Harris, Grubb, & Hebert, 2005).

The importance of human capital is readily recognized in today's knowledge-based businesses. Labor shortages for qualified employees and the need for highly skilled employees to fuel this need in a knowledge-based economy has become apparent (Audretsch & Thurik, 2000;

Audretsch & Thurik, 2001; Audretsch, Thurik, Verheul, & Wennekers*,* 2002). In a report produced by the Small Business and Technology Development Center, "the average small business in the United States has three employees and generates between $150,000 and 200,000 in annual revenue" (Harris et al., 2005, p. 223). Businesses with nine or fewer employees have been designated microsized organizations (McQuaid, 2003). The owner or manager and employees of a microfirm might be committed to a vision that will combine growth of the organization and a lifestyle provided by the rural setting. While the owner or manager of a rural microbusiness might possess skills and experiences similar to that of their urban counterparts, other factors exist in the rural environment that might well render the owner's expertise secondary in the determination of functions and behaviors used in the everyday operations of the business. As Harris et al. (2005) note, the rural community infrastructure might limit opportunities that can be achieved by owners. Thus, the business climate is potentially a very important determinant of success or failure in rural organizations. Despite the proliferation of microenterprises in America's business history, not much is known about them at this time. Research has only recently started to distinguish micros from the SME literature. The terms urban and rural refer to geographic location, but undoubtedly there are other notable differences. The size of the area labor pool, the availability of applicants with a specific set of skills, and the potential lack of mobility might differ between urban and rural settings, especially in the top 26 counties of the Texas Panhandle. The authors believe that urban and rural microfirms are different in their HRM practices, support systems, and personnel profiles.

Research on HRM and performance illustrates that HRM practices can affect performance, which further strengthens the need for HRM investigation (Boselie, 2002; Boselie, Paauwe, & Jansen*,* 2001). This paper will illustrate the current state of HRM practices, support systems, and personnel profiles in microbusinesses that typify the urban and rural American business climate within the top 26 counties in the Texas Panhandle. Relevant information will be provided as follows: the literature review; hypotheses; methodology; results; discussion; implications, limitations and future research directions; and conclusion.

LITERATURE REVIEW

An estimated one fourth (22.5%) of the United States population lives in rural areas, defined as all places outside of metropolitan statistical areas (Fratoe, 1993). This assertion has been supported and expanded by Sears and Lovan (2006, p. 153), "Rural America, with roughly 80 percent of the nation's land area and 25 percent of the population, remains a critical foundation of America's economy and culture." Rural communities have been depicted by such ideals as independence, freedom, self-reliance, and life style: traits that typically characterize the individuals that reside in rural America (Office of Advocacy, U.S. Small Business Administration [OA-USSBA], 2001). It is expected that owners and managers of microfirms hire carefully and with more prior knowledge about each candidate than their urban counterparts. This is due in large part to the rural environment and the likelihood that the future employer might well know each candidate from prior community and family activities. Perhaps this is one reason why smaller businesses have HRM practices that are less formal (Kotey & Slade, 2005).

Small businesses are the primary core of economic activity in rural areas (OA-USSBA, 2001) while urban areas are typically composed of a more diverse core of micro, small, medium, and large organizations. Miller (1990) indicates that smaller firms contribute more to the labor markets in rural areas than in urban areas (Bruce, 2000). Even so, small businesses located in rural areas might have less access to resources, including limited networks, financial constraints, low demand levels, unskilled labor, and cultural barriers (Harris et al., 2005). A larger labor force exists in urban areas (Henry & Drabenstott, 1996), which provides a competitive advantage to firms that reside in these areas, while small businesses tended to cite labor force problems as a disadvantage due to their rural location (Strong, Del Grosso, Burwick, Jethwani, & Ponza, 2005). Research findings have demonstrated that managers of small firms have ranked personnel management as the second most important management pursuit behind general management activities (Hornsby & Kuratko, 1990).

It would appear that rural areas suffer serious deficiencies in individual human resource capacity (human capital) compared to their urban counterparts. Additionally, educational attainment rates remain lower, dropout rates are higher, schools are chronically underfunded, and training in entrepreneurship or other business subjects is limited in rural communities (Fratoe, 1993). Many businesses and individuals located in rural settings are significantly disadvantaged in terms of their access to and use of suitable training (Bennett & Errington, 1995).

A review of human resource management related literature for the past twenty years indicates that some scholars realize the importance of the role of HRM practices in SMEs (Deshpande & Golhar, 1994; Heneman, 2000; Hornsby & Kuratko, 1990; Katz, Aldrich, Welbourne, & Williams, 2000). While the literature addressing HRM policies and practices in microenterprises is somewhat limited, there has been some work addressing these topics. Studies of selected HRM activities in microenterprises have been conducted in Australia (Kotey & Slade, 2005), Sweden (Andersson & Karlsson, 2007), the United Kingdom (Matlay, 1999), Eastern North Carolina (Harris et al., 2005), and rural Georgia (Variyam & Kraybill, 1998). While the focus of each study varies somewhat, one factor that all of the studies appear to have in common is that as the microenterprise moves from start-up to early growth, the HRM activities tend to become more formal. Also emphasized in these studies is the importance of the owner's educational background and management style on the informality or formality of the HRM activities. A unique discussion of the "tyranny of distance" by Andersson and Karlsson (2007) highlights some of the difficulties when employees and organizations are located in remote areas and might be isolated from appropriate "outside" knowledge or spillover knowledge that can result in increasing returns. This could be a distinct disadvantage for the rural micro-organizations, which would not exist for the urban micro-organizations.

A review of the literature indicates a general absence of information in a number of HRM areas in microenterprises: the extent of the utilization of traditional human resource management functions; the level of support systems; and the education, experience and expertise of the employees responsible for human resource actions.

Consequently, the goals of this study are (a) to identify the breadth that traditional human resource management practices are currently being utilized by urban and rural microfirms; (b) to ascertain the support that urban and rural microenterprises provide to HRM as reflected by the number of full and part-time employees assigned to human resource management activities and by the use of support systems such as formal communication processes, management information systems (MIS), employee handbooks, and legal advice utilized by the firms' HRM personnel; and (c) to survey the level of education and experience of the human resource management workforce and to establish the employees' self-perceived levels of expertise in selected human resource management practices in urban and rural micro-organizations. These goals, as depicted in Figure 1, lead to the hypotheses tested in this study.

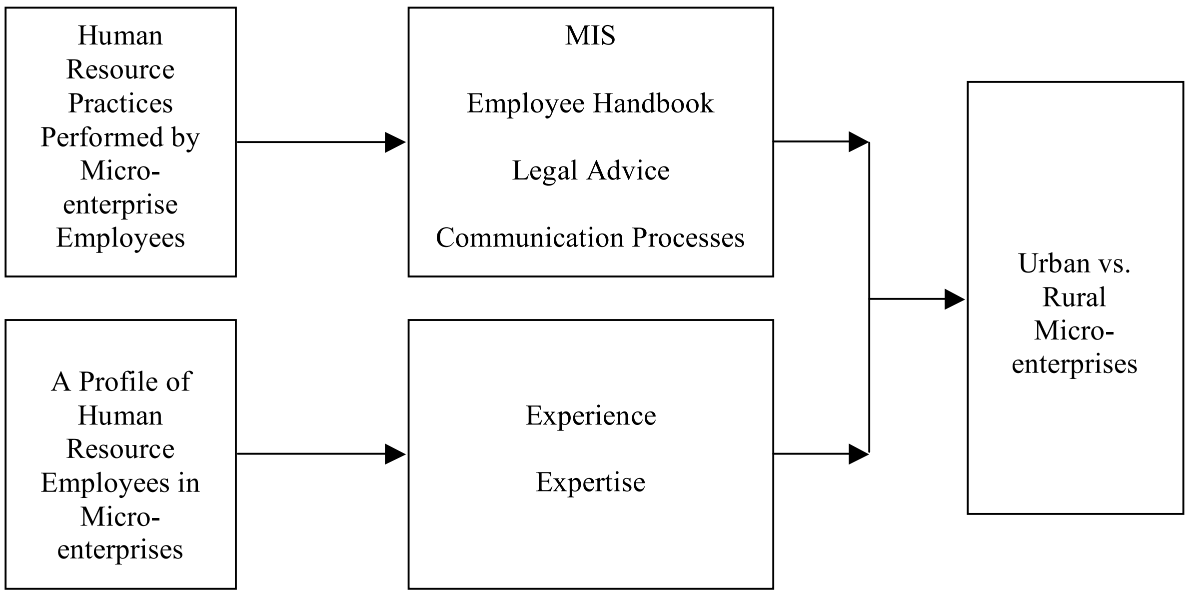

FIGURE 1. HUMAN RESOURCE PERSONNEL AND PRACTICES IN MICROENTERPRISES: URBAN VS. RURAL

Researchers have only recently initiated the examination of human resource management in small businesses. Such exploration is severely lacking when directed toward microenterprises exclusively, and virtually nonexistent with regard to microenterprises in urban and rural settings. The limited literature that does address small and microenterprises in urban and rural settings does so in limited ways. One study might address an area such as fringe benefits (Variyam & Kraybill, 1998) while another might address primarily the owner's preferred leadership style (Matlay, 1999), and still another might address the formality of HRM practices (Kotey & Slade, 2005). None of the existing literature addresses an overview of the HRM practices in microenterprises in urban and rural settings.

HRM in microenterprises might be composed primarily of the social skills or leadership styles demonstrated by the entrepreneur or manager instead of various HRM practices utilized by an HRM department or HRM personnel (De Kok, 2003). The deficiency of information concerning human resource management in small businesses is problematic for theory, research, and practice (Heneman et al., 2000).

Empirical data has generally demonstrated that smaller organizations do not have formal HRM departments nor do they adopt traditional HRM paradigms or practices (Barron, Black, & Loewenstein, 1987; De Kok & Uhlander, 2001; De Kok, Uhlaner, & Thurik, 2003; Heneman & Berkley, 1999; Hornsby & Kuratko, 1990; Katz et al., 2000). Research to date has concentrated on SME determinants of HRM practices, such as firm size (De Kok & Uhlander, 2001; De Kok et al., 2003; Kotey & Slade, 2005; Ram, 1999), sector of the economy in which the firm competes (Curran, Kitching, Abbott, & Mills, 1993; Mowday, 1998; Ram, 1999), business strategy employed (Lengnick-Hall & Lengnick-Hall, 1988; Schuler & Jackson, 1987; Youndt, Snell, Dean, & Lepak, 1996), family firm governance (Aldrich & Langton, 1997; Cyr, Johnson, & Welbourne, 2000; De Kok et al., 2003; Fiegener, Brown, Prince, & File, 1996; Reid & Adams, 2001), performance and HRM practices (Barron et al., 1987; Boselie, 2002; Boselie et al., 2001; De Kok, 2003; Heneman & Berkley, 1999; Hornsby & Kuratko, 1990; Huselid, Jackson, & Schuler, 1997; Kotey & Meredith, 1997; Management Services, 2001; McEvoy, 1984; Patton & Marlow, 2000; Zheng, 1999), recruitment (Aldrich & Langton, 1997; Carroll, Marchington, Earnshaw, & Taylor, 1999), training and development (Boocock, Loan-Clarke, Smith, & Whittaker, 1999; Carr, 1999; Hendry, Jones, Arthur, & Pettigrew, 1991; Koch & McGrath, 1996; Marlow, 1998; Nottinghamshire Research Observatory, 2002a; Nottinghamshire Research Observatory, 2002b; Westhead & Storey, 1997; Westhead & Storey, 1999), performance appraisals (Jackson, Schuler, & Rivero, 1989), specialists employed (Bacon, Ackers, Storey, & Coates, 1996; Heneman & Berkley, 1999; Jackson, et al., 1989; Wagner, 1997) and the development of a business plan (De Kok et al., 2003).

Despite these determinants, as well as others, an escalating body of research findings would conclude that smaller organizations have less formal HRM practices, but variation among these practices is fairly dispersed (De Kok & Uhlander, 2001). Hill and Stewart (1999) demonstrated this variation by the different levels of the HRM taxonomy of practices and sophistication exhibited by smaller firms. Hill and Stewart (1999) also suggest that smaller businesses need flexibility and less formality to compete in an environment of uncertainty. Hornsby and Kuratko (1990) discovered that HRM practices were more sophisticated than predicted among diminutive organizations. Deshpande and Golhar (1994) illustrated that HRM practices in small manufacturing companies were as sophisticated as large organizations. Hendry et al. (1991) purport that poor planning for the future or inadequate resources are rationales for informal HRM practices.

A longitudinal study of Australian manufacturing small businesses administered by Jones (2001) depicted a positive correlation between small business growth and certain industrial relation components as well as HRM practices. Results of a survey conducted on HRM practices and policies in Northern Ireland demonstrate that small businesses are more likely to employ and retain younger individuals with few qualifications (University of Ulster International [UUI] HRM Research Group, n.d.). The findings indicated training and development activities are vital for growth and sustainability in the market place (UUI, n.d.). Other research outcomes from the survey are as follows: recruitment and staffing and appraisal functions are highly developed; approximately half of the companies have dedicated HRM departments operated by the owner, managerial director, or a member of the board of directors; typically the HRM department employs one or two people; only one-third of the companies have a HRM plan; employee relations are exceptionally strong; training and development is one of the largest challenges faced by small businesses; and, most firms are committed to employee development (UUI, n.d.).

