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Editorial Note

The fall 2012 issue of the *Journal of International Business Disciplines (JIBD)* has been the result of a rigorous process in two stages:

- Stage 1: all papers that were submitted to the 2012 IABD conference went through blind reviews, and high quality papers were recommended for publication in the *Business Research Yearbook (BRY)*.
- Stage 2: approximately ten percent of the articles published in the *BRY* and one invited manuscript (originally reviewed by the Chief Editor) were selected for possible publication in *JIBD*, and the respective authors were contacted and asked to resubmit their papers for a second round of reviews. These manuscripts went through a rigorous review process by the editorial board members and external reviewers. In the end, four articles were recommended by the editorial board for publication in the November issue of *JIBD*.

JIBD is committed to maintaining high standards of quality in all of its publications.

Ahmad Tootoonchi, Chief Editor
Journal of International Business Disciplines

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ACTIVITY-BASED CRITERIA ON INTERNATIONALIZATION

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ABSTRACT

The world economy is moving ever faster toward a highly interdependent state in which international business is creating a global market. Often, in this environment, growth or even survival of a business hinges on its successful internationalization. Therefore, firms need to ask the vital question of how internationalized are their operations? To answer such question requires, among other things, measuring the extent of global involvement. This paper is an attempt toward constructing an internationalization measure by using financial performance and market engagement data outside firm's home country.

ACTIVITY-BASED CRITERIA ON INTERNATIONALIZATION

There is no exaggeration if we claim that we have arrived at the "global village." In fact, globalization, the advanced phase of internationalization is well underway (Author, 2008). However, this phase is marked with a note of caution and a reminder. The caution note warns us that there are un-anticipated outcomes to globalization such as heightened security concerns due to the rising acts of violence and terror instigated by, among other things, the stark awareness of value differences. These value differences are brought forth by globalization forces that threaten the possibility of preserving separate nationality or ethnic identities and the prospects of assimilation of all by the forces of modernity. The isolation of cultures, nations, and markets of the previous period has been replaced by close interaction, intermingling and integration among them, actually or virtually.

The reminder is to shake us up from the comfortable complacency that is an attribute of success. The past technological progress in product and process developments has lulled firms from industrialized nations into the false assumption that past success can continue un-abated into the future. This is far from the true reality. The challenge to this comfortable position comes from business corporations from emerging markets. Business enterprises from emerging markets are internationalizing at a fast pace. These firms pose formidable challenges to existing rivals from industrialized countries. In these markets that are home to the majority of the world population, the emerging global firms have an advantage of being insiders. These are the future firms in the future markets. These markets are growing at much faster rates than their counterparts in developed countries. To grow and prosper, regardless of their geographic locations, firms need to participate in supplying these markets. This means going international and becoming a part of the network of global business.

Globalization and vanishing national borders have influenced almost everything that we do particularly in business organizations. Although conflicts between nations have not disappeared, commonality of interest among them in creating a better life for their people, by and large, is amply evident. This commonality of interest, in part, is manifested through international business. While national governments are obligated to take a nationalistic posture, business organization are slowly but inexorably forced to transcend national boundaries. Businesses have the difficult task of integrating the varied values of their diverse workforce in establishing a vision and setting goals for the whole corporation. They have to manage people whose values and expectations are dissimilar. The responsibility of managing across national borders and competing in culturally diverse world can be satisfied if these managers assume a multinational/multicultural perspective.

The world economy, particularly with the advent of the Internet, is moving ever faster toward a highly inter-related, interdependent state, in which no nation will be immune from the forces of the global market. Successfully managing a business in such a milieu requires being a part of international market. Therefore, firms should be introspective and ask the vital question of how internationalized are our operations? To answer such a question requires, among other things, measuring the extent of internationalization of firm. Such a measurement provides useful information about where firm is in term of expansion into foreign markets, how far it has to go, what opportunities it can exploit, and how should it prepare for such a journey. This paper is an attempt toward constructing such a measure.

While measuring the degree of internationalization of firms has been the subject of a number of studies, there has been no consensus on the variables chosen for the measurement. Some have used one single variable while others have opted for multiple variables, claiming that an analysis based on a single variable is susceptible to systematic error due to researchers' interpretation of the process (Ericsson and Herbert, 1980), would be subject to measurement error (Campbell and Fisk, 1959; Schoenfeldt, 1984), and increases the probability of Type I or Type II error (Bagozzi, Youjae and Phillips, 1991).

To estimate the degree of internationalization of firms (DOI), various proxies have been used. The proxies for DOI included foreign subsidiaries' sales as a percentage of total sales (Daniel and Bracker, 1989; Geringer, Beamish and daCosta, 1989; Langendijk, Hagman and Unlu, 2000; Lenn and Ramaswamy, 1999; Stopford and Dunning , 1983), and foreign assets as a percentage of total assets (Daniel and Bracker, 1989; Langendijk, Hagman and Unlu, 2000; Lenn and Ramaswamy, 1999), with the addition of international dispersion of subsidiaries (Langendijk, Hagman and Unlu, 2000; Lenn and Ramaswamy, 1999; Stopford and Wells, 1972) to differentiate extensive internationalization from limited internationalization. In an attempt to broaden the scope of measuring firms' internationalization, the study by Sullivan (1994) suggested that an index measure of internationalization (such as ours) is superior to single – variable measure. Others, (e.g. Ramaswamy, et. al, 1996) expanded on this concept by raising concerns on the issue of psychometric, validity and reliability. But accounting ratios, such as return on investment (ROI) or return on assets (ROA) - similar to those employed in the present study - are not subject to those concerns. Sullivan (1994) employed foreign sales as percentage of total sales, export sales as a percentage of total sales, foreign profit as a percentage of total profit, and foreign assets as a percentage of total assets. Sullivan also used research and development intensity and advertising intensity as additional measures. In the same vein, Hsu and Boggs (2003) utilized foreign sales as percent of total sales.

MEASURING INTERNATIONALIZATION

A firm is considered internationalized if it engages in foreign activities. This simple description does not differentiate among various degrees of internationalization. However, such a firm is considered very internationalized, if these activities constitute a significant portion of its total activities (Ietto-Gillies, 1998). This differentiation is reflected in geographic expansion or international dispersion of subsidiaries of multinational corporations (MNCs).

There are two major manifestations of internationalization, geographic expansion/international dispersion of subsidiaries (or market engagement/presence) and financial performance. Geographic expansion takes companies beyond their home market and results in building relationships with diverse people (e.g., Dunning, 1980, and 1998; Johanson and Vahlne, 1977; Sethi and Guisinger, 2002; Sethi, Guisinger, Phelan and Berg, 2003). Financial performance is reflected in accounting reports. We can measure the first facet of internationalization by simply counting the number of markets, other than its own home market, in which a firm operates. Financial reports and other documents provide us with the information regarding foreign operations of the business. Using both figures, a measure of internationalization of firm could be constructed. The purpose of this paper is to develop such a measure of internationalization of firm. The following is a discussion and suggestions for constructing such a measure.

Internationalization has immediate and concrete effect on the operation of the firm and its financial performance. When a firm expands abroad, its financial reports documents all the performance data related to operations outside the home market, such as sales revenues, profits, assets size, number of employee, etc.

FINANCIAL PERFORMANCE AND CORREDPONDING MEASURE

Usually, a firms' performance is measured by using financial data, which is publicly available, on sales revenues, profits, return on investment, and economic value added (Stewart, 1991). In this regard, earnings (sales revenues) are the summary measure of firm's performance (Dechow, 1994: 3). Similar information is available regarding MNC operations abroad in the form of foreign direct investment (FDI). FDI is an indication of ownership of assets abroad. As a sign of growing internationalization, FDI has been increasing worldwide. In 1970, FDI by all countries was $13,270 million. By 2000, this figure increased more than 90 folds to 1,238,627 million (International Monetary Fund, 2001). The number of employees can be a proxy for size. For example, In the UK, sections 382 and 465 of the Companies Act 2006 defines the size of a company, among other characteristics, based the number of employees. A similar distinction is made by the U.S. Small Business Administration.

Information on sales revenues, assets size and number of employees abroad is readily available, and could be used to measure the degree of internationalization of firms. We should keep in mind, however, that we are interested in measuring how much firms are involved in international business rather than how successful they are in their international markets. Of course, the measure of internationalization could be used to determine some of the problems that a firm my experience in its expansion into foreign markets. This point is discussed later.

We acknowledge that due to unique cultural, political, legal, and economic factors across countries, accounting principles and auditing standards are different. These differences in financial reporting are increasingly being harmonized through the application of International Financial Reporting Standards (IFRS) (Smith, Sagafi-nejad & Wang, 2008). If this harmonization continues it should eventually make accounting reports from various countries comparable. Until that time, differences do exist. Nevertheless, the differences do not significantly impact our efforts.

To construct financial measure, similar to the World Investment Report by the United Nations (UNCTDA, 2005), we calculate simple average of three ratios of foreign sales, foreign assets, and foreign employees each divided by its respective total figures. These ratios parallel the three levels of markets identified by Buckley and Ghauri (2004). We suggest the inclusion of an additional item to this measure. The ability to tap into global finance is one of the advantages of internationalization of the firm. International business research (e.g., Agmon and Lessard, 1977: 1,049) indicates that MNCs have an advantage relative to single-country firms because of their ability to financially diversify. This diversification is the result of financial market imperfection. Global financial market offers opportunities that would not be available to domestic firms. Also, as Teece (1981) mentioned, exploiting internal markets (markets for intermediate products, know-how, and capital) is one of the motives for internationalization, and international capital market is one of the three categories that MNCs internalize. Therefore, the inclusion of foreign debt ratio could improve the explanatory power of the measure. The following is a discussion on the logical choice of these four measures.

The first indication of a firm's involvement in international business is the portion of total sales that is attributed to foreign sales. The larger this portion the more the firm has business commitment to markets other than its home market. However, there is a caveat with the use of sales figures. As Ghemawat and Ghadar have mentioned (2006: 603-604), it would be extremely useful to have data on value-added and use it as an alternative to sales figure. The current financial reporting standards such as IFRS does not require value-added reporting and multinational corporations do not see any reason to go through expenses of producing this additional information. Therefore, in this paper in the absence of value-added data, a ratio of foreign sales to total sales is an appropriate logical choice for inclusion in the measure:

1. Foreign sales to total sales, which is the ratio of international sales divided by the total sales.

Internationalization of the firm has a range that starts with the simplest form of import/export, and ends up with the most complex form, FDI. The simple forms of international business do not require maintaining assets in foreign countries. Investment commitment to foreign markets signifies deeper involvement in foreign markets and a higher degree of internationalization, therefore, the following ratio:

2. Foreign assets to total assets, which is the ratio of assets employed outside of the home country of the firm divided by the firm's total assets.