Summarizing and providing generalizations of the prevailing research regarding HRM practices of micro-, small-, and medium-sized enterprises (MSMEs) is difficult; it is practically impossible with regard to urban and rural microfirms due to the deprivation of information available. Accordingly, the goal of this research investigation is to extend the knowledge about HRM by developing or confirming information related to HRM personnel and practices employed in urban and rural microenterprises.

HYPOTHESES

Despite the lack of research evidence to support the supposition of differences between urban and rural enterprises, arguments can be postulated as to why this might be the case. The reasons why significant differences in formal communication systems are expected is partly due to the fact that rural firms are located in less populated geographic areas where employees are more likely to have known each other for longer periods of time and perhaps are related to a number of people who live and work in the geographic area. It is contemplated that these employees would be more likely to communicate informally rather than using formal communication systems. Variations in the utilization of MIS systems are expected to some degree because of the availability (or lack thereof) of personnel who have the expertise to design and operate such a system. The use of handbooks is consistent with a more formalized communication system.

The authors anticipated that rural enterprises will have fewer or less formalized communications and that they will be less inclined to use employee handbooks for presenting policies and procedures to their workforce. Additionally, it would seem credible that employees in urban firms would be less committed to the enterprise and have fewer prior long-term relationships with the other employees. Furthermore, an employee in an urban firm might be more prone to file a lawsuit whereas an employee in a rural firm would not be so disposed due to familial and familiar relationships, thus producing the expectation of urban firms' increased solicitation of outside legal advice. These arguments advance the first hypothesis:

> Hypothesis 1: Differences exist between urban and rural microenterprises in the HRM support functions.

If rural firms operate on a more informal basis, it is presumable that there will be differences in the number of personnel dedicated to HRM activities. Informality of operations might lead to one of two situations: the owner/manager performs the HRM functions as a component of the overall job; or, individuals perform HRM-related activities as skills and time allow. In either case, it is doubtful that a rural enterprise would have one or more full-time employee dedicated to implementing the functions of HRM. It is more probable that HRM will be performed on a piecemeal basis. Thus, the second hypothesis is presented:

> Hypothesis 2: Differences exist between urban and rural microenterprises in the number of personnel dedicated to HRM activities.

If rural personnel performing HRM activities are doing so in an ad hoc fashion, it is improbable that they will accumulate any substantial level of experience. Further, if the HRM activities are distributed among personnel or accomplished on a rotating basis, it is conceivable that there will be substantial differences in the amount of experience acquired by rural HRM personnel. Thus, the following hypothesis is advanced:

> Hypothesis 3: Differences exist between urban and rural microenterprises in the HRM experience of the primary HRM personnel.

In order to obtain an HRM-related degree, it is likely that travel and time away from home and the job will be required for rural personnel. It is implausible that an employer would solicit employees to acquire such a degree, but more credible that an individual would have coincidentally received a degree related to HRM before locating to a rural area. Similarly, for certificates, a rural employee is likely to be required to travel or engage in correspondence (or other long-distance learning) in order to receive a certificate. In both education and certificate acquisition, urban employees are more inclined to have the opportunity and the support to pursue such endeavors. It is suggested in the fourth hypothesis that these differences will be substantial when comparing urban and rural microenterprise HRM employees.

> Hypothesis 4: Differences exist between urban and rural microenterprises in HRM-relevant education and certificates obtained by the principal HRM personnel.

Formal schooling in HRM-related areas should increase perceptions of expertise. Since it is anticipated that rural HRM employees will have lower levels of formal education and certificates, it might be presumed that perceptions of expertise will be lower in rural HRM employees. However, if there is no perceived need for formality in HRM practices one might propose that there are fewer or less complicated HRM activities being performed in rural enterprises. It would not be unrealistic to assume that levels of expertise would be reported at lower levels in rural firms. Therefore, the fifth hypothesis is presented:

> Hypothesis 5: Differences exist between urban and rural microenterprises in the perceptions of expertise reported by the organizations' primary HRM personnel.

METHOD

The research employed the use of a single administration of a survey. The data are self-reports of the participants' own perceptions and experience. The survey asked respondents to reply to questions about practices and functions, education and experience, and perceptions of expertise with regard to HRM in their organizations. The responses were analyzed to gain a better understanding of differences between urban and rural micro-organizations concerning these questions.

The data for this paper were collected as part of a larger, more comprehensive research project of HRM practices in firms of various sizes in a 26-county area of the Texas Panhandle. A cover letter requested that the person responsible for HRM activity complete the instrument. The mailing list was provided by the Panhandle area Better Business Bureau and included both members and nonmembers of the bureau. Criteria for this study were (a) nine or fewer employees and (b) operational independence (independent firms are not components or extensions of larger organizations). There were 77 respondents who satisfied the established criteria for this study.

A total of 78% of the participants identified their organizations as either retail (40.3%) or service businesses (37.7%). The remaining sample was 11.7% industrial, 6.5% health care, and 3.9% financial services. Of the 77 respondents, 45 (58.4%) of the firms were located in the survey area's standard metropolitan area (a population of approximately 174,000) and 32 (41.6%) were in the surrounding rural area.

The questionnaire contained five major divisions: (a) the firm's demographic data, (b) HRM management employee demographics, (c) personal data about the primary HRM individual, (d) perceptions of HRM expertise by the principal HRM employee, and (e) HRM support processes. Firm demographic data included type of business (e.g., retail, service) and whether the firm was independent or functioning as an extension of another organization.

Data were collected concerning each firm's use of management information systems (MIS), formal employee communication processes, use of employee handbooks, and the solicitation of legal advice. In addition, respondents were queried about the firm's time commitment of personnel to HRM activities. For the employees who perform part-time HRM functions, participants were requested to estimate the percentage of time allocated to HRM activities. The principal HRM employee was questioned about his or her years of experience, education level, and whether he or she had any HRM certificates.

The principal HRM employee was requested to rate his/her level of expertise in 15 separate HRM functions such as strategic HRM planning, recruitment, job design, and employee relations. Respondents rated their own levels of expertise on a scale of 1 = *very little expertise* to 5 = *extensive expertise*.

All data were analyzed using a *t* test or a chi-square test, as appropriate, to determine statistically significant differences between HRM support activities, personnel, and perceptions of expertise in rural and urban microenterprises. The results of the analysis are presented in the following section.

RESULTS

Firms were asked the extent to which they used formal employee communication processes, MIS systems, employee handbooks, and outside legal advice. The findings are presented in Table 1. Urban microenterprises utilize employee handbooks slightly more than rural microenterprises. In addition, urban firms tend to seek legal advice more so than rural firms. There was no variation noted between urban and rural organizations with regard to the use of formal employee communication activities or formal MIS systems.

TABLE 1. DIFFERENCES BETWEEN MICROURBAN AND RURAL ENTERPRISES ON HRM SUPPORT FUNCTIONS

	Urban		Rural			
	Observed*	Expected	Observed*	Expected	χ^2	*p*
Formal communication system	19	16.3	9	11.7	1.710	.191
MIS system	25	22.2	13	15.8	1.841	.175
Employee handbook	17	13.6	6	9.4	3.067	.080
Outside legal advice	15	10.4	3	7.6	6.508	.011

Note: *Numbers reported are those who responded in the affirmative to the existence of such a mechanism out of a sample size of 45 urban and 32 rural respondents.

Respondents were queried about the deployment of full-time and part-time personnel to HRM functions. Additionally, the percent of work time that part-time personnel devoted to HRM activities on a weekly basis was requested. Table 2 presents these findings. Urban microenterprises require part-time HRM employees to devote a greater percent of work time to HRM functions (M = 15.4%, SD = 15.7%) than rural microenterprises (M = 7.7%, SD = 8.8%). Urban firms tended to use substantially greater numbers of part-time employees to accomplish HRM activities than did rural enterprises.

TABLE 2. HRM EMPLOYEE DEMOGRAPHICS

	Urban			Rural			
	N	M	SD	N	M	SD	*t*
Full-time employees devoted to HRM	42	0.40	0.59	29	0.48	0.69	-0.513
Part-time employees devoted to HRM	40	0.83	0.78	28	0.32	0.67	2.772***
Percent of part-time employees' work time devoted to HRM	30	15.37	15.70	20	7.70	8.80	1.982**

Note: *$p < .10$; **$p < .05$; ***$p < .01$.

The person primarily responsible for HRM functions was solicited to provide information about years of experience. There was no significant difference in years of experience among primary HRM personnel in rural (M = 18.10, SD = 13.35) and urban (M = 14.38, SD = 9.79) microfirms.

The person primarily responsible for HRM functions was requested to furnish data concerning college degrees and HRM certificates. There was no significant educational differences among primary HRM personnel in rural and urban microfirms (college degrees: $\chi^2 = 0.884$, $p = .347$; HRM certificates: $\chi^2 = 0.646$, $p = .421$). Relatively low rates of educational expertise in microfirms, regardless of geographic location, were encountered: in rural microenterprises, 15.6% have college degrees and 10.0% have HRM certificates; and, 24.4% of urban microenterprise HRM personnel have college degrees and 5.0% have HRM certificates.

HRM personnel were requested to rate their levels of expertise on a variety of HRM functions. Table 3 provides a list of the functions and the results of the self-ratings. Significant differences in career development and employee compensation were discovered. In both instances (career development and employee compensation), urban micro HRM personnel perceived higher levels of expertise than rural micro HRM personnel. There were no dissimilarities in perceptions for all other HRM functions.

DISCUSSION

Approximately equal percentages of urban and rural microenterprises utilize formal communication systems and MIS systems. With regard to employee handbooks and solicitation of outside legal advice, urban microfirms employ handbooks more than rural microenterprises.

An extensive number of firms realize the importance of careful documentation and the adoption of formal communication systems to convey information to their employees in order to prevent misunderstandings regardless of the community in which the company resides. The expectation of informal communications in rural microenterprises might be a relic of a prior historical era. Alternately, managers are beginning to recognize the importance of fairness in communication and formalization; therefore, it might be a tool to aid in the implementation of such a system.

TABLE 3. HRM PERSONNEL PERCEPTIONS OF EXPERTISE

	Urban			Rural			
	N	M	SD	N	M	SD	*t*
Strategic HRM planning	42	1.95	1.10	29	2.21	1.08	-0.963
Recruiting	42	2.83	1.17	29	2.62	1.08	0.777
Selection	42	3.24	1.21	29	2.90	1.08	1.223
Orientation	42	3.17	1.29	29	2.72	1.07	1.525
Employee training	42	3.62	1.15	30	3.37	1.16	0.917
Employee development	42	3.26	1.25	29	3.00	1.16	0.892
Career development	42	2.90	1.32	29	2.41	1.09	1.651*
Job design	42	3.04	1.36	29	2.76	1.21	0.918
Performance appraisals	42	3.24	1.32	29	2.90	1.23	1.099
Compensation	42	3.33	1.34	29	2.69	1.07	2.156**
Employee benefits	42	3.12	1.29	28	2.68	1.16	1.456
Safety and health	42	3.24	1.32	29	3.31	1.11	-0.242
Communications	42	3.57	1.25	29	3.14	1.13	1.493
Employee relations	42	3.52	1.33	28	3.36	1.19	0.535
Personnel records	42	3.24	1.45	28	2.93	1.15	0.993

Note: *$p < .10$; **$p < .05$; ***$p < .01$.

Similarity in the employment of MIS systems was an unexpected finding. One proposed reason why the anticipated discrepancies failed to emerge is the current availability of and access to a variety of robust software packages that do not require specialized programming support. If access to such software is the reason for the research findings of no significance, it is rational to assume that such software could be purchased as easily by rural enterprises as urban enterprises through the Internet.

Urban microenterprises utilize employee handbooks slightly more than rural microenterprises. The authors believe that urban firms have a strong requirement to be consistent in their practices with other area employers. This could account for the data that urban microfirms are somewhat more likely to incorporate the use of employee handbooks than rural microfirms.

Enterprises located in a rural geographic area might discover a more casual, laid-back environment spilling over into the workplace to some extent. In a rural geographic area, employees and their families are often known outside the firm. Due to the limited geographic area and the likelihood of employers and employees interacting outside the firm, personal situations of employees could conceivably be more public knowledge than in an environment that is more urban and where the private lives of employees and their families might be more confidential. Therefore, if firms are in rural settings, employers might be willing to effect adjustments for individual employee needs and situations than an urban employer.

The results illustrate that urban microfirms tend to seek outside legal advice more than rural microfirms. This is consistent with variations in workforce characteristics and expectations. For the microfirm in the urban area, the use of more formality and structure as well as the need to be legally correct would be compatible with business practices of other area employers. However, for a microfirm in a rural area, the application of less formality and structure is conceivably more comparable with other area employers. Furthermore, the exercise of policies and practices commensurate with other employers could be of more concern to employees than having a formal legal interpretation of policies and practices.

The data indicates that most microenterprises do not have a full-time employee dedicated to HRM. Instead, micros rely on part-time employees to complete HRM activities. The percentage of time that urban microfirm part-time employees dedicate to HRM is more substantial than that of the part-time employees in rural microfirms. Employers in an urban geographic area could require additional employee time for HRM activities because of the need to furnish HRM support similar to that provided by other employers in the same urban area. That is, employees in urban principalities might have expectations of more formalized HRM functions within the firm. This might require increased employee time for HRM activities than would be needed in a firm of comparable size located in a rural region. In the rural geographic area surveyed, many of the HRM functions might be more informal and provided as needed by individual employees.

Differences in HRM personnel experience were expected between urban and rural microfirm employees. Rural micro-HRM personnel reported more years of experience than did urban micro-HRM employees, although the finding was not statistically significant. Perhaps employees in rural microfirms remain with their organizations for longer periods of time and gather more tenure in position, whereas employees in urban micro-organizations change organizations and jobs more frequently.

Currently in the geographic area surveyed for this research project, the universities and community colleges do not offer specialized HRM-related degrees. Specialized training in preparation for HRM certification is available at one of the community colleges and HRM classes are offered at all higher education campuses in the survey's geographic area. While HRM-related degrees are not currently available locally, certainly such degree programs could be accessed through online programs and from a wide variety of educational sources. Availability of HRM degrees could explain the deficiency of HRM-related degrees for all respondents. Similar arguments could be postulated for the relatively low number of HRM-related certificates reported in the sample, as well as the lack of differentiation between urban and rural HRM personnel education and certificates.

Digressions in perceptions of expertise were expected; few were realized. If experience levels, education levels, and certificate levels are similar for both urban and rural micro-HRM personnel, it might be unrealistic to assume discrepancies in perceptions of expertise. However, there were two exceptions: employees in urban micro-organizations reported higher perceived expertise for career development and compensation. Perhaps there is more opportunity for advancement and greater resources (and competition) in urban micro-organizations, thus promoting the need for greater levels of expertise in these functions. For rural micro-organizations, pay and promotions cannot be as easily offered; therefore, they might resort to other benefits.

IMPLICATIONS, LIMITATIONS, AND FUTURE RESEARCH DIRECTIONS

This research adds to the knowledge base of HRM personnel and practices in urban and rural microenterprises. Microfirms take actions regarding employees that are required to assist a firm's competitiveness. It appears that in rural microfirms, those actions are more employee-centered than policy-centered. That is, firms in rural geographic areas are more likely to make adjustments as needed for individual employee situations. This accommodation increases the microfirm's ability to retain key employees. Microfirms in urban areas are more inclined to employ policy-centered approaches that are based on standardized policies and practices. This approach provides legal correctness that is required when operating within urban environments.

This study contains some limitations. First, the information gathered for this research project is self-reported data. It would be valuable for future inquiries to gather data that is of a more objective nature. Moreover, the small sample size could have precluded the researchers from discovering differences because of the statistical power associated with a sample of this size. This issue could be addressed by developing a larger sample population in future studies.

It is recommended that this study be replicated in several other geographical regions with a rural and urban mix to determine whether these findings are consistent across different regions. Additionally, future research could investigate the extent to which HRM practices do (or do not) influence a particular company's success. Inquiries to examine the extent to which companies copy best practices and whether or not the identification of these best practices are industry-based versus location-based would be valuable. Finally, it is recommended that future investigations examine specific industries to determine whether utilization of HRM practices vary by industry.

CONCLUSION

Micro urban and rural organizations necessarily perform the same basic HRM practices and functions as large organizations. Solicitation of legal advice and the use of handbooks occurred at a rate that was considerably higher than the researchers anticipated for micro-organizations, particularly those in urban settings. Microenterprises employed a larger number of individuals performing HRM functions than one might have suspected. Furthermore, there is a surprisingly large experience tenure in both urban and rural micro-organizations. Overall, this indicates a lack of differentiation between microsized urban and rural enterprises and illustrates a higher level of sophistication and experience than expected.

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WORK STRESS AND WORK–FAMILY CONFLICT: THE MEDIATING EFFECT OF JOB-FOCUSED SELF-EFFICACY

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ABSTRACT

This research examined the mediating effects of job-focused self-efficacy on the relationship between work stress (e.g., work-role conflict, work-role ambiguity, and work-role overload) and work–family conflict. Using latent variable modeling, we found that job-focused self-efficacy mediated the relationship between work stress and work–family conflict. Implications, limitations, and future research suggestions are discussed.

INTRODUCTION

Ever since the revolutionary works of Kanter (1977), Pleck (1977), and Evans and Bartolomé (1981), it has been unanimously agreed upon that the work and family domains influence each other positively and negatively (Greenhaus & Beutell, 1985). Balancing both the work and family demands has often caused conflict and stress for individuals because of incompatible role expectations. With the increasing number of dual income families, single parent families, and families with elders in need of care, the effects of conflict between the work and family obligations are likely to become more evident. Past research (Aycan & Eskin, 2005; Beutell & Wittig-Berman, 1999; McManus, Korabik, Rosin, & Kelloway, 2002) has explored these concerns through an examination of the antecedents of the conflict between work and family.

Although there is a great deal of research on work–family conflict (WFC), shortcomings exist. The relationship between work stress and WFC as mediated by job-focused self-efficacy (JFSE) has yet to be examined. The purpose of this study was twofold. First, we investigated JFSE as a mediator of the relationship between work stress and WFC. Second, examining the relationship between WFC and its antecedents using a latent variable model was undertaken. Prior research suggests that latent variable modeling is the recommended approach because it is more meticulous and accounts for measurement error better than regression analysis (Anderson & Gerbing, 1988). Thus, the current research attempts to address these gaps in the literature by utilizing a structural equation model of work–family conflict that is mediated by JFSE across a diverse sample. We provided theoretical underpinnings for work–family conflict and used a specific personality characteristic (Bandura, 1977) to develop the research hypotheses. As a result, this research will provide potential, practical implications and add to the richness of the existing body of knowledge about the conflict between work and family to human resource practitioners and managers.

THEORY AND HYPOTHESES

According to Staines (1980), spillover theory asserts that what occurs in the work and family environment are parallel, meaning that happiness at work will result in happiness in the family. In addition, an individual's work experience is expected to influence what an individual does away from work (Champoux, 1978). Furthermore, it is assumed that attitudes are carried over from work into the home life (Kando & Summers, 1971). In other words, no boundaries exist for an individual's behavior between the work and family.

With regard to the aspect of this study that examines a specific personality characteristic, self-efficacy theory presented the theoretical underpinning. The proposed research examined whether JFSE mediated the relationship between work stress and WFC. JFSE has its roots in self-efficacy research. Bandura (1982) classified self-efficacy as an individual's perceptual judgment or belief of "how well one can execute courses of action required to deal with prospective situations" (p. 122). According to Bandura's theory of self-efficacy (1977), self-efficacy expectations, which refer to beliefs about one's ability to perform successfully a given task or behavior, may be important mediator of behavior and behavior change. In extending self-efficacy theory to career behavior, Hackett and Bertz (1981) suggested that self-efficacy beliefs serve as an important cognitive influence on career decisions and achievements, helping to determine people's range of perceived career options and their success and persistence in their chosen options. Therefore, JFSE is an individual's belief that may influence the impact of work stress on WFC.

WFC has often been used to represent the conflict between the work and family domains. Greenhaus and Beutell (1985) offered the definition of WFC as "a form of interrole conflict in which the role pressures from the work and family domains are mutually incompatible in some respect whereby participation in the work (family) role is made more difficult by virtue of participation in the family (work) role" (p. 77). In essence, WFC results from an individual's attempt to meet an abundance of different conflicting demands. In a model offered by Greenhaus and Beutell (1985), illustrative pressures of the work domain variables are work stress.

Work stress is generally conceptualized as work-role conflict, work-role ambiguity, and work-role overload (Cooke & Rousseau, 1984; House, Schuler, & Levanoni, 1983; Rizzo, House, & Lirtzman, 1970), in which each has the potential to affect WFC (Bacharach, Bamberger, & Conley, 1991). Numerous studies have documented the spillover of work stress to the family (Burke, 1988; Jackson & Maslach, 1982; Matsui, Ohsawa, & Onglatco, 1995; Parasuraman, Greenhaus, & Granrose, 1992; Repetti, 1989). In several models, work stress has been proposed as an antecedent of work–family conflict (Burke, 1988; Greenglass, Pantony, & Burke, 1988).

With respect to work-role conflict, it is described as "the simultaneous occurrence of two or more sets of pressures such that compliance with one would make more difficult compliance with the other" (Kahn, Wolfe, Quinn, Snoek, & Rosenthal, 1964, p. 19). Therefore, work-role conflict can cause decreased individual satisfaction and decreased organizational effectiveness. Because work-role conflict appears to be attached to role behavior, it is approximately comparable to the work-role ambiguity components that involve the prediction of the outcome behavior (Kahn et al., 1964; Rizzo et al., 1970). Work-role ambiguity is referred to as individuals that lack a clear definition about the behavior expected in a role and the required methods to fulfill their duties (Kahn et al., 1964; Rizzo et al., 1970). Thus, work-role ambiguity can augment the possibility that an individual will be dissatisfied with his or her role, will experience anxiety, will distort reality, and will thus perform less effectively. An additional antecedent of WFC, work-role overload, is characterized as having too many role demands and too little time to fulfill them (Baruch, Biener, & Barnett, 1987; Rapoport & Rapoport, 1976). Hence, a more comprehensive model would be to exploit all three forms of work stress as it promotes a better understanding of the relationship between multiple roles and stress.

MEDIATION OF THE WORK STRESS AND WORK–FAMILY CONFLICT RELATIONSHIP

Even though previous research has focused on the relationship between work stress and WFC, none have looked at the mediating relationship of JFSE between work stress and WFC. Work-role conflict, work-role ambiguity, and work-role overload have been found to be directly and positively related to WFC (Boyar, Maertz, Pearson, & Keough, 2003; Burke, Weir, & DuWors, 1980; Carlson & Kacmar, 2000; Frone, Russell, & Cooper, 1997; Greenhaus, Bedeian, & Mossholder, 1987).

Bandura (1986) postulated that an individual's sense of self-efficacy operates to reduce perceptions of and reactions to stress. Erdwins, Buffardi, Casper, and O'Brien's (2001) opined that the level of conflict between work and family responsibilities decreases as self-efficacy in their work-role augments and with greater perceived support from work supervisors and husbands. Therefore, it appears that individuals' confident in their ability to perform many roles successfully would experience fewer situations of work-role conflict and work-role overload.

Earlier research on self-efficacy revealed that a person's performance or outcome is augmented because the individual has the belief that he/she has the ability to perform both his/her work and family duties (Bradley & Roberts, 2004; Chen, Greene, & Crick, 1998; Lent, Brown, & Larkin, 1986). Wood and Bandura (1989) suggested that efficacy beliefs are an important mechanism in self-regulation. From the perspective of self-efficacy perceptions, individuals who are more confident in their ability to perform at work should be more likely to cope constructively (Gist, Schwoerer, & Rosen, 1989) and thus be less likely to withdraw from work.

In addition, Brief and Aldag (1981) implied that one of the immediate effects of job-related stress may be to lower one's level of efficacy. Reductions in self-efficacy beliefs, sequentially may lead to higher work stress. Thus, self-efficacy may be a mediating variable. Prior research suggested that a negative significant relationship existed between self-efficacy beliefs and emotion-focused coping (Stumpf, Brief, & Hartman, 1987). Therefore, reductions in self-efficacy beliefs lead to more emotion-focused coping.

Based upon Luthans' article (2002), self-efficacy "theory (Bandura, 1986, 1997) and considerable research support clearly indicates that the more confident the individual, the more likely the choice will be made to pursue the task and welcome the challenge" (p. 700). Therefore, due to an individual's excessive work demand, JFSE may influence the relationship between work stress and WFC, that is, levels of JFSE may determine whether a person believes the responsibilities of the job can be handled. Whereas, if self-efficacy is low, individuals are likely to perceive self-competence in a narrower range of activities as compared to others (Brown & Lent, 1996; Lent & Brown, 1996). Thus, individuals with higher levels of JFSE may reduce the work stress impact on the conflict between work and family, making the individual's potential WFC lesser. According to spillover theory, work stress can "displace the potential for positive family interactions, while requiring family members to expend their personal resources in assisting the worker to manage the stress" (Zedeck & Mosier, 1990, p. 241). Based on the previous discussion, we advance that JFSE will mediate the positive relationship between work stress and WFC and offer the following hypotheses:

Hypothesis 1. JFSE will mediate the positive relationship between work stress and WFC. Specifically, the positive relationship between (a) work-role conflict, (b) work-role ambiguity, and (c) work-role overload and WFC will be mediated by JFSE.

METHOD

PARTICIPANTS AND PROCEDURES

The age of the participants in this study ranged between 21 to 65 years. Females constituted 71.9% of the sample. In terms of ethnicity, the sample consisted of 77.3% African Americans, 16.9% Caucasians, 1.9% Hispanics, 0.4% Asian, and 1.9% Other. The marital status of respondents was as follows: 45% single, 38.5% married, 11.9% divorced, and 2.7% widowed. In our sample, 41.9% had a college degree, 32.3% had a master's degree, 2.7% had a doctorate, and 22.3% had a high school diploma or a general education diploma (GED). Most respondents (85.4%) had been employed in their present position for at least one year. Respondents indicated that 42.3% of them had children under the age of 18.

The survey was administered electronically to various United States citizens including employees of the Southeastern state agency, alumni of northeastern and southern universities, and current graduate business students who were employed in diverse organizations and across various functional areas. The criteria for inclusion in our study were that the participant be employed in an organization and work at least 40 hours per week. Interested individuals who met these criteria were electronically sent an invitational letter with a link to the survey entitled, Job Satisfaction Survey. The electronic invitational letter explained the purpose of the survey with the link included. Participants were instructed to complete and submit the questionnaire online. To reduce nonresponse error, two electronic reminders were sent to the same email addresses in 2-week increments after the initial invitational letter.