Usually, the number of employees is a reasonable measure of the size of a firm. Of course, industry characteristics have an influence on this figure. For example, a heavy reliance on capital equipment and technology may reduce the need for more employees. However, in most cases industry characteristics should impact both domestic and foreign operations of a firm similarly. Consequently, the use of a ratio extirpates concerns about the effect of industry characteristics. Therefore, the number of employees outside the home market could be a proxy measure of internationalization. On that basis, the ratio of foreign employees to total employee is the next ratio:

3. Foreign employment to total employment, which is the ratio of number of employees outside of the home country divided by total number of the firm's employees .

Borrowing from institutions outside the country when foreign financing is cheaper provides an MNC with the added advantage and flexibility. However, we should keep in mind that usually MNCs finance their operations more from domestic sources. Following this line of reasoning, it appears that foreign debt could be a differentiating factors and a sign of internationalization. Therefore, as the last ratio, we suggest the addition of foreign debt ratio to the measure:

4. Foreign debt to total debt, which is the ratio of financing from global sources divided by the firm's total debt.

Understandably, in the above measure the profitability of international operations as compared to the total profitability of the firm, as a measure of internationalization is avoided. Seemingly this could be interpreted as the implication for international taxation, which due to tax holidays and other favorable taxing, could skew the comparability measure. Besides, in this discussion, no suggestion is made about the differences in profitability of firms operations in various geographic locations.

The above measure is expressed in percentage. The closer this measure is to 100 the more financially internationalized is the firm. This measure is a partial measure of internationalization. It does not include information about the extent of firm's international market involvement. To construct a meaningful measure for measuring the degree of internationalization we suggest the addition of another measure. We call this market engagement or market presence measure.

MARKET ENGAGEMENT OR PRESENCE

Financial data provide a partial measure of internationalization of firm. It is an indication of finances related to operational involvement of firm outside its own home market. It does not explain how truly internationalized is the firm. This measure only indicates that the firm does have a significant amount of business transactions in other countries. It is possible that the firm is not operating in many markets. It could only be operating just in one market besides its own home market. Let assume a U.S. firm also conduct half of its business transactions in Canada, but has no presence elsewhere. Using all of the above measures may indicate a high degree of internationalization for this firm. This is not so. Such a firm could be considered less internationalized than the one that has businesses in many countries. As Rugman and Verbeke (2004) have suggested, the ultimate test to assess whether MNCs are global is their actual penetration of markets across the globe. Therefore, we should have an additional way of differentiating between the two firms. In effect, we need information on how many markets a firm is involved in. However, this information should be in a form that could be combined with the financial measure.

We suggest the ratio of the number of countries in which the firm operates over the total number of countries expressed in percentages. The latest data on the United Nations membership records (2012) indicated a total of 193 member counties. This number could be used as a denominator for constructing the operational ratio. Constructing a ratio based on the number of countries in which the firm operates is particularly meaningful considering that there are newer multinational firms called born global that from the inception take to the global stage. They seek superior international business performance in multiple countries (Knight and Cavusgil, 2004). Born global firms are those that progress to internationalization rather rapidly. The period from domestic establishment to initial foreign market entry is often less than three years (Autio et al., 2000; McDougall and Oviatt, 2000). These firms begin with a global view of their markets, and develop the capabilities needed to achieve their international goals (Knight and Cavusgil, 2004). Of course, both developments, the geographic expansion and financial performance, take place gradually (Johanson and Vahlne, 1977; Kedia, and Mukherji, 1999). Let's call this a market engagement ratio. It indicates involvement of firm in multiple markets that necessitates dealing with diversity in cultural, political, economic, and legal issues. The closer this ratio to 100 the higher level of market engagement.

THE MEASURE OF INTERNATIONALIZATION

The final step is creating an internationalization measure. This is done by the average of the summation of both the financial measure and the market engagement measure. A value closer to 100 for this measure could be regarded as a higher level of internationalization.

CONCLUSION

This paper was an attempt toward construction of a measure of internationalization. Such information is useful to MNC as a measure of internationalization progress. It is a road map directing the firm in its pursuit of expansion into global markets. The benefits of the measure are four folds. First, it generates an understating about the present position of the firm, and points out the needed changes, either in operational aspect or managerial mentality. Second, it also identifies market opportunities that could be exploited. Third, if the firm is not sufficiently internationalized, as the suggested measures could indicate, by further internationalization it provides tremendous hedge in economic down turn. Companies like Nestle, HSBC and Royal Dutch Shell are earning between 60 to 70 percent of their revenue outside of Europe and not affected measurably by the Europe economic downturn. Finally, the information for populating the index is generally available on companies' enterprise systems (ES), which could be utilized as suggested here.

A discrepancy between the two ratios (financial and market engagement) implies performance problems. A low market engagement ratio and a high financial ratio could be interpreted as less visionary management. While firm's financial performance in foreign markets are good, the firm has not sufficiently expanded into other markets. The reverse could be either the firm is un-necessarily spreading its operations into too many markets, or there are operational problems that require management attention.

Often, a question is posed about the international standing of a firm, either by the managers inside the firm or by others outside. Almost always, the answer to such a question is an opinion and a guess. This paper is an attempt in providing a more objective answer to such a question. By constructing an internationalization measure for the firm, such a question can be answered objectively. Of course, no claim is made that this measure is perfect. Including value-added numbers into this index would demand additional cost of generating this information which may not be justified by the potential benefits from such information. However, the proposed index is an attempt toward taking the guesswork out of answering a relevant question. We anticipate, indeed we recommend, that other researchers provide improvements for this measure. We suggest that improvements can be made in expanding upon both components of the measure, namely financial and market engagement measures. Additionally, we suggest using performance data and market engagement data from multinational corporations to test the measure.

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ANALYZING THE ROLE OF PERCEPTION IN CHINESE-GERMAN BUSINESS CO-OPERATIONS

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ABSTRACT

According to the German Foreign Office (2011), Germany has emerged in the last decade, as China's most significant business partner in Europe. Given the vast sums invested by both German and Chinese companies in collaborative agreements, it is critical that all parties perceive the objectives of the agreement in the same way. Unfortunately, the diversity in culture between Germany and China often means that a common perception of objectives is not achieved. This paper seeks to highlight where significant differences in cultural perception lie, particularly with regard to the personal motivation of Chinese managers, their character traits and the objectives of the Chinese company, and how these differences impact on the level of conflict in Chinese-German business cooperation. This paper additionally aims to advise managers on conflict avoidance, when entering into collaborate agreements with Chinese companies.

INTRODUCTION

Thus it is said that if you know others and yourself, you will not lose in every battle;
If you do not know others but yourself, you win one and lose one; If you do not know others and do not know yourself, you will lose in every battle. (Sun Tzu ca. 540BC)

Given the high failure rate of international co-operations of around 70% (Expert interview, Schafhauser, 2010), one can argue that managers do not take Sun Tzu's wisdom to heart. Managers often do not have enough information about each other and that much of the information they possess is incorrect or biased by their perception.

The research outlined in this article, focused on Chinese and German business culture, Chinese and German co-operation and their relationship to perception. To date, there is little research analyzing the connection between these areas. With the hypothesis that the degree of congruence in person perception is negatively related to the level of conflict, the following research was conducted to explore Chinese and German business culture and its relation to person perception.

This paper will first outline the relevant concepts and ideas of other authors and the theoretical frameworks. It will then develop the hypothesis, describe the research methodology and finally summarize the results concerning Chinese managers' personal motivators and character traits, Chinese companies' motivations and the perceived conflict between these areas.

Chinese-German Business Co-operation

While China is the second most important export country for German companies, Germany ranks number five in respect to export volume for China and altogether presents China's biggest business partner in Europe (German Foreign Office, 2011). According to the Ministry of Commerce, German companies' direct investment in China summed up to about 6,407 Million US$ in 2000 and more than doubled in the following years to reach 15,661 Million US$ in 2008 (Schueller, 2010). It is furthermore estimated that Chinese direct investment in Germany grew by over 900% during the last years to 845.5 Mio US$ in 2008 (Schueller, 2010). Given China's prominent and important position in the world economy, one can expect mutual investments to grow even further.

Germany and China are, however, said to be difficult terrain for foreign firms (World Bank, 2011) and therefore, German and Chinese companies often struggle to succeed in their mutual co-operations. One factor is the difference in country and business culture. The main differences between both cultures could be seen in Hofstede's (2005) categories of Long-Term Orientation and Power Distance, where China scored higher on both characteristics. Although most managers recognize these differences and are capable of naming some, they might ignore the fact that culture is not homogeneous but varies between age groups, gender, regions, occupations and time.

According to Forstmann (1994), Loebbert (2009) and Moran et al (2007), every person creates their individual culture which can change over time and depends on the person's current social group and situation. This can lead to a vicious cycle of misperceptions, misunderstandings, seemingly inappropriate behavior and conflicts, which can influence the success of the Chinese-German co-operation. Hofstede (2005) found, on the other hand, that while the country culture of Germany and China show significant differences, business and leadership practices turned out to be similar. There was also a great degree of congruence when comparing "masculinity" in China and Germany. Similarly, Jones & George (2006) found that the values of executive managers that influence perception, attitude and behavior, tend to be similar worldwide; executive managers, in this respect, represent a rather homogeneous sub-group within a global sub-culture.

Perception

"Perception is the process through which people select, organize, and interpret sensory input – what they see, hear, touch, smell, and taste – to give meaning and order to the world around them" (Jones & George, 2006, p.166). Lee et al (1999) comment that perception is one of nine parts of culture; every culture has a different way of selecting, organizing, and interpreting environmental stimuli. Thus, the same information might be interpreted differently and thus lead to different attitudes and behaviors.

Like Hermann Hesse (1974, p.133) wrote, "There is no reality except the one contained in us." In other words, through perceptions, that are adapted from culture, people convert external experiences and impressions into meaningful internal understanding (Samovar, Porter, McDaniel, & Roy, 2010). Since "other people ... are some of the most, if not the most, important objects of the environment to be perceived" (Freeman, Rule, & Ambady, 2009, p. 195), in person perception those external impressions are formed of human beings.

In general, perception consists of the subject or perceiver, the object of perception and the situation. In person perception, both the subject and object are people. While social perception refers to the process of gaining information about another person, self-perception is focused on the perceiver him- or herself. Since behavior is based on people's perception, "the world as it is perceived is the world that is behaviorally important" (Robbins & Judge, 2009, p. 139). Thus, social perception enables people to understand another person's behavior and objectives, appreciate the reasons and motivations behind it, and foretell a person's action in other situations.