Of the 914 questionnaires distributed, 298 responded. However, the convenient sample consisted of 260 completed questionnaires for a 28% response rate. Before conducting this study, we obtained approval from the Institutional Review Board for scientific research

MEASURES

The constructs were measured by using the following instruments found in the work–family conflict literature using a seven-point Likert scale with responses ranging from 1 (*strongly* *disagree)* to 7 (*strongly agree)*.

Work stress. Rizzo et al. (1970) developed an instrument that assessed work-role conflict with eight items (e.g., work-role conflict item, “I have to do things that should be done differently”) and work-role ambiguity with six items (e.g., “I know that I have divided my time properly”). In addition, work-role overload was measured with three items utilizing a scale adapted by Veloutsou and Panigyrakis (2004) (e.g., “I do not have time to finish my job”). Higher scores are associated with greater work stress. The internal reliability (alpha) for work-role conflict is .806, work-role ambiguity is .740, and work-role overload is .779.

Work–family conflict. WFC was measured using the Netemeyer, Boles, & McMurrian (1996) scale. This scale contains five items measuring general demand and time- and strain-based conflict. Higher scores are associated with greater interdomain conflict for the scale. An example item from the WFC scale is “The demands of my work interfere with my home and family life.” The alpha for WFC is .919.

Job-focused self-efficacy. The Personal Efficacy Belief scale, a 10-item scale developed by Riggs, Warka, Babasa, Betancourt, and Hooker (1994), was used to measure JFSE. Example items include “I have confidence in my ability to do my job” and “I doubt my ability to do my job”). Higher scores are associated with greater JFSE. The alpha for JFSE is .743.

ANALYSIS

The proposed work–family conflict model presented in Figure 1 was tested using latent variable structural equation modeling (SEM) to evaluate the research hypotheses by using the AMOS (analysis of moment structures) computer program (Arbuckle & Wothke, 1995). SEM’s major strength is that using latent variables permits estimation of relationships among theoretically interesting constructs that are free of the effects of measurement unreliability. The covariance matrix was used as the input for all models, and the maximum likelihood estimation procedure was employed to produce the model parameters. Because the data followed a nonnormal distribution (kurtosis = 82.554, t value = 9.599), bootstrapping techniques and the Bollen-Stine corrected p value were employed to obtain unbiased model parameters (Arbuckle & Wothke, 1995; Bollen & Stine, 1992). To examine model fit, we utilized measures of absolute fit and incremental fit to determine how well the data fit the hypothesized model (Hair, Anderson, Tatham, & Black, 1998).

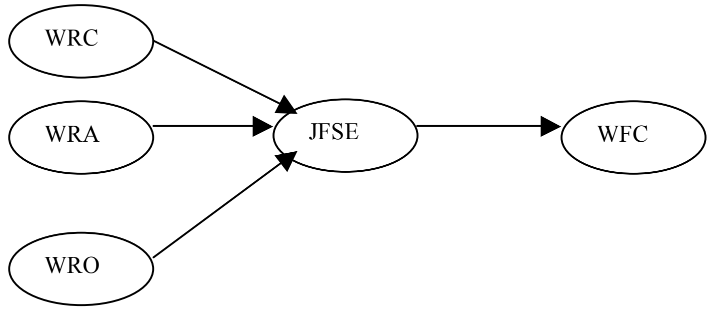

FIGURE 1: WFC MODEL.

Note: WRC = work-role conflict; WRA = work-role ambiguity; WRO = work-role overload; JFSE = job-focused self-efficacy; WFC = work–family conflict.

RESULTS

The means, standard deviations, reliability estimates, and zero-order correlations are provided in Table 1.

TABLE 1. MEANS, STANDARD DEVIATIONS, ZERO-ORDER CORRELATIONS, AND RELIABILITY ESTIMATES

Variables	Mean	s.d.	1	2	3	4	5
1. WFC	12.80	7.49	(.92)				
2. WRC	22.86	7.38	.30**	(.81)			
3. WRA	16.96	5.60	.25**	.29**	(.74)		
4. WRO	10.10	4.73	.46**	.39**	-.26**	(.78)	
5. JFSE	30.57	4.08	-.24**	-.14*	.23**	-.27**	(.74)

Note: N = 260. Reliability estimates are on the diagonals in parentheses. * $p \leq .05$ ** $p \leq .01$. WFC = work–family conflict; WRC = work-role conflict; WRA = work-role ambiguity; WRO = work-role overload; JFSE= job-focused self-efficacy.

Confirmatory factor analysis models were conducted to assess dimensionality and fit of the measures used in the model. The goodness-of-fit index (GFI) is a measure of absolute fit of the model by comparing the fitted model with the actual data, and ranges from 0-1. Values greater than 0.90 demonstrate that the model fits the data well (Hair et al., 1998). Every construct had acceptable fit indices, which are provided in Table 2. That is, each construct held together well and demonstrated unidimensionality; thus, each was deemed appropriate for inclusion in the model.

TABLE 2. CFA RESULTS OF THE CONSTRUCTS IN THE WFC MODEL

Model	X^2(df)	*p* value	RMSEA	GFI	TLI	CFI
WFC	0.254(2)	0.947	.000	1.000	1.009	1.000
WRC	10.419(9)	0.488	.025	.987	.992	.995
WRA	9.653(7)	0.399	.038	.988	.983	.992
WRO	4.171(1)	0.089	.011	.989	.962	.987
JFSE	5.763(5)	0.588	.024	.991	.991	.996

Note: $N = 260$. Degrees of freedom (df) are in parentheses after the chi-square value. RMSEA = root mean square error of approximation; GFI = goodness-of-fit index; TLI = Tucker Lewis index; CFI = comparative fit index; WFC = work–family conflict; WRC = work-role conflict; WRA = work-role ambiguity; WRO = work-role overload; JFSE = job-focused self-efficacy.

The absolute fit measures, maximum likelihood ratio chi-square statistic (X^2) and GFI, provide a measure of the extent to which the covariance matrix estimated by the hypothesized model reproduces the observed covariance matrix (James & Brett, 1984). In addition, the root mean square error of approximation (RMSEA) was considered as it provides an estimate of the measurement error. Another fit index, the Tucker-Lewis index (TLI), was used to assess model fit; the TLI assesses a penalty for adding additional parameters to the model. The normed fit index (NFI) provides information about how much better the model fits than a baseline model, rather than as a sole function of the difference between the reproduced and observed covariance matrices (Bentler & Bonett, 1980). The comparative fit index (CFI) has similar attributes to the NFI and compares the predicted covariance matrix to the observed covariance matrix and is least affected by sample size.

TEST OF THE MODEL

The two-step approach to SEM was employed (Anderson & Gerbing, 1988). First, the measurement model was inspected for satisfactory fit indices. After establishing satisfactory model fit, the structural coefficients were interpreted.

Measurement model. The measurement model (baseline) had acceptable fit indices (see Table 3). That is, the chi-square statistic was at its minimum, and the *p* value was nonsignificant. The GFI was above its recommended threshold level of 0.90 (Hair et al., 1998), and the RMSEA was less than 0.08, indicative of an acceptable model (Steiger & Lind, 1980). The chi-square divided by the degrees of freedom coefficient was less than three, which indicates acceptable model fit (Arbuckle & Wothke, 1995). The CFI, NFI, and TLI all indicated an acceptable fit of the model to the data.

TABLE 3. FIT INDICES FOR THE BASELINE AND MEDIATION MEASUREMENT MODELS

Model	χ^2(df)	*p* value	χ^2/df	RMSEA	GFI	TLI	NFI	CFI
Baseline	705.535(684)	0.276	1.031	.008	.910	.994	.876	.995
With mediation	619.001(675)	0.939	0.917	.001	.919	1.016	.989	1.000

Note: $N = 260$. Degrees of freedom (df) are in parentheses after the chi-square value. RMSEA = root mean square error of approximation; GFI = goodness-of-fit index; TLI = Tucker Lewis index; NFI = normed fit index; CFI = comparative fit index.

Mediation model. According to Baron and Kenny (1986), a mediator is any variable that accounts for or explains the relationship between the predictors and the outcome variables. The alternative strategy to assess mediation is the use of an SEM approach (Brown, 1997; Ping, 1998; Schumacker & Marcoulides, 1998). To test for mediation in SEM, Ping (1998) recommends centering the exogenous, endogenous, and mediator variables. Then one indicator of the exogenous variable is multiplied by the mediator variable; this indicator is then used to form a single indicator latent variable that is a predictor of the endogenous variable; a significant outcome indicates partial evidence of the presence of a mediation effect.

To assess the mediation effects of JFSE, we inspected the Beta matrix of the SEM analysis. The path from JFSE to work–family conflict was significant. The path from work-role overload to JFSE was significant. When both work-role overload and JFSE were included as predictors of work–family conflict, the coefficient of the path from work-role overload to work–family conflict was reduced, but was still significant, which indicates partial mediation. The path from work-role ambiguity to JFSE was significant; however, inspection of the indirect effects of the model indicated that when JFSE and work-role ambiguity both were predictors of work–family conflict, the path from work-role ambiguity to work–family conflict became nonsignificant, indicating complete mediation. The path from work-role conflict to JFSE was not significant; therefore, JFSE did not mediate the relationship between work-role conflict and work–family conflict. The fit indices for the mediation model are presented in Table 3.

Interpretation of structural equation model. Table 4 presents the path and structural coefficients for the mediation model. Hypothesis 1 stated that JFSE would mediate the work-stress–WFC relationship. We determined the mediation effects of JFSE by inspecting the Beta matrix of the SEM analysis. No support was established for Hypothesis 1a because work-role conflict did not significantly influence JFSE and, therefore, JFSE did not mediate the relationship between work-role conflict and WFC. However, Hypothesis 1b and 1c were supported. That is, JFSE completely mediated the relationship between WFC and work-role ambiguity. In addition, JFSE partially mediated the relationship between work-role overload and WFC.

In sum, we found empirical evidence to support our claim that JFSE did mediate both the work-role ambiguity to WFC and the work-role overload to WFC relationships.

TABLE 4. STRUCTURAL COEFFICIENTS FOR THE MEDIATION MODEL (STANDARDIZED VALUES)

Parameter	Path coefficient	*t* value
Job-focused self-efficacy		
Work-role conflict	.036	0.353
Work-role ambiguity	.297	-2.964*
Work-role overload	.231	-2.240*
Work–family conflict		
Work-role conflict	.168	2.005*
Work-role ambiguity	.025	0.340
Work-role overload	.325	3.814*
Job-focused self-efficacy	-.123	-1.700

Note: N = 260. *Significant at the 0.05 level.

DISCUSSION

WFC, work-role conflict, work-role ambiguity, and work-role overload were significantly correlated with JFSE. Previous work found WFC to be significantly correlated with JFSE (Erdwins et al., 2001). It is also important to note that the intercorrelations among the research variables in our sample differed from previous findings in that Erdwins et al. (2001) did not find a relationship between self-efficacy and work-role overload. In contrast to our findings, Jex and Gudanowski (1992) did not find a relationship between work-role ambiguity and self-efficacy.

Work-role conflict was not a significant predictor of WFC in the mediated model. As shown in Table 4 and consistent with the literature, work-role overload had a positive relationship with WFC (Boyar et al., 2003; Carlson & Kacmar, 2000; Wallace, 2005), and work-role ambiguity had a direct relationship with WFC (Voydanoff, 1988). JFSE was negatively related with work-role ambiguity and work-role overload; in addition, WFC was negatively related to JFSE in our structural equation model.

CONCLUSION

Using structural equation modeling, the current research investigated the mediator effects of JFSE in the relationship between work-family conflict and its antecedents (work-role conflict, work-role ambiguity, and work-role overload). Work-role ambiguity and work-role overload were significant predictors of work-family conflict, and JFSE mediated these relationships. However, work-role conflict was not a significant predictor of work-family conflict, and JFSE did not mediate this relationship. JFSE was significantly correlated with work–family conflict, work-role conflict, work-role ambiguity, and work-role overload. These findings are tentative and we encourage replication.

Our findings contribute to the existing body of knowledge because this study is the first to examine JFSE as a mediator of the work–family conflict and work stress relationship. We believe our research approach provides a more sensitive analysis at the individual level. Another contribution of the current research is that our sample contained a large percentage of African Americans, which adds to the richness of the extant literature. Further, analyzing diverse samples may provide additional insight into employee behavior for human resources practitioners.

IMPLICATIONS AND LIMITATIONS

Findings from this study have important and practical implications. Management should consider the individual's self-efficacy level whenever possible because the beliefs about one's ability to perform successfully might influence career decisions, achievement, job satisfaction, and performance (Hackett & Betz, 1981; Locke & Latham, 1990). As is true of most empirical studies, the current research has some limitations. First, the cross-sectional design of the study does not allow for causal inferences. Another limitation of the study was that all data were collected via self-reports, which may lead to the problem of common method bias and inflated predictive relationships.

SUGGESTIONS FOR FUTURE RESEARCH

A future area of inquiry would be to compare and contrast robust samples of minority group members in this area of research. Another interesting research avenue would be to utilize different constructs for measuring work and family role stress in order to determine which scale has the superior psychometric properties. We also believe that longitudinal designs are needed in this area to examine the behavior of these constructs over time. Finally, exploring these constructs across contingent and noncontingent worker groups may be of some value as well, especially when using a multisample, structural, equation-modeling framework.