Self-perception is required to conceive one's own behavior towards another person (Zucha, 2001). What people perceive might thus not actually be the whole truth, but just one subjective part of the picture, since people's perception can be influenced by their own attitudes, motives, interests, experiences and expectations as well as the target's characteristics and the situation (Jones & George, 2006). In addition, perceptional filters and biases like observation goals, stereotypes of in-group and out-group allocations might lead to further subjectivity and thus inaccuracy in perception (Srivastava et al., 2010). For managers in an international business co-operation these findings imply that one should expect information to be interpreted differently. Thus, different meanings will be attached to the same situation, which will lead to different behavior and possibly conflicts or misunderstandings. In addition, the necessary adaption to new cultural situations, which is a pre-requisite to such co-operations, can in itself easily lead to misinterpretations (Moran et al., 2011).

To enable productive and successful cross-cultural co-operation between companies, managers need to create a common understanding of each other and their objectives. Luft and Ingham (1971) illustrated this idea with their Johari Window framework. They stated that the A*rena* (shared knowledge) and the proximity of perception between subject and object needs to be increased. Taking the perspective of others enables us to stand in the *Arena*, to be aware of the *Blind Spot* (something that is known to object but not subject) and to investigate the *Façade* (knowledge of subject but not object). It is only by taking these factors into account that interpersonal relationships can improve and thus positively influence business success. The framework additionally provides a powerful means of minimizing perceptual biases (Achouri, 2010; Agarwal, 2009). There are many managers who are successful in doing business in their home country and in their familiar environment, but fail in international business due to a lack of intercultural skills. Those skills include the ability to interact with people from diverse cultures and to perceive situations without judgments (Sheridan, 2005).

Furthermore, individuals tend to devote more attention to familiar stimuli that are consistent with own schemas and values (Day & Lord, 1992; Hambrick & Mason, 1984; Kiesler & Sproull, 1982; Beyer, George, Glick, & Pugliese, 1997). Other stimuli that are discrepant with existing beliefs of the perceiver have the tendency to get ignored or forgotten (Kiesler & Sproull, 1982; Beyer et al., 1997). People have a selective perception and actively filter information to confirm existing beliefs, to simplify complexity, and to reduce improper or unimportant stimuli (Robbins & Judge, 2009).

RESEARCH HYPOTHESIS

One can assume that every person has "a general schema of what others are like" (Srivastava, 2010, p. 523) and that this schema influences all encounters with an individual. From the preliminary literature research and the resulting logical conclusions follows the following hypothesis: The degree of congruence in person perception is negatively related to the level of conflict. This study aims not only to support the hypothesis that gaps in perception of Chinese managers in Chinese-German cooperation lead to conflicts. It furthermore highlights which indicators are especially prone to conflict. By measuring and comparing German managers' social and Chinese managers' self-perception sensitive areas can be analyzed, reasoned about and thus conflicts minimized.

RESEARCH METHODOLOGY

The research was conducted in two steps. Firstly, expert interviews with German managers conducting business in or with China, established an understanding of German managers' perception of China and Chinese managers. A second step of the quantitative online questionnaire, covering various areas of management behavior, was developed both in the German and Chinese languages and distributed via Internet-based social media. This targeted a group of managers with international responsibilities, who are or might get in contact with Chinese managers. It aimed to measure the perception of German managers, regarding Chinese managers, as well as Chinese managers' self-perception. The output from the interviews was then combined with quantitative data from the questionnaire, to produce ratings on a variety of indicators. The response rate on the questionnaire was 40.7 percent, which resulted in a sample size of 11 German manager and 22 Chinese managers. Two open and ten structured questions linked to the Likert Scale (excluding sociological questions to ensure quality), as well as analog questions enabled the comparison of German and Chinese subjects' answers.

To measure the gap in perception between respondents, it was assumed that a subject's answer as "I perceive" is influencing this persons' behavior and thus must be considered true (Sekuler & Blake, 1985). In addition, the Chinese managers' self-perception was defined as "real perception" and therefore the gap in perception was calculated as Chinese managers' mean rating minus German managers' mean rating. The gap was defined as significant if the confidence interval had a level of 80 percent or higher; if both subject groups reported the same perception, this was called "correct perception" (Lee et al, 1999). In addition, the perceived level of conflict in German-Chinese co-operation was measured. The perceived gaps were then compared to the measured level of conflict in order to test the degree to which the hypothesis reflects reality.

RESULTS

The research findings suggest that measuring a foreign person with one's own standards will lead to misperception, misinterpretation and the wrong choice of action and reaction. This, in turn, increases the probability of conflict. The study found a positive correlation between the gap in perception and the perceived level of conflict.

The Chinese perceived the level of conflict as being more extreme, compared to German managers. In addition, one can argue that Chinese managers' perception of their peers is a better indicator for conflicts. The hypothesis that the degree of congruence in perception is negatively related to the level of conflict is therefore strengthened. This study aims to not only prove that gaps in perception of Chinese managers in Chinese-German cooperation leads to conflicts, it furthermore points out which areas are especially prone to conflicts. By measuring and comparing German managers' social and Chinese managers' self-perception sensitive areas can be analyzed, reasoned about and thus conflicts minimized.

Since the answer on any question depends highly on the probands' mood, personality and current opinion, an open question asked Chinese and German managers at the beginning of the questionnaire about their spontaneous association with China and Chinese managers. From this, it was found that Chinese managers tend to agree on the whole with positive statements and disagree with seemingly negative ones. German managers were found to be neutral when talking about China, but slightly reserved in respect to Chinese managers. Thus, one can conclude that the preexisting attitude of the probands groups will increase the perceptional gap. Three of the six topics that were researched in the study will be discussed here: what motivates Chinese managers, their character traits and the perception of Chinese company objectives, as well as the perceived level of conflict in Chinese-German business collaborations.

Gap in Perception of Motivational Factors

On a scale from one (very important) to seven (very unimportant), respondents had to rank twelve motivators, according to how important they believed them to be for Chinese managers. While Chinese managers rank the majority of motivators between 4.5 and 1.8, German managers showed a higher standard deviation. Figure 1 below shows the gap in perception for all motivational factors.

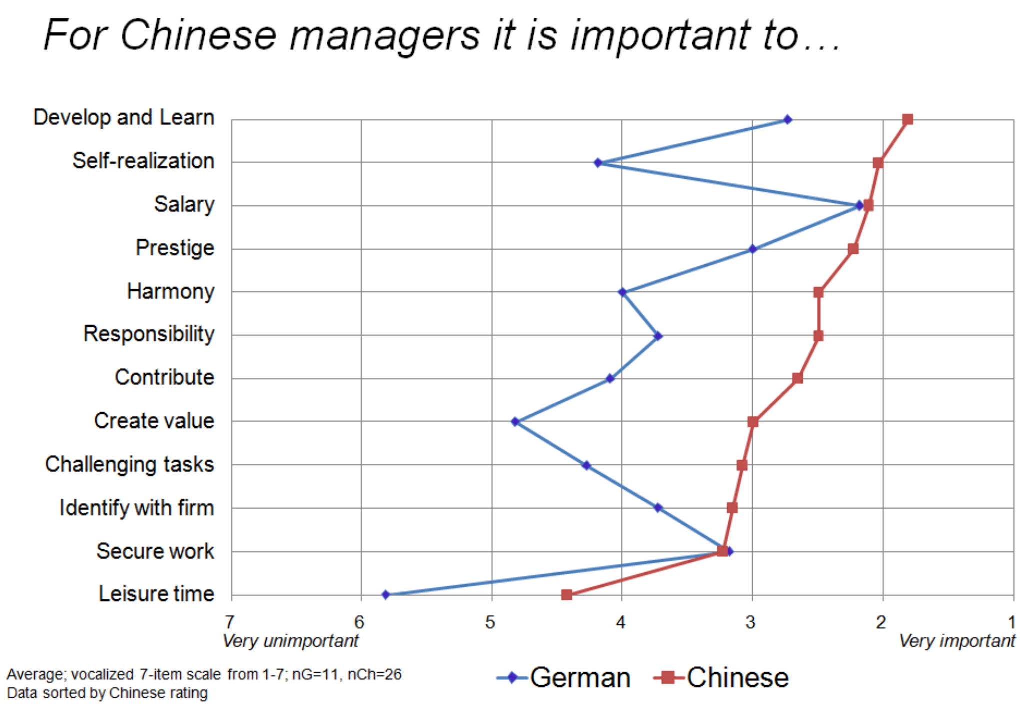

FIGURE 1: GAP IN PERCEPTION OF MOTIVATIONAL FACTORS

All in all, the gap in perception is significant for all statements except salary, prestige, identify with the firm, and secure work. For those statements, congruence is high and therefore one can expect these perceptions and the importance of the motivators, to be correct. Although both groups agree on the absolute importance of these motivators, they disagree concerning their importance in relation to other factors. For instance, German and Chinese managers agreed that salary was very important. German managers saw it as the number one motivator, while Chinese ranked it as number three after personal development and self-realization. Self-realization, on the other hand, was the motivator that showed the highest gap in perception, being ranked nine out of twelve by the Germans.

The congruence in secure workplace can most likely be credited to humans' desire for security, which Maslow said to be a primary need (Jones & George, 2006). While Germans perceive the security of workplace to be ranked as number four motivator, Chinese managers see it as much less important and put it as number eleven. The Chinese' dynamic and changing environment, as well as a culture with much less uncertainty avoidance, could explain the difference in ranking.

As seen in Hofstede's research, German managers are used to a stable environment, while Chinese subjects accept uncertainty more readily, which reduces the importance of having a stable workplace in comparison to other factors. Apart from self-realization, there is one more motivator that shows a huge gap in perception, "creating value," which was formulated as the feeling of doing something useful for the society. Both German and Chinese managers rank this statement as less important (ranked eleven and eight respectively), but the overall rating was very different, which resulted in a gap of -1.82. Given that China is known to be a socialist country with collectivistic tendencies, one should expect companies and their managers to have the good of the community in mind.

Despite the disparity between German and Chinese respondents, concerning their rating of the motivators, they agree that leisure time is the least important factor for Chinese managers. Although the rating is much higher in Chinese perception, both subject groups ranked it as number twelve out of twelve. This is congruent with the expert interview view of Chinese managers. Given that leisure time can be seen as the opposite of work time and thus salary, it is not surprising that the relative importance is perceived as low. During the expert interviews one respondent stated that China is currently catching up to the western standard of living, just as Germany had to catch up during the 1950s, the same strive for wealth could be observed. The quantitative ratings of German and Chinese managers support this statement.

Gap in Perception of Character Traits

In the second stage of the research, respondents were asked to state to what degree a particular character trait applies to Chinese managers. A scale of one to seven was used; a one indicates that a trait applies completely and a seven indicates that a trait is completely inapplicable from the perspective of the respondees. The eleven traits where formulated in a positive way (from a German perspective) and selected for their importance to successful international management. As can be seen in the upcoming figure 2, Chinese respondees perceive their peers as having more of the traits than the German respondees.

FIGURE 2: GAP IN PERCEPTION OF CHARACTER TRAITS

The characteristics that Chinese managers think describe themselves best are firstly “flexibility in thinking, behavior and relationships,” secondly “tolerance for foreign cultures,” and thirdly “respect for other people and cultures.” Germans agree that Chinese managers are somewhat flexible by ranking it number two, but rank the other two traits only as number five and six. From a German perspective, Chinese managers are best described as “open for new experiences,” “flexible in thinking, behavior and relationship,” and thirdly “loyal to the company,” as well as “motivated to constantly improve their own knowledge and skills.” In respect to “loyalty,” the expert interviews indicated that Chinese managers are very loyal employees as long as they feel appreciated and have opportunities to develop. This statement connects this question with Chinese managers’ motivation where German managers underestimated the drive for self-advancement.

The German managers also stated that they see a typical Chinese manager as being hard working, respectful, willing to take risks, goal oriented, intelligent, adaptive in their work and negotiation style, self-confident, and ready to compromise, but inflexible when it comes to learning new skills or adapting to changes. Chinese managers seem to agree more with the experts’ perception by ranking this characteristic second to last. The key result from this area of research is not the difference in ranking, but rather the immense gap in the perception of almost all items. All items that were ranked high by Chinese managers show a significant gap in perception. “Open-minded” is the only statement where German managers perceive the Chinese as more skilled than the Chinese believe themselves to be. Although this finding is interesting, the gap in perception for this characteristic as well as for “loyalty” and “internationality” is not as significant. For all other statements, German managers do not perceive the characteristics to be as applicable.

The greatest disparity in perception can be seen for the statement about honesty, flexibility, tolerance, and trustworthiness. This result is congruent with experts' perception. For example, one respondent stated that although he has a very positive image of Chinese managers as hard working, respectful and polite, he would never trust them. He adds that he experienced situations in which Chinese managers only told him good news but left out bad news, which he interpreted as dishonest behavior. A Chinese manager might interpret the same behavior as honorable since it saves the other person worry and the messenger saves face. The culture thus acts as perceptional filter that lets managers interpret the same situation differently. The gap in perception of typical Chinese managers' characteristics might therefore route in a different understanding of how, for example, honorable or trustworthy behavior is manifested. This misunderstanding could present a threat to Chinese-German collaborations.

Gap in Perception of Company Objectives

According to Hinner (2005), business co-operation works best if both partners pursue the same or supporting goals. If objectives are mutually exclusive or misinterpreted, the business collaboration loses any potential synergies. One question in the quantitative questionnaire thus asked German and Chinese managers what objectives they thought were important to Chinese companies and its' management. Figure 3 below shows the gap in perception of company objectives.

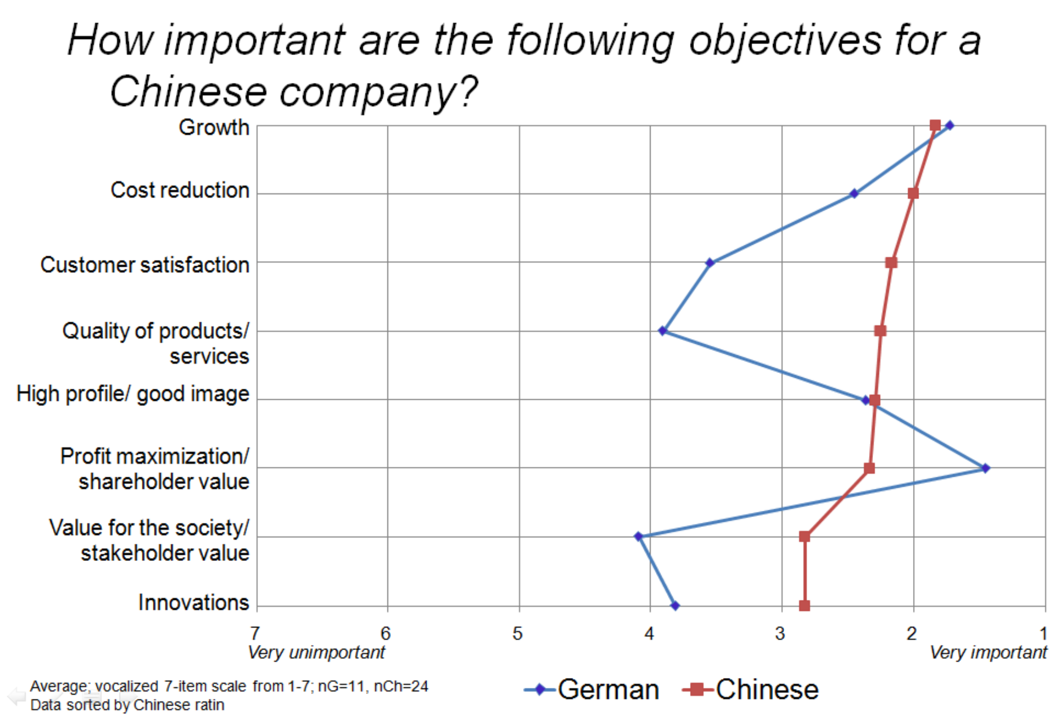

FIGURE 3: GAP IN PERCEPTION OF COMPANY OBJECTIVES

The Chinese managers rated all of the objectives: growth, cost reduction, customer satisfaction, quality of products and services, having a high profile, good image, profit maximization/ shareholder value, creating value for the society/ stakeholders, and innovations - with a similar level of importance. The German managers show a much greater deviation in their rating. According to both German and Chinese managers, growth is a very important objective for Chinese companies. This confirms the statement of an expert, who said that China was currently catching up to the western world and, as Lee (2010) states, to its former position of important player in the world economy.

While Chinese managers see “growth” as the most important goal, German managers believe that Chinese companies firstly strive for profit and maximization of shareholder value, an objective that ranks third to last in Chinese perception. The data, therefore, suggests that German managers overestimate the importance of this objective for Chinese firms. From the Chinese perspective, it can be said that maximizing profit corresponds with managers’ objective to earn good salaries which, as analyzed earlier, is seen as the fundamental motivator.

The answers provided by the German managers suggest the perception that Chinese companies mainly focus on maximizing their profits, growing the business, maintaining a good company image and reducing costs. All other objectives are perceived as less relevant to Chinese companies. These findings are consistent with the expert opinions during the interview stage. An expert tells how surprised he was about the Chinese skill to win high politicians for their co-operation and promote their companies’ collaboration. This experience mirrors the German managers’ high rating for the statement of “high profile and good image.”

The interpretation for the high rating for “cost reduction” corresponds with German managers’ perception of Chinese managers being especially skilled in controlling their costs. The Chinese managers’ image might thus have influenced the perception of Chinese companies as cost sensitive. There are three objectives, where the rating by Chinese and German managers showed no significant gap in perception. These objectives were growth, cost reduction and good image. All other objectives were perceived differently by the two groups. According to the answers of the German managers, Chinese corporations are least likely to pursue stakeholder value and to improve the quality of their products. They also perceive customer satisfaction to be an inferior goal. These three objectives, therefore, show the highest disagreement between German and Chinese managers.

As the Chinese managers naturally rated all goals as important, the explanation for the gaps, therefore, has to come from the German managers’ perception. The research showed that German managers are polarized about China and criticize, for example, the growing gap between rich and poor as well as environmental pollution and exploitation. This overall perception of China might influence the perception of Chinese companies and account for the low rating in “creating value for the society and stakeholder.” The low rating on “customer satisfaction” might be due to managers’ schemas. It has been explained earlier that every person has certain schemas, according to which information is assimilated and interpreted. Customers in China might require different services than German customers and thus the actions taken by Chinese firms to ensure customer satisfaction might be misperceived or misinterpreted by Germans. One, therefore, has to question whether German managers would define customer satisfaction, and especially the associated actions to achieve it, in the same way that Chinese managers would.

Differences in schemas might not only lead to German managers' misperception of Chinese companies' drive to ensure customer satisfactions, but also to biases concerning other company goals. Another objective that shows low congruence in perception is the objective of "high quality."

China is seen as a low-cost manufacturing location, from the German perspective. Low-cost can easily be misunderstood as low quality. It was evident from the questionnaire responses as well as the expert interviews, that German managers believe that China's strength does not necessarily lie in producing high-quality goods. The company objective "innovation" was rated comparably low by Chinese and German managers. This indicates that China is still developing into a creative and innovative country. Significantly lower ratings by German managers can be connected to their opinion about quality of production in China, as well as the expert view that identity theft and product copying are problematic threats for international companies in China.

Gap in Perception on the Level of Conflict

The German and Chinese managers were asked about the perceived level of conflict in various areas of business and management. This question allowed the perception of the personal motivation of Chinese managers, their character traits and the objectives of the Chinese companies to be analyzed in combination with the perceived level of conflict. Although some experts described their Chinese-German co-operation as harmonious, figure 4 will show that Chinese and German managers nonetheless experience a degree of conflict in their relationships.