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UNDER THE BIG TOP: HOW EXECUTIVE HRM FAILS AND OPPORTUNITIES FOR CORRUPTION PREVAIL

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ABSTRACT

Using a strategic human resource management (HRM) perspective, we identify and address factors that enable and induce organizational corruption at the upper-echelons. Specifically, we develop a multilevel conceptual model that examines how executive culture, decoupling, and cognitive constraints influence the content and process of executive HRM in a manner that contributes to corruption. This executive HRM-oriented approach allows us to advance our understanding of why and how executive corruption occurs despite the scrutiny of watchdog constituencies and progressively stricter rules and regulations. Related to this last point, our theory building exposes some of the limitations of agency theory and answers calls by agency scholars (Eisenhardt, 1989) to compliment existing agency perspectives with other organizational theories.

In the last several years, the domestic and international business community has been rocked by the revelation of a cankerous and pervasive infection of corporations. The sheer enormity of this damage might have been unanticipated by the public because corporations were originally chartered to serve the public good (Estes, 1996) not inflict injury. Further contributing to this element of surprise might include the widely held belief that systems of incentives, controls, and punitive measures were firmly in place that would prevent corruption from occurring and spreading. Indeed, and spurred by agency theorists (Eisenhardt, 1989; Jenson & Meckling, 1976), the prevalence and utilization of incentive compensation plans (Gomez-Mejia & Balkin, 1992) and bureaucratic controls (Driscoll & Hoffman, 1999) has dramatically increased. Ironically, so too has executive corruption. Against this backdrop, the central questions that motivate this paper is why and how does corruption continue to occur in spite of the presence of safeguards that theory predicts should work (Eisenhardt, 1989; Jenson & Meckling, 1976) and what factors contribute most to the phenomenon of executive corruption. In making sense of this phenomenon, we arrive at a more expansive perspective of executive human resources management (HRM), which promotes the potential impact of a new way of interpreting and understanding executive corruption.

It is interesting to note that the term “corporate corruption” depersonalizes corrupt behavior and disguises the individual responsibility for egregious acts. However, the corporation is composed of individuals and, indeed, it is individuals who engage in corruption. In this work, we explore the contextual issues that lead certain individuals to behave in a corrupt manner. More specifically, we examine the role of ineffective HRM in facilitating corruption at the executive level. This level of analysis is particularly appropriate in that it is the executive, with ease of access to resources and the latitude of discretion as to how to deploy these resources (Hambrick & Finkelstein, 1987), who is most likely to have the greatest impact on organizational and stakeholder outcomes. Judicious utilization of resources and discretion can deliver significant benefits in the form of exceptional organizational performance and positive stakeholder outcomes. Conversely, indecorous use might have an equally substantial negative (if not catastrophic) impact on the firm and its stakeholders. It is the propensity of, and opportunity for some executives to engage in the latter behavior that is the subject of our theoretical analysis.

Interestingly, the HRM of executives is a largely ignored concept in theoretical and empirical works. Admittedly, there is a rather large body of work discussing corporate governance, as well as individual governance practices such as executive compensation. However, an intensive literature search revealed only one article that addresses executive HRM in a broader and systematic fashion (Martell & Carroll, 1995). Given the value associated with senior executives as revealed by both compensation practices and rhetoric, the dearth of research investigating the management of human resources (HR) of such significance is startling. This work attempts to ameliorate that deficiency by examining the salience of effective HRM of executives, and the implications for corporate welfare of the failure to manage those resources wisely.

In keeping with the extant literature, we do include the various aspects of corporate governance as an essential facet of executive HRM. It is important to note that we approach corporate governance not as an orthogonal research stream to HRM. Rather, we embrace the notion of corporate governance as a HRM function. Moreover, we define executive HRM as involving not only corporate governance, but also any formal or informal mechanisms used by the organization and related parties to include institutional investors and the board of directors to manage the selection, retention, development, appraisal, compensation, and performance of senior managers in the firm. As such, our approach represents a more holistic and systematic view of executive HRM and is more indicative of recent trends that place governance under the mantel of executive HRM (Andrews, 2005, Grossman, 2005; Wells, 2005). Thus, it is important to note that executive HRM is not only a duty of internal organizational members (i.e., the vice president of human resources), but also includes interested parties that typically exist outside the boundaries of the firm to include directors and institutional investors. As the theoretical analysis will demonstrate, such a conceptualization is not only desirable in theory, but is necessary in practice.

We offer theoretical support for the proposition that corruption at the top of the organization is a direct result of an ineffective HR system that is preceded, exacerbated, and perpetuated by an elite and isolative executive culture, the decoupling of HR policy from practice, and by cognitive constraints that limit both the content and process of executive HRM. In short, the failure of the HR system positively to constrain executive behavior effectively leaves the portals to corruption open wide.

EXECUTIVE CORRUPTION

Corruption is a complicated and systemic concept having numerous antecedents and consequences, and occupying multiple modes and roles according to the situation in which it occurs (Andvig & Fjeldstad, 2001). Research literature on the subject has proposed varying typologies of corruption, with some work focusing on economic corruption (entailing the exchange of goods and services), others on social corruption (e.g., nepotism), and still others on political corruption (Lindgreen, 2004). The majority of the scarce literature dealing with corporate corruption, however, narrows the definition somewhat. Works in this area assume corruption to be the misuse of public resources by individuals or entities in an attempt to secure private power or gain, and typically involves some deviations in behavior from a broader set of accepted societal norms (e.g., Argandona, 2003; Voyer & Beamish, 2004). We adopt this definition for our purposes and assume an anthropological perspective of corruption, which maintains that it is a function of culture (Lindgreen, 2004). That is, culture affects both the propensity for individuals to engage in corrupt behavior and their perceptions as to whether or not that behavior is truly (in their judgment) corrupt. Indeed, Davis and Ruhe (2003) argue that perceptions of corruption might be shared among stakeholders, implying attitudes and norms concerning corruption become part of the cultural ideology.

Similarly, Anand, Ashforth, and Joshi (2004) point out that the fraudulent acts of most organizations over the past several years involve knowing cooperation and acceptance from other members in the organization – members who were otherwise upstanding individuals in the community. Anand et al. (2004) argue that this explicit involvement in unethical acts can be explained by the fact that individuals collectively rationalize these behaviors as justified due to (among other factors) position, situation, or denial that there is a direct victim. They further posit that individuals in the group (and newcomers who join the group) are socialized to accept prevalent unethical activity as the normal course of business behavior. Such rationalization and socialization allows those engaging in unethical activities to believe that they are behaving morally and ethically, thereby, permitting them to continue engaging in these activities without feeling guilt or remorse. In addition, rationalization and socialization act to reconcile the tension between societal norms and corrupt practices, causing actors and observers to construe unethical acts as justifiable if not worthy of praise.

Given this strong association with socialization and culture, it follows logically that corruption is systemic in nature. Therefore, we must look to systems for both the explanation of its existence (as noted above), as well as potential ways to mitigate the likelihood of corrupt behaviors. It is important to note, however, that the foregoing assertions concerning the role of culture in corruption should not deny the culpability of individuals with regard to their own corrupt behavior. Rather, while focusing on individual behavior, we assert that culture is an integral factor in the facilitation of opportunities for corruption. To elaborate further on the concept of individual behavior of executives, we turn to the literature on the nature of the executive, drawing both from agency (Jenson & Meckling, 1976) and stewardship theories (Davis, Schoorman & Donaldson, 1997).

Agency theorists (e.g., Eisenhardt, 1989; Jenson & Meckling, 1976) maintain that the executive, as agent for the principal (owner) will not necessarily act in the best economic interest of the owner in exercising discretion and deploying the resources of the firm. Instead, it is assumed that executives will act opportunistically, pursuing their own self-interest to the point of guile, and seeking to attain personal benefit at the expense of the firm. It is imperative, therefore, that the principal either devise means and methods of monitoring and controlling the agent's behavior or enact mechanisms to align the agent's self-interest with the principal's own economic interests. These means, methods, and mechanisms comprise the essential system of HRM policies and practices that should guide the executive's behavior. Typically, then, agency theorists advance control mechanisms (e.g., governance boards) and incentives (e.g., executive compensation plans) to influence executive behavior.

Stewardship theory (Davis et al., 1997), on the other hand, proposes that there are executives who will behave as stewards of the owner's resources, utilizing them as efficiently and effectively as possible. Unlike the agent as defined in the principal-agent model, there is little danger that true stewards will squander the capital of the owner, or shirk their obligations to act in the best interest of the organization, in pursuit of personal gain. No formal mechanisms of control are necessary as the steward, inherently, will undertake only those actions that will promote the owner's economic interests. It is important to note that stewards tend to possess a long-term growth perspective towards their firm coupled with a realization that both processes and outcomes are important to firm growth (Block, 1996; Davis et al*.,* 1997). This distinction is critical; otherwise, one might assume that a steward might engage in corrupt or unethical behaviors not to further his or her own interests, but those of the principal owner and concerned stakeholders. A steward, as conceptualized here, generally would simply not engage in policies or practices that would jeopardize the functioning of the firm in the near or long term.

While these two management theories provide dramatically different perspectives regarding managerial behavior, the propensities of many executives to act as an agent or a steward are undoubtedly somewhere in between these extremes in practice. That is, we acknowledge that while the inclinations of an agent might be to act opportunistically, an agent-oriented executive might not always engage in opportunistic behaviors. Likewise, a steward-oriented executive might not always act in the best interest of the firm. Accompanying this acknowledgement is a caveat to the reader with regard to our forthcoming arguments. We do not argue that any given executive will undertake corrupt activities. Rather, we propose only that certain conditions and influences exist that will facilitate the opportunities to engage in corruption, and should executives be inclined to take advantage of those opportunities, they might do so, relatively unfettered. For purposes of parsimony and clarity, however, we assume that executives might be characterized as one of these two management types and that their behaviors will tend toward the stereotypical conventions ascribed to those types by theory. Because, theoretically, corruption is less likely to occur under the watch of a steward, a key assumption in the current theoretical model is that corruption is most apt to occur under agent-oriented executive leadership.

As mentioned earlier, agency theory predicts that a reliance on both controls such as governance mechanisms and incentives such as executive variable pay plans are important instruments to ensure that the executive behaves in a manner consistent with the owner-principal and concerned stakeholders and, because of that, safeguards against executive corruption (Eisenhardt, 1989). Driven by this theoretical orientation, we have witnessed a steady rise in controls, sanctions, and variable pay plans. Despite the existence of controls and sanctions such as the Federal Sentencing Guidelines for Organizations (FSGO) of 1991 or the landmark 1996 *Caremark* case which warned executives, to include directors, that they could be held personally liable for the corrupt behavior of their organizations, the prevalence of executive corruption has actually risen—not subsided. Similarly, the concomitant rise in the variable portion of an executive's overall compensation plan has also not appeared to stem corruption as agency theory would predict. To explain this apparent paradox, we build theory that helps explain how corruption has occurred and will continue to occur regardless of the amount, type, or integration of controls and incentives. Thus, a major thrust of our theory development is to help understand the limitations of agency theory to predict or explain executive corruption. To get at this question, we turn back to HRM and argue that corruption is likely to occur in organizations with HRM systems for executives that are one of two types: either non-existent or strategically misaligned in regard to HRM content and processes. Such HRM systems at the executive level do not provide the monitoring, control, or alignment of interests necessary to inhibit corrupt behavior. In the following sections, we provide further explication and support of our assertions by examining three mutually reinforcing contextual factors that lead to the formulation and perpetuation of ineffective HRM systems: culture, decoupling, and cognitive constraints.

HRM SYSTEMS AT THE EXECUTIVE LEVEL

HRM CONTENT

Katz and Kahn (1978) describe HRM as part of the maintenance subsystem that specifies roles, which in turn affects individual and organizational performance. HRM content involves the design and creation of specific sets of HRM practices and policies that enable an organization to achieve its goals (Bowen & Ostroff, 2004). Empirical and theoretical work from both strategic HRM and career literatures supports the notion that the design and creation of HRM content can differ in the degree to which the individual or organization benefits. Ideally, from agency (Eisenhardt, 1989), strategic HRM (Arthur, 1994), and career perspectives (Gunz, Jalland, & Evans, 1998), the content of HRM is best aligned when both the individual and organizational goals are considered and emphasized.

One way in which executives can engage in corruption is in the design of HRM content that includes such policies and procedures as performance appraisal and executive compensation. At this juncture, executives enjoy several advantages that enable them to design HRM content to suit their interests over, and at the expense of, the principal-owner and stakeholders. Traditionally, most employees are affected by HRM. This scenario is reversed at the upper echelons, however—executives affect, and are affected by, HRM. Indeed, senior management can decide upon and influence the very creation of HRM policies and procedures that are supposed to monitor and control them. In short, executives maintain thresholds of power (Finkelstein, 1992; Pfeffer, 1981a) and managerial discretion (Hambrick & Finkelstein, 1987) unavailable to others within an organization. These executive levers can be used to imbalance the organizational and individual harmony sought in ideal HRM content design in order to ensure that self-interests are realized first and to a stronger degree over those of the owners and stakeholders. In summary, without control safeguards or commitment mechanisms in the design of HRM content, executives acting as agents enjoy considerable more opportunities to engage in corruption. For these reasons, cultural, group, or individual factors that contribute to executive HRM content misalignment and ineffectiveness enhance the risk for organizational corruption.

HRM PROCESS

Once HRM content is designed, created, and agreed upon, HRM policies and procedures need to be put into practice. Accordingly, HRM process involves the administration, enactment, and enforcement of HRM content. Bowen and Ostroff (2004), contend that HRM processes contribute to the psychological climate of the organization, leading individuals to possess shared perceptions of what behaviors are desired and rewarded. This research argues that these shared perceptions are a result of the messages or signals constantly communicated by HRM processes. In order for these messages to motivate desired behaviors, such messages must be unequivocal and clear.