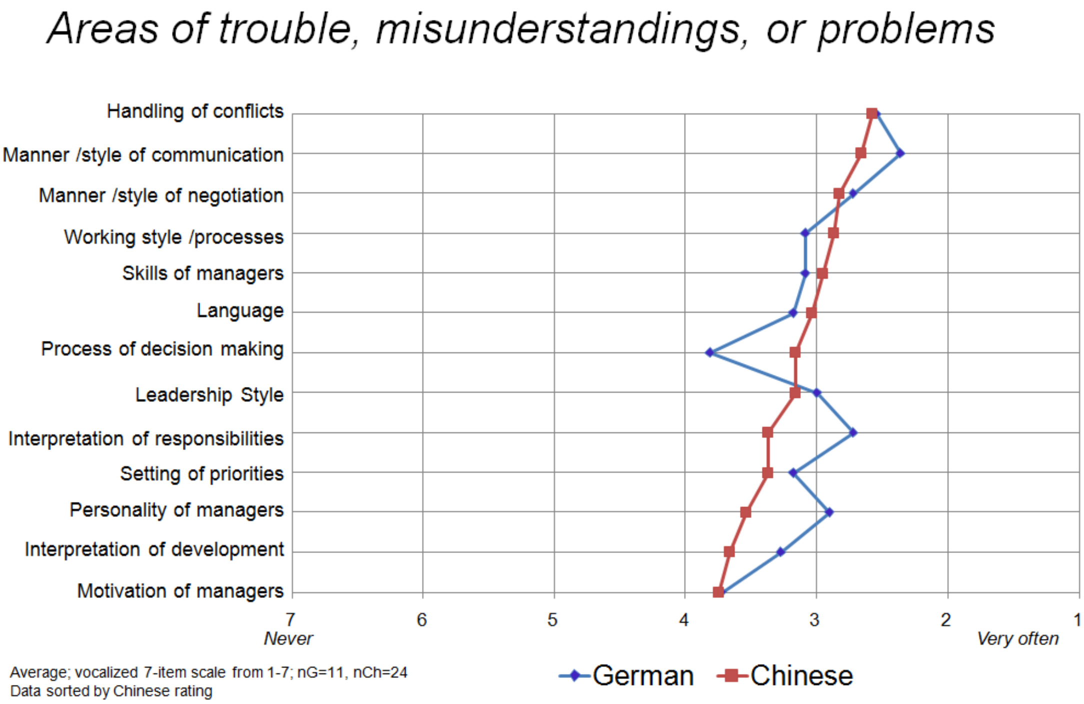

FIGURE 4: GAP IN PERCEPTION OF LEVEL OF CONFLICT

The quantitative analysis supported the view that Chinese and German managers experience conflict over a wide range of issues. Chinese managers rated "handling of conflicts" as the number one area for misunderstandings, while German managers placed "manner and style of communication", which is ranked second by Chinese, as creating the most conflicts. Both subject groups agreed that "motivation of (Chinese) managers" posed a lower conflict risk. Chinese and German managers, however, see certain areas as more contentious than others. German managers, for example, rate "interpretation of responsibilities" as number four and "personality of managers" as number five in situations of conflict, whereas Chinese managers saw them as less problematic. "Process of decision making" on the other hand, seems the least critical area according to German managers' perception, but poses more of a problem according to Chinese managers. Chinese and German managers, nonetheless, display a high congruence in their perception of conflicts in Chinese-German co-operation.

RESEARCH LIMITATIONS

A first and important limitation, which is also a recommendation for further research, is that there are no current and detailed data available about failures of German-Chinese business collaborations. The majority of reports show only the positive impact of such collaborations, including risks to some extent, but without any detailed figures about failed business co-operations. Secondly, the sample size of the quantitative research is rather small, due to the narrow definition of the target groups and the difficulty of reaching them. Although the sample size was sufficient for this research, because the data is used to point out tendencies, the application of in-depth statistical analysis is therefore limited. A larger sample size would allow correlation analysis and not be limited to subjective interpretation.

Furthermore, the questionnaire asked German and Chinese managers about their personal perception of “a typical Chinese manager,” which ignores the heterogeneity of this group. Given the size of China, with its different regions and differences in people and culture, it is difficult to find consensus on what is considered “typical.” Factors, such as the age of a manager and their educational background will also influence the personal perception of an individual. Additionally, differences in the location, the industry, and the type of enterprise have an impact on a managers’ believes and behavior (G. Hofstede & G. J. Hofstede, 2005; McCauley et al., 1999; Moran et al., 2011). Srivastava (2010) contends that a piece of research can be limited by the researcher’s own perceptional biases, which might have influenced the formulation and translation of the questionnaire, as well as the interpretation of the results. In addition to that, intercultural studies are criticized for assuming that ideas and formulations can be converted from one culture into another (Pervin, 1999). Although, the German questionnaire was carefully worded, translated and checked for congruency, the risk of misunderstandings and misinterpretations cannot be fully eliminated.

Finally, the research of this study focused on the self-perception of Chinese managers and the social perception of German managers regarding Chinese managers. Additionally the self-perception of German managers and the social perception of Chinese managers regarding German managers could have been analyzed and compared. This would have allowed a two-way comparison of Chinese and German managers. Therefore, this is a recommendation for further research.

IMPLICATIONS AND CONCLUSIONS

The findings of this study suggest that the perception of managers from Germany and China will influence the level of conflict and thereby the working relationship in Chinese-German business co-operation. Managers, therefore, have to be more sensitive with how they perceive their own culture, beliefs and biases, to minimize the gap in perception, or at least the way in which they react to their perception of a given situation. On the level of Chinese managers’ personal motivation, their character traits and Chinese companies’ objectives, all three areas highlighted significant gaps in perception and thus might be a potential source of conflict for a co-operative relationship.

German managers have to be more aware of the diverse objectives of their Chinese business partner. While money is a strong motivator, Chinese managers’ self-perception shows that it is not necessarily the most important motivator. The strive for self-advancement, self-development and self-realization needs to be taken seriously, to strengthen boss-subordinate relationships (no matter if a German or Chinese manager is the subordinate) and thus improve the cooperation efficiency. Working together, Chinese and German managers can address this difference in perception to narrow the gap. Chinese managers, for example, should speak more openly about their own goals. German managers would benefit from observing their Chinese colleagues more closely to find the motivators for each individual manager. In this way, motivational rewards can be distributed more efficiently to make managers more effective.

When considering the character traits of Chinese managers, the gap in perception of honesty and trustworthiness is a serious problem, since both characteristics are needed to build long-term business relationships. If one party does not trust the other and believes information to be wrong, their behavior will be cautious, reserved and protective, which will limit communication. Without this, knowledge exchange and synergies cannot be built. Given that these are the main reasons for forming a strategic collaboration, the German skepticism can put a strain on the Chinese-German business relationships. However, one also has to recognize that neither the German nor the Chinese perception is correct and objective but rather they represent two different interpretations of a situation or behavior.

One can thus attribute this gap in perception to perceptional filters and biases. What might be a behavior that evokes trust in Chinese managers might not be seen as one from a German perspective – and vice versa. Thus, German managers have to be more aware of their perceptional biases and adjust interpretation of behavior to the Chinese way of thinking and acting. Chinese managers, on the other hand, should learn what kind of behavior is seen as trustworthy and honest from a German perspective so they can adapt their behavior.

The analysis additionally shows that German managers do not perceive Chinese managers as possessing many of the skills needed to conduct international business. In other words; German managers question the qualification of their Chinese business partners. Big gaps in perception can be seen in the statements of "flexibility" and "tolerance". While flexibility and tolerance are traits that one can improve by practice and management training, it is more difficult to change the social perception towards an image of being honest and trustworthy. Shifting from Chinese managers to Chinese company objectives, the study shows that German and Chinese managers have a largely different perception of what Chinese companies' objectives are. While this does not have to mean that German and Chinese objectives are not congruent, the significant gaps in perception indicate the potential for misinterpretation. Given that a co-operation is usually formed to create a win-win situation, these misperceptions can lead to alliances with partners, who do not share the same objectives, or to incorrect strategies that may threaten the future of the relationship.

German managers need to recognize that, while profit maximization is an important goal for Chinese companies, it is by far not the most important. The research showed that collaborations usually fail because the objectives of the partners drift apart. A correct evaluation of goals, at the beginning of collaboration, might reveal mismatches earlier and thus prevent co-operations that are doomed to fail. Thus, German managers require a greater level of awareness of their partner company objectives, such as quality, customer satisfaction, stakeholder value and innovation, to create better synergies. They have to adjust their way of thinking and perceiving to meet the thinking and perception of their Chinese collaborators. Chinese managers and companies, on the other hand, have to behave in a way that helps German managers to perceive how serious they are about these objectives and communicate their goals more clearly. This requires Chinese managers to behave in a way, in which their German colleagues will understand.

Chinese and German managers should generally improve their intercultural skills by learning about each other's culture and business practices. It is furthermore recommended to openly speak about misunderstandings and problems, to enhance shared knowledge, as elaborated in the Johari Window framework (Luft & Ingham, 1971). By following this approach, long-lasting and successful collaborations can be built, which will enrich the business practices and achievements of both Chinese and German parties.

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FACEBOOK ADVERTISING: AN EXPERIMENTAL INVESTIGATION OF GOAL-DIRECTED AND GENERAL BROWSING EFFECTS

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ABSTRACT

An experimental (*N*=298) assessment of Facebook advertising revealed that awareness of Facebook advertising (goal-directed versus general browsing) and receptiveness toward advertising affected a series of cognition and affective dimensions of advertising effects. Goal-directed searching leads to significantly higher advertising recall (e.g., advertised product, brand, type, advertising features) and positive attitudes toward advertisements. Participants who were allowed general browsing, without specific instruction to attend to the advertisements, rarely recalled specifics about ads appearing on their Facebook page and rarely noticed social advertising cues. Participants' receptiveness toward Facebook advertising also positively impacted their attitudes and reflective thinking. Results suggest that advertisers on a variety of social networking site (SNS) need to do more to reach their target audiences whose main purpose is to communicate with members of their social network while visiting SNSs in order to achieve advertising effectiveness.

INTRODUCTION

The emergence of the Internet created considerable uncertainty in the advertising industry. In fact, some scholars argued that "Advertising is on its deathbed and it will not survive long, having contracted a fatal case of new technology" (Rust & Oliver, 1994, p. 76). Nearly twenty years removed from this bold prediction, we now know clearly that advertising is not dead. In fact, some may argue that the advertising industry is more vibrant than ever, having seized considerable opportunities in the online media environment. However, the online environment continues to change and develop, requiring advertisers to adapt from early forms of banner advertising to the latest emergence of social media advertisements tailored to the social network revolution.

The presence and popularity of SNSs has changed the online advertising landscape. Since its emergence in 1994, online advertising spending has continued to grow. It is estimated that the spending has reached $39.5 billion in 2012 and may reach $62 billion in 2016 (eMarketer, 2012).

Its potential in providing information and persuading consumers generated numerous studies on the subject. Facebook is one of the most discussed SNSs with estimated 800 million active users (Facebook, n.d.). The unique social advertising feature allows advertisers to tailor their advertising messages to potential consumers and using “friend endorser” to increase advertising effectiveness.

Few studies have examined the interplay of social advertising awareness and participants’ perceptions of Facebook advertising on Facebook advertising effectiveness among college students. While scholars have started to examine factors that impact social network advertising effectiveness (e.g., Chatterjee, 2011; Lipsman, Mudd, Rich & Bruich, 2012; Nelson-Field, Riebe & Sharp, 2012; Taylor, Lewin & Strutton, 2011), other factors that may affect cognitive and affective dimensions of SNS users is relatively unknown. The goal of this exploratory study is to examine whether goal-directed versus general browsing of Facebook advertisements, in addition to participants’ prior attitudes toward Facebook advertising, would influence cognitive (e.g., recall of the number of ads seen on their profiles, recall of the brand, identification of social advertising cues, and reflective thinking in an online environment) and affective (e.g., cumulative attitudes toward Facebook advertising, online advertising efficacy) dimensions of Facebook advertising effects.

BACKGROUND AND REVIEW OF LITERATURE

Theoretical Foundation

For more than three decades, advertising researchers (e.g., Brown & Stayman, 1992; Lutz, MacKenzie, & Belch, 1983; Mitchell & Olson, 1981; Schlosser, Shavitt, & Kanfer, 1999; Shimp, 1981) have asserted that recipients of an advertisement develop an attitude toward the ad (AAD), which then influences cognitive, affective, and conative effects resulting from exposure to the advertisement. In fact, a meta-analytic investigation of 43 research articles reveals significant relationships between advertisement attitudes and antecedent and criterion effects (Brown & Stayman, 1992). For example, AAD influences antecedent variables such as feelings and cognitions about the advertisements and consequences such as brand-related cognitions, brand attitude, and future purchase intentions. Thus, the literature suggests that direct and mediated effects result from exposure to advertisements (e.g., Brown & Stayman, 1992; Lutz et al., 1983). In general terms, the AAD theoretical model assumes that advertisement cognitions influence advertisement attitudes, which in turn influence brand cognitions and brand attitude. Brand cognitions also influence brand attitude, which ultimately influences purchase intentions.

As expected, as advertisers moved to the Internet, AAD studies began to compare general advertising and online advertising AAD effects (e.g., Schlosser et al., 1999). Despite the fact that research participants are less likely to report favorable attitudes toward online advertising (38%

favorable), survey results suggest a divide in respondents' views of the informativeness of Internet ads or their utility for purchase decisions (Schlosser et al., 1999).

In an effort to advance the research on AAD, this study aims to explore AAD constructs in the social media environment. We explore traditional attitudes toward brand and product, and explore reflective thinking, receptiveness toward Facebook advertising and a new construct we developed, advertising information efficacy, as potential variables for AAD effects.

Research on Attitudes Toward Online Advertising

The relationship between advertising attitudes and advertising effectiveness is well-explored in the area of advertising research (e.g., MacKenzie & Lutz, 1989; Mehta, 2000; Soh et al., 2009). With burgeoning revenue growth in online advertising, scholars have extended their focus from the traditional mass media advertising research to online advertising (e.g., Ducoffee, 1996a; Goldsmith & Lafferty, 2002; Schlosser et al., 1999).

For an extended review of the discussion of differences between "Internet" and "online" advertising, we direct you to a range of sources (Ducoffee, 1996a; Ha, 2008; Strauss & Frost, 2001). Ha (2008, p. 31) preferred the term "online advertising" and defined it as "deliberate messages placed on third-party websites including search engines and directories available through Internet access." This definition excludes corporate websites used for promotional and non-promotional purposes, email marketing and Internet shopping sites. In addition, it also is consistent with the industry online advertising expenditure data, which exclude corporate websites or email marketing (Ha, 2008). This paper follows the definition conceptualized by Ha (2008) and will only use online advertising from now on.

Factors That Impact Online Advertising Effectiveness

The passive audience assertion from the traditional advertising research does not apply to the context of online advertising in that consumers are no longer passive audiences, but rather active users who have a greater control over online advertising exposure (Schlosser et al., 1999). Because users are active online, they essentially have control over their extent of online advertising exposure and intention to click through the advertisements, both of which in turn affect their purchase intention and behavior. Overall research suggests that positive advertising attitudes have a positive relationship with the effectiveness of online advertising (for a review, see Ha, 2008). Those with a positive attitude toward advertising also recall a significantly higher amount of advertisements (Mehta, 2000).

It is important to note that the link between attitudes and perceived advertising effectiveness is affected by a number of factors, including antecedents of attitudes, user characteristics and online advertising message content and structure. Antecedents of attitude toward advertising have been found to significantly impact online advertising effectiveness (e.g., Brackett & Carr, 2001; Bruner & Kumar, 2000; Ducoffee, 1996b; Havlena & Graham, 2004). This line of research generally, but not always, adapts attitude toward the advertisement (AAD) framework (MacKenzie & Lutz, 1989) to measure online advertising effectiveness. With the theoretical foundation based on the theory of reasoned action (Fishbein, 1967), AAD has been used to predict advertising effectiveness and sales in traditional and online advertising research.

The investigation of the underlying structure of online AAD generally replicates consistent dimensions discovered in the traditional advertising research. Ducoffee (1996b) found that perceived entertainment and information in online advertisements is positively associated with perceived values of the advertisement. Perceived irritation, on other hand, is negatively related to the perceived values of the advertisements. In general, online users' perceptions of advertising value, credibility of the advertisers, levels of entertainment, informativeness and irritation are linked to consumers' attitude toward advertising. A similar result also was obtained by Zafar and Khan (2011). Finally, users' characteristics (e.g., demographics, level of involvement, user motives, audience type) also are related to AAD, attitude toward online shopping, purchase intention and recall (Danaher & Mullarkey, 2003; MacInnis, Moorman, & Jaworski, 1991). For example, the Elaboration Likelihood Model (ELM) posits that incorporating involvement in advertising strategies could affect consumers' attitudes (Petty & Cacioppo, 1983).

While there are similarities in comparing traditional vs. online AAD, it is important to note that the unique advertising structure and placement in an online setting may vary the degree of perceived advertising effectiveness (e.g., favorability, attitudes toward the site). Studies have shown that medium credibility, online advertising features (i.e. interactivity, incentives, ad size, ad placement, message appeals, information, animation speed, and message length), brand familiarity and product types all affect perceived effectiveness (For a review, see Ha, 2008). Other researchers questioned the rate of decay for online advertising effects (Havlena & Graham, 2004), but found that most metrics indicate brand awareness and advertising awareness are not significantly influenced by time of exposure to advertisements. However, purchase intent and brand favorability were improved in cases where advertisement exposure was more recent.

Although researchers find that online advertisements can produce a similar set of cognitive and affective outcomes when compared to traditional advertisements (Campbell, Pitt, Parent, & Berthon, 2011), important differences also emerge. For example, in their study of YouTube advertisements and user comments regarding the ads, Campbell et al. report that online discourse rarely addresses aspects of brands. In fact, "discussion in most examples was not around the brand, but instead of other issues, such as the creators of the ad, the music in the ad, the larger social themes such as international justice, globalization, poverty, and corporate social responsibility" (Campbell et al., 2011, p. 98). Brand recognition is typically a considerable strategic goal for advertisers, but these scholars caution against overt "point of view" ads (e.g., Dove's "Real Beauty" campaign) since it is likely that some consumers will be alienated by strong points of view. The online media environment also creates an opportunity for advertisers to join in the discussion, either as overt or covert representatives of the brand. Wisdom suggests that any covert means by advertisers to join discussion forums or threads about their products or brands be approached carefully as the entire brand could be jeopardized if an advertiser is caught attempting to covertly manipulate discussion about the brand. Finally, the authors caution about attempts to control perceptions of the approximate 10% of online ads that are consumer generated. While advertiser control of message is a fundamental priority and benefit of paid advertising, advertisers must not appear defensive in the multidirectional, networked advertising environment.

Social Network Sites: Definition and Research

SNSs and their popularity among youth have attracted scholars' attention in recent years. Using the definition from Boyd and Ellison (2007), SNSs are defined as web-based services that provide individuals with the following functions, including (a) constructing an online profile within the SNSs, (b) viewing and interacting with users who may share a similar interest or connection, and (c) maintaining an ongoing relations for various social or personal reasons (Boyd & Ellison, 2007). While some scholars disagree with Boyd and Ellison (2007) that SNS users do not engage in "networking" (Beer, 2008), the shared connection among SNSs users seem to suggest that users are "primarily communicating with people who are already a part of their extended social network" (Boyd & Ellison, 2007, p. 211).

Indeed, once users establish an online SNS account, they are able to search for and identify others in the same system with whom they share a relationship (Boyd & Ellison, 2008). Uses of SNSs, such as LinkedIn and Facebook, include to build and to maintain relationship through information sharing, maintaining contact and seeking entertainment (Tuten, 2008). Ellison, Steinfield and Lampe (2007) found that users use Facebook to continue their interactions with their offline relationships in an online setting. For example, users can post photos and share links on their Facebook profile to engage with their friends. Facebook users also can provide detailed, personal information (e.g., birthday, address, phone numbers, education, habits, interests) on their profiles. They could interact with their friends through posting messages on their friends' wall or writing private messages. When friends post information, users also could interact with their friends by clicking "like," posting and/or responding to "comments" or "sharing" with other friends. Other SNSs, such as Flickr, enable users to share photos. LinkedIn, which could be described as a "networking" site designed for professionals, fulfills career building and advancement purposes.

Social Network Advertising

With growing memberships and popularity among users, SNSs provide advertisers an excellent opportunity to market to users. It is estimated that marketers spent $920 million on SNS advertising in 2007, including online display advertising and brand profile pages (eMarketer as cited in Tuten, 2008).

Despite the fact that consumer generated online advertisements, just by their nature, suggest the user's implicit acceptance of online advertising, data indicate that only 22% of users view social media advertising favorably while an additional 8% indicated wholesale abandonment of social media as a result of advertising invasiveness ("AdReaction," 2010). In fact, survey research demonstrates support for the argument that increases in invasiveness of advertisements lead to more negative attitudes about the invasive ads (Taylor et al., 2011).

The underlying assumption for the potential effectiveness of SNS advertising is to have a "friend endorser" reach out to other potential users. SNS users tend to trust their friends, according to a recent Nielsen Global Online Consumer Survey ("Global advertising," 2009). Ninety percent of the 25,000 Internet users surveyed said that they trusted online recommendations from people they know. In addition, 70% of them trusted the online customer reviews ("Global advertising," 2009). A random web survey of college students echoes the Nielsen survey. Valenzuela, Park and Kee (2009) found that frequent Facebook use is positively associated with users' trust and engagement.