We use Bowen and Ostroff's (2004) "weak" and "strong" distinctions in our theory building to help us understand how executive corruption can occur, and, even, prosper. Weak HR processes connote little to no administration, enactment, or enforcement of stated HR content. This is a dangerous position for the principal-owner and interested stakeholder, but an opportune one for an agent-oriented executive, particularly when the agent is able to intervene in the formulation of HRM content, so that the design of the system is to the executive's advantage. In this case, there is neither effective content nor administration of the senior management HRM system. This condition can be seen in Quadrant 1 of Figure 1. In Quadrant 2, even though there is stated alignment between individual and organization in HR content, there is no enforcement or oversight in implementation. In Quadrants 1 and 2, the agent can freely engage in corruption with little concern about control, monitoring, or reprisal largely because HRM processes are only weakly carried out.

In Quadrant 3, we have strong HR processes. Strong HRM processes, consisting of forceful HRM administration, enactment, and enforcement of HRM content, contribute to strong situations. These strong situations enact a social context that typically produces a powerful impetus to conform to expected behaviors (Bowen & Ostroff, 2004; Lewin, Lippit, & White, 1939). Accordingly, the stronger the forces or situation, the more likely individuals are to conform or behave in a prescribed manner. However, in the upper echelons, these strong HRM processes can place the principal-owners and interested stakeholders in great peril and provide an enormous opportunity for, and even reinforcement of executive corruption. Quadrant 3 depicts a situation where the design or content of HR policies and procedures favors the executive over the owner-principal and concerned stakeholders. Here corruption can be at its very worst, in that misaligned HRM policies are actually enabled, supported, and enacted through strong HR processes. When this occurs, a firm uses its own resources to strengthen, emphasize, and embed these corrupt HR policies. Thus, strong HR processes can actually contribute to executive corruption. Once again, by influencing the design or exaction of HR content, agent minded executives are free to pursue corrupt activities, and this freedom is compounded through reinforcing processes. Contributing to the extant research literature in the subject, this paper challenges the conventional wisdom that strong HRM systems necessarily lead to outcomes that are more positive. Paradoxically, the same strong HRM processes associated with strong HRM systems that lead to high organizational performance (Bowen & Ostroff, 2004), might also contribute to high levels of organizational corruption.

We propose that executives (and governing boards) might actually manipulate conditions to render HRM systems ineffective, or be faced with cognitive constraints that restrain adequate administration of HRM policies and practices. Because of contextual factors that exist at the upper level of the organization, both HRM content and process can be readily derailed, as can any coherent integration of the two factors. The existence of a strong and pervasive executive culture (the E-culture) and the potential for decoupling HRM policy from practice, along with cognitive constraints enable this derailment. Specifically, these contextual factors will predictably prevent a firm from reaching Quadrant 4, well-balanced individual and stakeholder HR content with strong enforcement and execution. Figure 1 depicts this conceptual model.

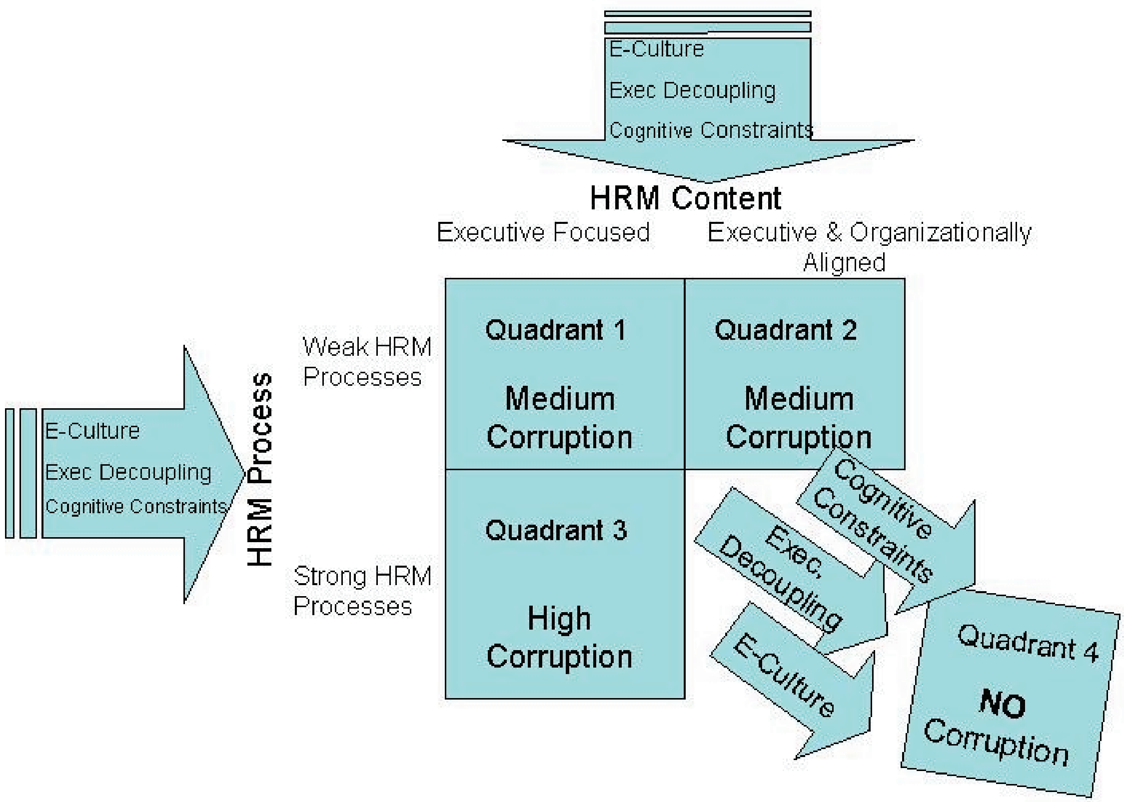

FIGURE 1. HRM CONTENT, PROCESS, AND EXECUTIVE CORRUPTION

Building on this logic, this paper puts forth a multilevel conceptual model. By multilevel, we mean that we incorporate into our theory development, individual, interpersonal, team, group, and, even, cultural-level factors that likely influence and explain how and why organizational corruption at the upper echelon can and does occur. There are at least three reasons why a multilevel theoretical model of facilitating factors is appropriate to understand corruption. First, the fact that government and business regulators, internal and external stakeholders, and watchdog agencies frequently fail to diagnose or identify organizational corruption suggests the existence of both enabling and camouflaging influences of a level of complexity and sophistication that should be examined from multi-levels. Second, we maintain that corruption is a systemic problem and goes beyond a single unethical decision. Thus, we suggest that corruption is an embedded phenomenon (Granovetter, 1985) with causal processes that span a number of levels of analysis. Finally, theory building that accounts for multi-levels is more likely to provide a deep, rich, and more integrated explanation of organizational phenomena (Klein, Tosi & Cannella, 1999; Kostova, 1999).

THE E-CULTURE

While there are notable exceptions, the culture at the executive level cannot only be strong and pervasive, but typically is also elitist and isolationist in nature. As organizational research literature clearly documents, it consists of a tightly knit group of individuals who have common goals and philosophies, careers, education, social status, shared group memberships (including board memberships), and similar functional backgrounds (Zajac & Westphal, 1995). Useem (1984) describes executives as a cohesive inner circle of elites, answering only to themselves. Similarly, Westphal and Zajac (1997) refer to executives as a cohesive class of managerial elites, noting that board members are executives who identify with executives, which, predictably, impedes board control. Further, these authors note that there are strong norms of reciprocity in the E-culture and, consequently, there is a mutual reinforcement of each other's actions (Gouldner, 1960) and an accompanying obligation to reciprocate by engaging in activities that are beneficial to the original actor. Directors also might feel a strong responsibility for appointing the executive, and thus feel an obligation to support executive activities in order to protect their own image (Zajac & Westphal, 1995).

Hofstede's (1980) work on cultural differences delineates four well-known dimensions of culture. While this framework is usually associated with explanations of differences in national cultures, the cultural typologies and characteristics delineated in this work might be usefully applied to explain this distinctive subculture of executives, which we refer to as the E-culture. The four cultural dimensions included in this work are: individualism vs. collectivism, power distance, masculinity vs. femininity, and uncertainty avoidance. Individualism refers to the inclination of people to think of self or immediate family first, rather than the welfare of the group or society, which is typical of collectivism. Power distance is the degree to which people in a society accept and expect large variations in power distribution between the elites and people lower in the social hierarchy. Masculine societies value toughness, assertiveness, advancement, success, and materialism. Conversely, feminine cultures value personal relationships, concern for others, emphasis on social needs, and quality of life (Davis & Ruhe, 2003; Ferraro, 1994). Uncertainty avoidance is just that: an intolerance of ambiguity and a desire for predictability. Along these four dimensions, the E-culture can be characterized as collectivist, high on power distance, high on masculinity, and with a strong preference for uncertainty avoidance.

Davis & Ruhe (2003) analyzed the relationships between the various dimensions of culture and corruption and found significant positive relationships between those very factors that characterize the E-culture: collectivism, high power distance, high masculinity, and high uncertainty avoidance. Their theoretical explanation for the findings is as follows.

Collectivist cultures place strong emphasis on loyalty to the group and will protect individuals in exchange for this loyalty. Further, collectivists expect sanctions from within-group members only, and feel that rules vary according to group. This culture and its accompanying norms are apt to create tight bonds and relationships that, under some circumstances, would facilitate unethical behavior and corruption. Cultures with high power distance believe that people in powerful positions are entitled to their power and should not hide that power. Individuals at the top of the organization are seen as inaccessible and irreproachable. Further, their decisions and actions are deemed legitimate simply by virtue of their position. Accordingly, such shared expectations can facilitate corruption. Masculine norms emphasize materialism, dominance, and assertiveness. Davis and Ruhe (2003) maintain that, in a masculine society, work takes priority over other duties such as family; advancement, success, and money are deemed highly important. They contend that highly masculine cultures present proportionately more situations with the potential for corruption. As for uncertainty avoidance, the authors draw from Jackall (1988), and argue that highly bureaucratic structures extant in such cultures would encourage managers to engage in corruption. Under these circumstances, personal career advancement and business success might come only from one's willingness to compromise on ethics. If we assume these findings are generalizable, it follows that the presence of an E-culture enhances the potential for corruption.

It is interesting to note that of all segments of our society, executives appear to undergo the most radical of cultural changes. Notably, contemporary literature reviews on leadership suggest that executives rise to the top through elevated levels of achievement motivation (House & Aditya, 1997). From an economic perspective, tournament theorists propose that a manager must exert extraordinary effort, often at the expense of behavioral or social coordination, to win the organizational tournament and earn an executive title (Henderson & Fredrickson, 2001; Lazear & Rosen, 1981). The cultural "tipping point" appears to emerge once executives make it to the top of their organization. Paradoxically, making it to the top requires embracing individualistic behaviors, while staying and surviving at the top requires collectivist behaviors to protect one another from a variety of threats that include: rival firms, institutional shareholders, government agencies, and junior mangers within the organization eager for executive advancement. These threats might be the impetus for highly individualistic, and powerful, executives to enact a collective barrier to internal and environmental threats. When risk is high, mutual support operates to reduce uncertainty of outcomes and guarantee increased longevity within the elite group. In summary, the E-culture can be characterized as strongly collectivist with members of the culture obligated to protect one another by norms of reciprocity.

Drawing on the previous discussion of strong situations, it appears that there are compelling forces within the E-culture for conformity to established group norms. The group members adhere to their right to use their power and to protect themselves from reproach based on the values of high power distance. These norms suggest that the culture would even defend corrupt activity rather than violate group norms. Further, because of the strength of the situation, even new comers with ethical intent (stewards), would either accept the norms and remain, or choose to leave the group. Anand et al. (2004) maintain that newcomers would enter into the situation, be confronted with unethical behavior, and experience great dissonance and apprehension, resulting in such discomfort that they would leave the group. The very apt conclusion of these authors is, "Ironically, this helps perpetuate the corruption by weeding out those who are most averse to it" (p. 44). However, research has shown that more often, potent socialization forces exist that induce newcomers to conform to the status quo (Ashforth & Anand, 2003), abandoning the stewardship role and donning the agent persona. For these reasons, corrupt cultures are likely to perpetuate, even gain in strength, from the voluntary turnover of those against corrupt behavior or via an intense socialization process that transforms newcomers and compels them to adopt corrupt practices.

E-CULTURE AND CORRUPTION

Figure 1 depicts the cultural influence within our conceptual model. The model shows that there are three main points of opportunity concerning HRM where cultural factors might either directly contribute to organizational corruption or fail to prevent its occurrence. First, the E-culture might choose to fulfill their collectivist agenda by influencing HR content - the design of HR policies and procedures. At this point of opportunity, HRM policies could be purposefully misaligned between individual and organization. For instance, executives could be awarded "golden parachutes" or "golden handcuffs" despite their own poor decision making or for deliberately pursuing actions detrimental to stakeholders (Davidson, Pilger, & Szakmary, 1998). In this scenario, the content is designed to protect the executive rather than the principal owners and stakeholders. Essentially, this negates the burden of risk that executives are expected to shoulder and relieves the executive of the responsibility and accountability to the organization for their decisions and actions.

In addition, the E-culture can influence the deployment of HRM processes. Executives and boards could formulate aligned and well fitted HRM practices and policies, but simply, choose not to implement such rules or fail to enforce them. This can be accomplished by either plainly failing to enact HR policies or by "rubber stamping" HR decisions, a practice known to occur regularly (Herman, 1981). Directors could also ignore executive performance appraisal procedures and, instead, base their evaluation on other tangential factors (Finkelstein & Hambrick, 1988). By its very nature, the E-culture will resist factors that limit their power (Pfeffer & Salancik, 1978). Thus, the likelihood of the E-culture supporting Quadrant 4 where executives would essentially forfeit power to other stakeholders and acquiesce to HRM controls is unlikely. Therefore, we contribute to the research literature by offering the empirically testable and potentially refutable proposition that the E-culture removes HRM as a tool to control or modify executive behavior through its influence on HRM content and process. This effect of culture on HRM, in turn, helps explain the existence and persistence of corrupt activity at the top of the organization.

While the above are pertinent and compelling arguments related to the nature of the E-culture and executive opportunity and propensity to engage in corrupt activity, we would like to delve more deeply into the individual and interpersonal factors that facilitate corruption through the crippling and disabling of HR content and process. We hone in more specifically on existing (and predictable) behaviors of executives and directors that are direct manifestations of executive culture. We are particularly focused on decoupling as a device to isolate executives from HRM content and process controls.

DECOUPLING

Reverting to the agency argument, one assumes that agent executives, at least on occasion, will act in his or her own self-interest to promote his or her own personal gain even at the expense of the principal-owner and interested stakeholder. However, such predictable behavior can only occur if there is a deficit of mechanisms in the HRM system to monitor, control, or align the interests of the agent with those of the owners. If executives can manage to protect themselves from oversight, they can behave in this characteristically opportunistic and corrupt manner. An effective method by which to obtain this protection is through decoupling, thereby assuring a nonexistent, misaligned, and ineffective HRM system.

There is a growing body of literature in the strategic management field that focuses on decoupling (Tosi & Gomez-Mejia, 1989; Westphal & Zajac, 1995, 2001). Decoupling involves the isolation of policy from actual practice (Meyer & Rowan, 1977; Westphal & Zajac, 2001). Early decoupling theory was advanced at the organizational level as a way in which firms could appear legitimate to external stakeholders via policy announcements without modifying internal practices (Meyer & Rowan, 1977). We focus on discourse that is more recent, however, and that examines decoupling at the executive level (Westphal & Zajac, 1995). Hence, in our discussion executive decoupling involves the willful and purposeful attempts to isolate HR content from HR process. Executive decoupling can take several forms and can be initiated by executives, directors, or both. Executive initiated decoupling might involve stacking the board (Westphal & Zajac, 1995), separating competitive activities from performance criteria (Offstein & Gnyawali, 2005), manipulating impressions of performance (Elsbach & Sutton, 1992; Kroll, Simmons, & Wright, 1990), or posturing. Board initiated decoupling might manifest itself as a failure to monitor, or a deviation of administration and execution from formal policy (Zajac & Westphal, 1996). Referring back to our conceptual model, we explore next how and why executive decoupling contributes to organizational corruption.

DECOUPLING AND CORRUPTION

Similar to E-culture, there are multiple points of opportunity where decoupling can directly contribute to corruption or prevent the exposure of such corruption. The initial launching point for decoupling is in the design of HR content. Executives can help ensure that the design of HR content is in their best interests through the purposeful and careful selection of the key individuals who are charged with designing senior management policy. Notably, executives can stack the board to ensure personal interests are given priority over that of the stakeholders or owners. For instance, Westphal and Zajac (1995) show that power imbalances between the CEO and board affect the demographic characteristics of successors. When CEOs are more powerful, new directors more closely resemble the demographic make-up of the CEO. Moreover, greater demographic similarity between the CEO and the board is associated with higher CEO compensation. In this scenario, executives influence the design of their compensation packages by affecting the composition of those that make this important decision. This is a particularly novel attempt at decoupling because it does not adhere to traditional perspectives linking policy to practice. Here the decoupling happens between intent and policy design. More specifically, manipulating the composition of the board, which then designs HR content, can severely circumvent the intent of firm stakeholders who view governance as a control or monitoring mechanism. In this scenario, the link between policy and practice is not broken. Rather, the link between intent and policy is circumvented. Furthermore, corruption is compounded when executives can influence the design of HR content and then have those policies forcefully implemented (the condition depicted in Quadrant 3).

In addition to influencing HR content in favor of the individual at the expense of the organization and stakeholders, executives can skillfully decouple policy execution from well-intended and well-aligned policy design. Quadrant 2 of our conceptual model depicts a decoupling scenario where well-aligned policy is created, but is not enforced. This is a dangerous situation because symbolic announcements can override substantive actions. For instance, Westphal and Zajac (2001) found that firms would react to external pressures for stock repurchase plans by announcing their adoption. However, powerful executives would pressure the board to ignore or only weakly implement this new policy. Hence, the enforcement of HR controls can be decoupled from their design.

Executives might use other decoupling tactics to change both HR policy rules and the execution of those rules. For instance, Arya and Sun (2004) suggest that executives rely on weak corporate governance, lack of director independence, conflicts of interest, and conditions of reciprocity to engage in stock option repricing. In essence, the constant and continual repricing is akin to renegotiating and changing the rules of the game. Consequently, the repricing of stock options negates or eliminates executive risk and the control and incentive purposes associated with this type of executive compensation (Arya & Sun, 2004).

Given that the deployment of HR processes to include contract negotiation, compensation awards, and executive sanction or discipline rely on the decision making of directors, senior managers might employ decoupling tactics that interfere and obfuscate performance appraisal and evaluation. Indeed, research suggests that executives and organizations use impression management techniques to purposely distance policy from practice (Elsbach & Sutton, 1992). To date, one of the more prominent arguments is that CEOs purposefully acquire other firms to boost their firm's size, which they use as a surrogate for performance (Kroll et al., 1990). Research that is more contemporary appears to support this notion of impression management as a decoupling device. For instance, Offstein and Gnyawali (2005) suggest that CEOs inflate the volume of competitive moves that they launch to influence the performance appraisal process and to lobby for higher pay and greater rewards. In this situation, executive decoupling via impression management severely reduces transparency in an already complicated performance evaluation process. Such complexity and ambiguity surrounding executive performance make appraisal exceedingly difficult (Eisenhardt, 1989; Finkelstein & Hambrick, 1988). Further, executive evaluation is made even more challenging due to the time and information processing burdens placed on directors (Mace, 1971; Lorsch, 1989; Schaffer, 2002). Therefore, even if directors are stewards who genuinely want to fulfill their duties of monitoring, controlling, and advising executives, their assessments and evaluations are easily influenced and distorted by executives who decouple through impression management. Consequently, decoupling contributes to the cognitive constraints of directors who might desire to fulfill their fiduciary duties, but lack the amount or accuracy of information to do so. These decoupling processes help explain why corruption occurs even in the presence of watchful stewards. Under these decoupling circumstances, reaching Quadrant 4, where corruption is less likely to occur, becomes particularly difficult to achieve.

COGNITIVE CONSTRAINTS

While, the preceding discussion is concerned with the impact of the E-culture and the decoupling it facilitates on executive corruption, we would suggest that cognitive constraints also play a role in the facilitation of fraudulent executive behavior. However, there are two major differences in the focus of our discussion here, relative to the foregoing. First, with regard to culture and decoupling, we are concerned with both executives and board members. With regard to cognitive constraints, our attention is centered solely on board members charged with executive oversight (via executive HRM) and the factors that interfere with their ability to accurately gauge executive behavior. Second, where there are direct effects of culture and decoupling on both HRM content and process, the impact of cognitive constraints on content is only an indirect one. That is, if board members are unable to assess definitively executive performance, they will not fulfill their crucial role in offering guidance and oversight, as they will be unaware of any necessary adjustments to policies and practices to redirect managerial behavior. The impact on HR process, however, is a direct one in that board members, due to their lack of reliable information, are unable to execute the mechanisms in place to guide the activity of the executive.

More specifically, there are mental and psychological factors that are likely to impede a director's ability to assess accurately what is occurring with regard to executive behavior. As such, board members might ignore or unknowingly support corrupt behavior, reinforcing the propensity of agent-oriented executives to engage in these activities. We turn now to an examination of those factors and their role in creating opportunities for corruption.

COGNITIVE CONSTRAINTS AND CORRUPTION

Organizational scientists dating back to Simon (1957) have been concerned with the complexity of organizations, and the bounded rationality within which organizational leaders must make decisions. The essence of this body of work is that decision makers in the organization are confronted with only limited information, and thus make choices without full knowledge of the courses of action available to them as well as the consequences of various alternatives. As such, organizational leaders will typically make decisions that do not maximize efficiency and effectiveness. Bounded rationality is particularly significant with regard to HRM decisions made by board members, as they are confronted with great complexity in observing and evaluating executive behavior (Finkelstein & Hambrick, 1988; Schaffer, 2002). The responsibilities of the executive are numerous and complex (Mintzberg, 1973), and the manner in which tasks are accomplished is difficult, if not impossible, to monitor (Eisenhardt, 1989; Mace, 1971; Lorsch, 1989; Schaffer, 2002). Further, there are no prescribed methods for accomplishing executive duties. There is, therefore, great ambiguity for board members in the HRM process of executive performance appraisal. Complicating the matter, board members are potentially faced with several forms of cognitive constraints that might interfere with legitimate evaluation. Among these limiting factors are accounting and financial illiteracy, time constraints, culturally induced faulty perceptions, escalating commitment, and groupthink. We address each of these cognitive constraints, and their impact on the executive performance appraisal process in turn. In each case, failure to assess accurately executive behaviors opens opportunities for corruption.

Perhaps the simplest explanation as to how board members overlook corruption is that they are inadequately aware of the financial and accounting indicators that executive behavior has gone awry. It has already been discussed that a majority of corporate governing boards are composed of interlocking members, many of whom are executives of other companies, so we would expect that board members would possess a high degree of financial savvy. However, Westphal and Zajac (1997) refer to the make-up of most boards as empathetic insiders, reluctant to monitor the executive or ill-informed outsiders without sufficient knowledge to provide oversight. Given recent evidence, it might be the case that there are a number of ill-informed insiders as well. Indeed, it has been recently reported that forty percent or less of all corporate directors of publicly held companies are financially competent enough to provide effective oversight (Lublin, 2004). Some board members have even admitted to the press that they have never understood off-balance sheet transactions. Further, there is little personal economic or regulatory incentive for these board members to enhance their understanding of the financials, as the major stock exchanges require that only audit committee members be financially literate and it is up to the board to decide what level of knowledge is sufficient to qualify as "literate." The current paper, in hopes of contributing to the research literature, submits that such financial illiteracy on the part of a clear majority of board members is a fundamental governance problem that has been adequately addressed neither in extant governance research nor in our leading management textbooks. Such financial illiteracy is likely a leading factor in explaining how corrupt and costly activity can flourish, as well-intentioned directors are often poorly prepared to exercise the necessary financial oversight and control.

A second major factor posing a cognitive constraint for board members is the time constraints with which board members are confronted (Mace, 1971; Lorsch, 1989; Schaffer, 2002). Accurate performance appraisals require in-depth information about the activities of the individual being evaluated, involving first hand knowledge from observation, and the processing of this information. As such, executive appraisal is a time consuming task. However, in addition to their own career responsibilities, board members might serve on several corporate boards with responsibility for executive oversight in each position (Lorsch, 1989). As such, the time available to these board members for monitoring executive behavior is limited, constraining the efforts invested in the appraisal process and, thereby, the accuracy of the evaluation itself (Lorsch, 1989; Schaffer, 2002; Offstein & Gnyawali, 2005). It is likely, given these time constraints, that board members will look to short cut the evaluation process by relying on impressions of performance rather than actual performance, per se (Offstein & Gnyawali, 2005). At best, board members might rely on publicized indicators of performance for their appraisal. At worst, as previously discussed, impressions of performance might actually be manipulated by the executive, providing themselves full rein to engage in activities without close scrutiny. The appraisal process, in this case, has limited validity, less than vigilant board members are ignorant of executive behavior, and opportunities for corruption abound.

Similarly, a less obvious cognitive constraint might present itself through culturally influenced misperceptions of corrupt executive behavior. There is a strong case for a direct effect of culture as a facilitating factor for corruption; however, we would argue that there is also a significant indirect effect of culture on the cognitive ability of individuals involved in governance and, therefore, in control of HRM at the top of the organization. That is, the E-culture can influence the perceptions of individuals, their interpretations of executive activity and behavior, and thereby their judgment of these variables as ethical or corrupt.

It is widely acknowledged that an individual's sense of reality is based on their perceptions of the behavior being witnessed, and perceptions might be biased in such a manner that two people observing the same action might evaluate and interpret it quite differently (Nicholson, 1998). Perception is not a "photographic representation," but rather a "partial, personal construction" (Krech, Crutchfeld, & Ballachey, 1962, p. 20). Yet, it is upon this perception of reality that individuals make judgments and formulate reactions (Lewin, 1936). Among other factors that might bias an individual's perceptions are individual needs, often involving selective perception, and perhaps most pertinent to directors' perceptions, the situation, itself.