Facebook is the most popular SNS with more than 800 million active users (Facebook, n.d.). Facebook advertising has a unique term called "social advertising," which enables advertisers to tailor targeted messages to potential audiences based on the information voluntarily disclosed by users and their friends on their public or semi-public profiles (Facebook, 2007). Information, including interests, habits, and preferences, gives businesses and marketers ability to design tailored, targeted advertisements. For example, advertisers interact with SNS users through "trusted referral" when users' friend becomes a fan of the business or product advertised. User-generated postings could be used to promote businesses. Another way that businesses could reach out to potential consumers is through the information shared by users or their friends. For example, jewelry companies may put out an "engagement ring" advertisement when users changed their relationship to "engaged" or when the online comments or conversation involve engagement related topics (Lipsman et al., 2012). In fact, brand impressions are primarily built on two factors: (1) Facebook users who endorse or "like" brands; and (2) friends of these Facebook fans (Lipsman et al., 2012).

The thrust of Facebook social advertising practices offers scholars an opportunity to examine how tailored, social advertising is perceived among social network users. Although the research in this area is scarce, recent publications have started to concentrate on advertising reach through social cues (e.g., fans' expression of "like") (Lipsman et al., 2012; Nelson-Field et al., 2012) and advertising effectiveness (Taylor et al., 2011). Lipsman et al. (2012) aggregated Facebook user data to find a trend in brand content exposure by examining Starbucks, Southwest Airlines, and Microsoft Bing. Of all possible activities that users could engage in Facebook, including playing with apps and tools, uploading and viewing photos, profiles, and homepage/newsfeed, the majority of brand or advertising exposure occurs in the newsfeed. For Facebook advertising to be effective, Lipsman et al. (2012) stressed the importance of fostering brand engagement and loyalty to influence purchase intent among fans and potentially broadening the fan base by reaching out to friends of fans. However, it should be noted that behavioral data such as visiting brand websites vary by product categories. Also, whether or not brand exposure on Facebook directly leads to actual purchase is still unclear and an exploration of other factors, such as attitudes toward Facebook advertising, is still lacking in this report. Contrary to the assertion by Lipsman et al. (2012) report, Nelson-Field et al. (2012) took a critical turn by asking whether Facebook fan base overlaps with two different brands' buying base (i.e. chocolate and soft drinks). Self-reported purchase data and actual consumer panel data were both used as behavioral indicators. In both chocolate and soft drinks products, Facebook advertising reaches primarily to heavy buyers who are already part of the loyal customer base. In other words, light buyers were not reached by Facebook advertising. This study shows that Facebook may need to explore ways to reach out to a mixture of frequent and infrequent buyers, rather than heavily focus on frequent buyers.

Going beyond examining the link between Facebook advertising fan base and brand purchase behavior, a survey completed by Taylor et al. (2011) found that a number of factors impact users' toward attitudes toward Facebook advertising. As discussed prior, users' concerns about privacy and perceived invasiveness of social network advertising negatively predicted their attitudes. On the other hand, users' motives of going online, including a need for entertainment, information, identification with brand attributes, and the importance of fostering interpersonal relationship in an online setting, all positively predicted attitudes toward social network advertising.

Using an experimental design, Wen, Tan and Chang (2009) established a relationship among a series of moderators and product purchase intention. They examined SNS advertising and its effectiveness and found that product type, endorser credibility and friendship type impact purchase intention (Wen et al., 2009). Specifically, Wen et al. (2009) tried to tease out whether college students' purchase intention would be affected by the strength of friendship tie (strong vs. weak), endorser expertise (high vs. low) and product type (utilitarian vs. hedonic). Results showed that the endorser expertise matters for utilitarian products, whereas friendship tie matters for hedonic products.

However, other factors that may affect SNS advertising recall is relatively unknown in SNS advertising, specifically social advertising on Facebook. Therefore, the goal of this exploratory study is to examine whether goal-directed browsing versus general browsing, also known as "surfing" of participants' personal Facebook pages would affect advertising effectiveness (i.e.

recall of the number of ads seen on their profiles, recall of the brand and identification of social advertising cues). This is the first study to employ the construct “advertising information efficacy” to address college students’ view toward Facebook advertising. Based on the review of literature, the following hypotheses are proposed:

H1: Participants in the goal-directed Facebook advertisement browsing condition will have a higher recall of ad product, brand, type, and ad feature than participants in the general Facebook browsing condition.

H2: Participants in the goal-directed Facebook advertising browsing condition will be significantly more likely to recall social advertising cues than those in the general browsing condition.

H3: Levels of receptiveness toward Facebook advertising will predict attitudes toward Facebook advertising.

There was uncertainty regarding whether the advertising information efficacy measure would increase or decrease. It was recognized that a wide range of possible attitudes regarding the Facebook advertising could lead to different perceptions (approval/disapproval for recognizable social advertising strategies to unappreciative/appreciative of tailoring to specific Facebook user interests, and the like). In political communication research, the theory of political information efficacy was developed by communication researchers (Kaid, McKinney, & Tedesco, 2007) to help explain the influence of voter confidence in their political knowledge on political engagement and voting behaviors. The construct of political information efficacy is a four-item, 5-point agree-disagree scale as follows: (a) I consider myself well qualified to participate in politics; (b) I think that I am better informed about politics and government than most people; (c) I feel that I have a pretty good understanding of the important political issues facing our country; and (d) If a friend asked me about the presidential election, I feel I would have enough information to help my friend figure out for whom to vote. When used together as a scale in the 2004 postelection survey, the Cronbach’s alpha for this scale was +.87, with similarly high alpha levels in the research applications since.

Efficacy is a significant predictor for behavior change research and a fundamental aspect of many behavior change theories (Bandura, 1986; Fishbein, 1967; Kotler & Zaltman, 1971). However, information efficacy differs from the traditional conceptualizations of efficacy in that it measures participants’ opinions about the confidence in their knowledge. Since advertising appeals often contain significant persuasive appeals, potential exaggerations, oversimplifications, and potentially competing visual, verbal, and technological messages, it is important to assess whether consumers feel empowered by their advertising knowledge. In addition, we are interested in exploring the association between information efficacy and online reflective thinking, which measures the level of information searching users employ in an online content to clarify, verify, and validate advertising claims. In particular, we are curious as to whether goal-directed versus general browsing conditions produce differences in information efficacy.

However, the reasoning for advertising information efficacy was to explore factors that moderate effects of advertising cognitions or advertising awareness and their effects on advertising attitudes. This is the first study of its kind to employ advertising information efficacy, so the exploratory nature of this construct leads to the following research questions:

RQ1: Is there a significant difference in advertising information efficacy between goal-directed and general browsing Facebook advertising conditions?

RQ2: Does condition (goal-directed versus general browsing) or receptiveness toward Facebook advertising affect participants' advertising information efficacy and reflective thinking?

METHOD

In order to test the hypotheses and research questions for this study, a pre-test/post-test experiment was designed to expose participants (*N*=298) to Facebook advertising. The experiment was conducted in 2011 (*n*=119) and 2012 (*n*=179). Initially we wanted to test whether the new "timeline" feature, introduced in 2012, altered our previous findings collected in 2011. Results indicated that advertising skepticism, information efficacy and length on Facebook did not differ between these two waves of data. Since the scores on these constructs indicate that the samples were not significantly different, we then decided to merge the data sets for analysis.

In these two waves of data collection, participants in a research pool administered by the Department of Communication were sent a notice announcing a research study about Facebook. The specific goal to study Facebook advertising was disguised through language identifying the study as an assessment of media. Although administered by the Department of Communication, the pool is populated largely by students in general election courses and represents a wide range of academic majors.

After consenting to the Institutional Review Board approved study, participants were randomly assigned to one of two conditions: the goal-directed condition or the general browsing condition. In both conditions, participants completed a brief pre-test, were instructed to spend 5 minutes browsing Facebook (either generally or with the goal to attend to the advertisements), and then complete a post-test. The goal-directed condition asked participants to pay particular attention to the advertising messages on their Facebook page while the general browsing condition allowed participants five minutes on "Facebook" without specific instruction to attend to the advertising messages.

Variables

Manipulation Check

One question was used to measure whether or not the manipulation of goal-directed or general browsing was successful: "I noticed the advertisements on my Facebook site." Participants were provided the following responses, including "yes," "no," "unsure," and "do not recall." The last three categories were combined to form a category.

Independent Measures

Condition. The exposure condition (*goal-directed* or *general browsing*) served as an independent variable for this study.

Facebook advertising receptiveness. In order to assess participants' receptiveness toward Facebook advertising, we designed a five-item scale on a 5-point scale where 1 means "strongly disagree" and 5 means "strongly agree." The scale asked participants to identify their level of agreement with the following: "I do not mind "product" advertisements on Facebook," "I do not mind "service" advertisements on Facebook," "I do not mind "safety" or "wellness" Public Service Announcements on Facebook (e.g., Click it or Ticket! Skin Cancer Awareness)," "Advertising on Facebook is no bother," and "All advertising on Facebook makes me upset (recoded)." Cronbach's alpha for the scale was .89. The scale was then dichotomized with median split. Participants with the mean scores ranging from 1-3.80 were categorized as those with "low level of advertising receptiveness," whereas mean scores ranging from 4-5 was categorized as "high level of advertising receptiveness."

Dependent Measures

Recall. Participants were provided space on the post-test to answer questions regarding recall of advertised product, brand, type, and features. The unaided recall question asked participants, "If you remember the brand name, product name, type of product or service, or any features of the ads, please list them here." Ability to name a specific brand, product, type, or ad feature was scored as one point and each valid response was cumulated within category (e.g., three possible accurate brand identifications). A cumulative total was computed based on twelve possible recall responses ranging from 0 to 12 (M=5.21, SD=4.38).

Social advertising cue for each ad. In addition to the overall social advertising cue described above, the post-test asked participants whether "the advertisement you listed in advertisement 1 was "liked" by a Facebook friend." Participants were able to identify "liking" through a "yes" response, but were also provided choices indicating no recognition of the "liking" social cue of "no" and "unsure." Responses of "no" and "unsure" were combined to form a category.

Overall social advertising cue. In order to assess whether participants recognized the social advertising cue of "liking" the ad or the product it advertises, the post-test asked participants whether "At least one of the ads I viewed was 'liked' by one of my Facebook friends." Participants were able to identify "liking" through a "yes" response, but were also provided choices of "no," "do not recall," and "did not notice." Responses of "no," "did not recall," and "did not notice" were combined to form a category.

Advertising information efficacy. In order to test whether participants felt powerful to understand and share information about the advertisements, we employed a four-item advertising information efficacy scale adapted from political information efficacy (Kaid et al., 2007). We designed a four-item, 5-point scale where 1 means "strongly disagree" and 5 means "strongly agree" that asked participants to identify their level of agreement with the following: "I consider myself well qualified to understand advertising strategies," "I think I am better informed about advertising strategies than most people," "I feel that I have a pretty good understanding of the important advertising strategies in use today," and "If a friend asked me about advertising strategies, I feel I would have enough information to help my friend figure out how to evaluate ads." Cronbach's alpha for the scale reached .84 for the pre-test and .89 for the post-test.