Directors engaging in HRM, appraise the performance of the executive within a context, which as previously asserted, is a very strong culture and situation. The collectivist norms prevalent in this culture induce the need to preserve its legitimacy and integrity. Further, executives evaluating other executives are likely to engage in social comparison, judging behaviors and activities of the executive relative to those in their comparison group (O'Reilly, Main, & Crystal, 1988). The elite culture and the commonalities among its members have established the norms and convergent expectations for appropriate conduct within the social context (Pfeffer, 1981b), and perceived similarity among insiders is very high. This being the case, interpersonal trust should be greatly enhanced (Kanter, 1977; Useem & Karabel, 1986). Thus, directors might assume, in the absence of evidence to the contrary, that executives are engaging in exactly, and only, those activities in which they should be engaged. Moreover, affirmation of the executive's value to the organization is also an indirect affirmation of the evaluating director's own human and social capital (Zajac & Westphal, 1995). It follows logically that the directors' perceptions of executive performance will be substantially biased in a positive direction. Indeed studies on performance appraisal have found consistent empirical support for upward bias in evaluations of similar individuals (e.g., Tsui & O'Reilly, 1989).

These potential misperceptions of behavior and biased evaluations increase the likelihood that corrupt activity will, for some time, go undetected. Failure to accurately assess performance and continued affirmation of the executive's conduct are facilitating factors for the occurrence and persistence of corruption. Rewards and positive feedback based on these appraisals are also factors that reinforce and perpetuate the E-culture.

In addition, when board members continue to make psychological investments in the executive, on top of financial investments, escalating commitment is a likely outgrowth. Typically, the escalation phenomenon is considered to be a continued investment of resources to a failing course of action (Staw, 1976; 1981). This perspective assumes that there is clear evidence that the project, or in this case, the behavior of the executive, is on a downward spiral. Assuming this stance, board members would intentionally and knowingly continue to support and to reward corrupt behavior.

Typically, however, the performance appraisal of the executive presents significant ambiguity as noted, with exact behaviors being difficult to ascertain. It is likely that directors might not have sufficient and clear information on which to base their HRM decisions. Bowen (1987) suggests that the escalation phenomenon might not be commitment to an activity that is *known* to be failing, at all. Rather, individuals might continue to increase support because they are unaware of the failing status of the project. That is, feedback on the activity is equivocal. Bowen (1987) proposes that equivocal feedback and, therefore, misperceptions are more likely (a) when there are no clearly defined criteria against which to judge performance; (b) when there is an inability to establish credible criteria (most apt to occur in cognitively unstructured situations; Lewin, 1935); (c) when there is a failure to establish credible standards; or (d) when credible standards exist, but there is sufficient information to adequately judge performance against those criteria. All of these criteria are potential descriptors of HRM at the executive level. As such, board members are likely to continue to support executive activity because they have no unequivocally negative feedback. In other words, because of these cognitive constraints, it is not until corrupt behavior has been exposed as unequivocally corrupt that directors will reverse their supportive course of action. Thus, the cycle of E-culture perpetuation and corruption will not be broken until the damage has already been done. Executive HRM processes have been thwarted.

Tangential to the notion of escalating commitment, is the potential for groupthink to cognitively constrain and invalidate the appraisal process. Janis (1972) defines groupthink as a process of decision making engaged in by a cohesive group of individuals who fail to consider and evaluate all valid and relevant information before arriving at a conclusion. He describes groupthink as a type of thinking people engage in (a) when they belong to a tight-knit in-group; (b) when there are strong pressures for conformity that override the motivation to engage in critical analysis of information; and (c) when there is a failure to apply sound thinking and moral judgment resulting from in-group pressures.

Neck and Moorhead (1995) add three additional variables to their model of groupthink: closed leadership style, lack of methodical decision-making procedures, and time constraints. Time constraints have already been discussed as having a direct negative effect on the executive appraisal process. Here, however, we propose an indirect negative effect through the inducement of groupthink. While both time constraints and lack of methodical decision-making procedures are self-explanatory, closed leadership style is particularly pertinent to executive behavior and warrants further explanation. The authors argue that an effective leader of decision making relinquishes control to the group and acts only as a facilitator and advisor. Contrary to the characteristics of an effective leader, the attributes of closed leadership are lack of encouragement for group participation, lack of encouragement of divergent opinions, and a failure to emphasize the importance of the decision. Closed leaders attempt to manipulate the norms of the group and thereby influence member impressions and decision-making. These conditions delineated as conducive to groupthink are incredibly synonymous with those that exist within the strong E-culture as noted previously. Further, the characteristics of closed leadership resound with the foregoing discussions of executive behavior and impression management. As such, the likelihood of groupthink impeding the HRM appraisal process is quite high. Assuming the executive is successful in constraining the group's decision, the evaluation process is wholly invalidated, true executive behavior remains obscured, and the potential for corruption thrives. HRM at the top has failed.

DISCUSSION & CONCLUSION

Our purpose in this paper has been to stimulate research and thinking regarding executive sources of organizational corruption. According to agency theory, to prevent executive corruption interested stakeholders should institute either controls (e.g., governance) or incentives (e.g., variable pay plans) and, preferably, a combination of both. Still, and in spite of these recommendations, corruption continues to occur. Consequently, theory development should try to understand the why behind this phenomenon. To that end, we provide a conceptual model that helps explain the conditions under which executive-driven organizational corruption occurs even in the face of controls that are more stringent and variable pay plans that are more lavish. Admittedly, the model is a provocative one; however, we feel it to be an accurate and theoretically sound portrayal of the current corporate condition under agent-oriented leadership. While our model stops just short of suggesting that early identification or the remedying of executive directed organizational corruption is unworkable, it does argue that current solutions, controls, and incentives will not be sufficient to stem the corruption problem. Furthermore, our theory development would predict that expensive legislation aimed at controlling agent-oriented executives, such as the Sarbanes-Oxley Act, are not likely to prevent corrupt behavior from agents, but, instead, raise the cost of auditing and doing business for all others.

From a nomological perspective, our model of executive corruption is bolstered when aligned with the resource-based view of the firm. A vast amount of strategic management literature argues that firms can enjoy competitive benefits when they possess bundles of resources that are socially complex, path dependent, and causally ambiguous (Barney, 1991). The assumption behind this research is that important resources, including human capital (Coff, 1997; Pennings, Lee, & van Witteloostuijn, 1998), will inevitably be used for the good of the firm. We challenge this assumption. Grounded in our model, is the premise that the factors that contribute to a firm gaining and preserving a competitive advantage are the same factors that might also make the detection and resolution of organizational corruption difficult, if not impossible. While forces of social complexity, path dependency, and causal ambiguity provide a firm with competitive advantage, they can also create opportunities for organizational corruption, especially when exploited by an opportunistic agent.

Two other notable features of our model are emphasized here. First, the factors of E-culture, decoupling, and cognitive constraints are sometimes complementary and mutually reinforcing. For instance, the presence of an E-culture supports the use of executive decoupling. Alternatively, decoupling both contributes and benefits from the cognitive constraints of other executives, to include board members. These complementary and mutually reinforcing properties within the corporate governance system suggest that once corruption begins it will get stronger rather than wane, and can lead to a dramatic unraveling of an organization. A second, and important, characteristic of the model is that it represents an open system. That is, executives are not collared into a sequential or multiple hurdle approach in their effort to engage in corruption. Our framework depicts multiple and varied points of opportunity from which executives might choose to engage in corruption. An agent-oriented executive might readily influence, at any time, HRM content, process, or both. This also explains how a newly recruited executive could still engage in corruption despite not being involved in the design of HR content.

In general, HRM suggests that human behavior can be influenced via control or commitment mechanisms (Arthur, 1994). Interestingly, agency theorists suggest similar mechanisms. When behavior can be easily monitored and observed, controls should be used to align the agent's behavior with the principal's interests (Eisenhardt, 1989). When behavior cannot be easily monitored, Eisenhardt (1989) suggests other devices, such as incentive compensation, to align interests and increase organizational commitment from the agent. Such arguments are standard and well known in the research literature. What sets this conceptual model apart from others is that neither control nor commitment apparatuses will be sufficient to solve the corruption problem. The E-culture, decoupling, and cognitive constraints render controls ineffective and an agent-oriented executive will exploit their E-network and decoupling devices to ensure that their interests will be realized over that of the principal-owner and concerned stakeholders. Therefore, genuine commitment from an agent-oriented executive is untenable.

Further, agency theory, while recognizing highly self-interested behavior, simply does not come to grips with the subtle and creative ways in which executives can play outside of the rules of the game that are implicitly assumed to be followed and enforced. In other words, principal-agent theory, by the assumptions of its own formal structure, rules out the possibility of pervasive corporate corruption. The current paper goes beyond the agency theory model in an attempt to contribute to research on executive behavior by providing concepts, constructs, language, and plausible interrelationships between concepts to explain why and how executive corruption can occur. In contrast to the agency theory model, which comes close to denying the existence of corruption by assertion, our conceptual model helps explain and predict corruption even in the face of tighter governance controls, regulations that are more stringent, the creation of incentive-heavy executive pay contracts, the threat of stiff fiduciary penalties, and the possibility of litigation and criminal prosecution. Contrary to the principal-agent model, our framework proposes that creative executives can conceivably find new and innovative ways to play outside the rules, and corruption can actually increase under the use of increased control and incentive mechanisms. Our intent here is not to debase and declare useless agency theory. Rather, our goal is to acknowledge and attempt to meet the research imperative of Eisenhardt (1989) who remarked

> The recommendation here is to use agency theory with complementary theories. Agency theory presents a partial view of the world that although it is valid, also ignores a good bit of the complexity of organizations. Additional perspectives can help to capture the greater complexity. (p. 71)

The logic of our conceptual model compels us to anticipate the persistence of corporate corruption in the foreseeable future. Faced with this distressing outlook, we consulted political theory for possible solutions. Given our free market system, we chose to examine mainstream political thought surrounding corruption in free and democratic societies. A central theme emerges from our review of the political literature. Notably, a system of checks and balances are the best remedies to prevent the abuse of power and spread of political corruption (Lowi & Ginsberg, 1998). However, checks and balances only work when there are true separation of powers (Thurber, 1996); hence, the existence of judicial, executive, and congressional political bodies in our national government. The presence of interlocking ties and the nature of the E-culture prevent a true separation of powers within a corporate context. Because corporate corruption is such a systemic problem, as has been emphasized throughout our discussion, a starting point in addressing executive corruption might be to begin with the E-culture. This is not easily or readily done as elites can use their power to prevent the erosion of their ethos. Referring back to political theory, however, might inform us as to where to begin.

Political pluralism argues that active involvement of many and diverse constituencies will protect individual and group interests (Lowi & Ginsberg, 1998). Perhaps, borrowing from European (stakeholder) models of governance by including labor or lower level workers in the process might initiate a cultural shift. Alternatively, very few (accounting, finance, or management) academics sit on corporate boards despite their expertise. Initial calls to include respected and knowledgeable scholars on boards might also encourage a cultural change and act as an inhibitor to the cycle that facilitates and perpetuates corrupt activity. Indeed, there have been calls for more diversity among board members (e.g., Biggs, 1995). In addition, research on stakeholder activism (Ryan & Schneider, 2002) presents the possibility of a separation of powers. The assumption here is that active and powerful stakeholders (e.g., mutual funds, pension funds) can and will pursue the benefits of their many investors. However, consistently following the logic of this paper suggests that board and executive decoupling, posturing, and impression management can pose significant barriers to stakeholders in terms of recognition of on-going corruption at the top. Admittedly, these are difficult issues to tackle. Nonetheless, theory and research on political pluralism and political activism might offer a starting point for crafting improvement over the current state of affairs.

From an executive HRM standpoint, another logical intervention could be to raise the rigor of executive selection with the goal of selecting steward type executives while dismissing agent-oriented ones. Ironically, the selection rigor that is often done at lower levels within the organization such as personality tests, reference checks, general-mental ability tests, and integrity exams are yet to become fully mainstream at the upper echelons. Of course, even in the most vigilant screening of candidates, true agents would invariably misrepresent themselves (to avoid monitoring and control), and successfully navigate through the selection process. Due to the importance, discretion, and scope associated with the executive function, HRM should raise the level of rigor in the selection process to reduce the number of agent hires.

To test and gauge the mutuality and reciprocity of the relationships exhibited between the variables of E-culture, decoupling, and cognitive constraints will likely require in-depth qualitative and longitudinal research that accounts for the systemic and multilevel nature of the phenomenon of corporate corruption. We hope to contribute to research in this area by making clear that it is very unlikely that a less intensive research approach will be adequate for an understanding of corruption at the upper echelons. In addition, we believe that there is value in incorporating corporate governance with executive HRM. Whether governance is a subset of HRM or HRM is a function of governance is an open question. However, there appears to be theoretical, empirical, and, practical promise in more tightly linking these streams of literature. In addition, and unlike current perspectives that view HRM as an internal organizational responsibility, we call attention that, at least where executives are concerned, HRM is more of a shared duty involving interested parties within and outside the firm to include outside directors and institutional investors and shareholders. Because these parties are currently active in selecting, evaluating, compensating, and disciplining executives, future theory building should account for their role and function in shaping the executive HRM function.

We need little reminder that the costs associated with executive corruption are immense and the impact far reaching. Thus, we can reasonably assert that further research along these lines is highly warranted. We have attempted to contribute to these efforts by providing researchers in HRM and strategic leadership with a conceptual model of how corruption occurs at the upper echelons. While we expose the substantive challenges that scholars and practitioners face in addressing this issue, we hope that we have provided a solid foundation for other researchers to build upon. The importance of continued and intensive research into the mitigation of corporate corruption is evident, as corruption has ramifications that reach beyond business to include public policy, rule of law, and ultimately our society as a whole.

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