Reflective thinking in an online setting. In order to assess participants' level of information seeking in an online context, we created a three-item, 5-point scale in the pre-test, where 1 means "strongly disagree" and 5 means "strongly agree." The scale asked participants to identify their level of agreement with the following: "I seek out additional information to confirm things I learn online," "I think about things I see online before I accept them as believable," and "It's important to think twice about what online information says." Cronbach's alpha for the scale reached .61.

Overall attitudes toward Facebook advertising. In order to assess participants' attitudes toward Facebook advertising, we designed a six-item construct on a 9-point scale where 1 means "strongly disagree" and 9 means "strongly agree. The scale asked participants to identify their attitudes toward the ads with the following: "The ad was favorable (recoded)," "The ad was pleasant (recoded)," "The ad was attractive (recoded)," "The ad was appealing (recoded)," and "The ad was likable (recoded)." To create a construct that measures the overall attitudes, we average a total of eighteen questions across participants' responses to three ads. Cronbach's alpha for the scale was .92.

Results

The hypotheses and research questions will be answered in the order they appear in the manuscript, with the exception of our decision to merge H3 and RQ2 due to their common independent variables.

Analysis Strategies

Chi-square tests were used to assess manipulation check and recall of Facebook advertising social cues. A multivariate analysis of covariance (MANCOVA) was conducted to determine the effects of condition and receptiveness toward Facebook advertising on advertising information efficacy, online media skepticism, and overall advertising attitudes. The reason for using MANCOVA over multiple ANCOVAs to assess multiple dependent variables is that MANCOVA takes into account the interrelationship between dependent variables. Thus, the MANCOVA result cannot be achieved solely through a series of ANCOVAs (Raykov & Marcoulides, 2008). Since all of the recall measures were strongly associated with each other (r ranging from .68 to .93, $p \leq .001$), a series of independent-samples t-test was conducted to examine group differences on recall on product, brand, type and feature. To assess how the dependent variables differ for independent variables, we examined follow-up tests of between-subject effects (i.e., univariate ANCOVAs) given a statistically significant effect in the MANCOVA.

Manipulation Check

Before answering the hypotheses and research questions, it is important to ensure he experimental control, assessed through the manipulation check, was effective. Goal-directed participants (73 of 73, 100%) were significantly and universally more likely than general browsing participants (0 of 106, 0%) to identify seeing a social cue strategy in use by a Facebook advertiser, $X^2(1) = 179.00$, $p \leq .001$. Therefore, the manipulation check was successful.

Descriptive Statistics

A total of 289 students participated in the data collection in 2011 (n=119) and 2012 (n=179). A series of Independent-Samples T-test showed that the two data sets did not differ in terms of participants' length of using Facebook, gender and race; therefore, the data sets were merged into one. Approximately 60% of participants were female (n=179). On average, participants have been active on Facebook for about four years. Although we are supportive of a participant who indicated he/she had more than 100,000 friends (n=1), we remained skeptical of this participant's ability to communicate with these friends. Therefore, data from this participant regarding the number of friends and active friends were eliminated from the following report. The average number of friends reported by participants was 752 (*M*=751.92, *SD*=496.78), however only a fraction of these friends received communication at least once during the past month (*M*=119.93, *SD*=144.99).

Hypotheses/RQ Testing

H1 predicted that participants in the goal-directed Facebook advertisement browsing condition would have a higher recall of ad product, brand, type, and ad feature than participants in the general Facebook browsing condition. Again, since all recall variables are highly associated with each other, a series of independent-samples *t*-test was used to compare the mean scores for participants in the general browsing (*n*=163) or goal-directed conditions (*n*=135) for each category and for the overall number of recall items. Participants in the goal-directed condition were significantly more likely than general browsing participants to recall

- product (*M*=1.99, *SD*=1.00 to *M*=.77, *SD*=1.07, respectively), $t(296) = -10.05$, $p \leq .001$,
- brand (*M*=1.59, *SD*=1.12 to *M*=.60, *SD*=.99), $t(296) = -8.12$, $p \leq .001$,
- type (*M*=2.29, *SD*=.93 to *M*=.82, *SD*=1.10) , $t(296) = -12.32$, $p \leq .001$,
- features (*M*=2.11, *SD*=1.02 to *M*=.72, *SD*=1.03), $t(296) = -11.66$, $p \leq .001$,
- cumulative recall of Facebook ad aspects (*M*=7.99, *SD*=3.20 to *M*=2.91, *SD*=3.86), $t(296) = -12.20$, $p \leq .001$.

H2 predicted that participants in the goal-directed browsing condition would be significantly more likely to recall a Facebook social advertising cue. In order to test H2, participants were asked if they recalled noticing if one of their friends "liked" an advertisement viewed.
For overall awareness of whether any of the ads participants viewed was liked by one of their Facebook friends, goal-directed participants (83 of 135, 61.5%) were significantly more likely than general browsing participants (50 of 161, 31.1%) to identify seeing a social cue strategy in use by a Facebook advertiser, $X^2(1) = 27.47$, $p \leq .001$.

We ran additional analyses to further explore whether the same result was replicated across three ads that participants recalled. For ad1, goal-directed participants (42 of 72, 58.3%) were significantly more likely than general browsing participants (34 of 104, 32.7%) to identify seeing a social cue strategy in use by a Facebook advertiser, $X^2(1) = 11.40$, $p \leq .001$. For ad 2, goal-directed participants (30 of 68, 44.1%) were significantly more likely than general browsing participants (18 of 93, 19.4%) to identify seeing a social cue strategy in use by a Facebook advertiser, $X^2(1) = 11.51$, $p \leq .001$. For ad 3, goal-directed participants (21 of 60, 35%) were significantly more likely than general browsing participants (10 of 89, 11.2%) to identify seeing a social cue strategy in use by a Facebook advertiser, $X^2(1) = 12.28$, $p \leq .001$. Thus, H2 is supported.

Before addressing the hypothesis and research question, it is interesting to note that only 29% of participants had a favorable overall attitude toward product, service or issue advertising on social media. H3 and RQ2 asked whether condition and receptiveness to Facebook advertising affect reflective thinking, information efficacy, and overall attitudes toward Facebook advertising. We combined these hypotheses and research questions in the analysis since they employ the same independent variables: condition and receptiveness to Facebook advertising. MANCOVA results showed that there was a significant condition effect, $F(1, 260)=6.69$, $p \leq .001$, partial $\eta 2=.07$, as well as receptiveness toward Facebook advertising, $F(1, 260)=3.71$, $p \leq .05$, partial $\eta 2=.04$. Further analysis showed that significant group differences in participants' attitudes toward advertising, $F(1, 260)=16.03$, $p \leq .001$, partial $\eta 2=.06$. In general, participants in the goal-oriented condition had favorable attitudes toward advertisements (*M*=5.96, *SD*=1.25) than those in the control condition (*M*=5.24, *SD*=1.78). H3 was supported. No significant effect was found with advertising information efficacy and reflective thinking. See Table 1.

TABLE 1. ANCOVA RESULTS FOR THE EFFECTS OF AWARENESS OF FACEBOOK ADVERTISING ON THE DEPENDENT VARIABLES

Dependent Variables	**Goal-directed *M(SD***	**General Browsing *M (SD)***	***F***	η2
Advertising information efficacy	*3.49(.79)*	*3.47(.83)*	*F*(1, 260)=1.37, *ns*	.00
Reflective thinking in an online setting	*3.92 (.62)*	*4.04 (.54)*	*F*(1, 260)=2.47, *ns*	.01
Overall attitudes toward Facebook advertising	*5.96 (1.25)*	*5.24 (1.78)*	*F*(1, 260)=16.03 ***	.06

ns=not significant; ****p*< .001

Also, further ANCOVA tests also showed significant differences in reflective thinking, $F(1, 260)=5.63$, $p \leq .05$, partial $\eta 2=.02$, and advertising attitudes, $F(1, 260)=6.51$, $p \leq .01$, partial $\eta 2=.02$, between levels of receptiveness toward Facebook advertising. Participants who had a high level of receptiveness toward Facebook ads also had a higher level of reflective thinking (*M*=4.07, *SD*=.55) than those who had a low level of receptiveness (*M*=3.90, *SD*=.60). In terms of advertising attitudes, participants who had a higher level of acceptance toward Facebook ads had favorable attitudes toward advertisements (*M*=5.84, *SD*=1.58) than those who had a lower level of acceptance toward Facebook ads (*M*=5.38, *SD*=1.55). RQ2 was partially answered. See Table 2.

TABLE 2. ANCOVA RESULTS FOR THE EFFECTS OF FACEBOOK ADVERTISING RECEPTIVENESS ON THE DEPENDENT VARIABLES

Dependent Variables	**Higher Receptiveness toward Facebook Advertisements** ***M*(*SD*)**	**Lower Receptiveness toward Facebook Advertisements** ***M*(*SD*)**	***F***	$\eta 2$
Advertising information efficacy	*3.49(.82)*	*3.46(.80)*	$F(1, 260)=.22$, *ns*	.00
Reflective Thinking in an online setting	*4.07 (.55)*	*3.90 (.60)*	$F(1, 260)=5.63^{*}$	.02
Overall attitudes toward Facebook advertising	*5.84 (1.58)*	*5.38 (1.55)*	$F(1, 260)=6.51^{**}$	.02

ns=not significant; $^{*}p<.05$; $^{**}p< .01$

DISCUSSION

Support for the hypotheses in this study suggests that goal-directed browsing significantly increases recall of product, brand, type, and advertising feature on SNSs and also significantly increases the likelihood that site visitors will notice social cues to advertising. In addition, goal-directed browsing significantly increased participants' favorable attitudes toward the advertisements recalled. These findings are consistent with prior research (e.g., Goodrich, 2011) suggesting that awareness of advertisements leads to greater cognitive recalls. However, awareness of Facebook advertising did not affect participants' information efficacy and reflective thinking in an online setting. This shows that mere exposure to advertisements may not prompt participants to search additional information about the products.

In addition to the level of awareness, receptiveness toward Facebook advertising also affected participants' attitudes toward recalled advertisements and online media skepticism. Participants who did not mind all forms of Facebook advertising expressed a more positive attitude and were more likely to look up additional information to confirm the advertisements they saw. This shows that a positive predisposition toward Facebook advertising could affect participants' specific attitudes toward recalled advertisements and may elicit positive interests in expanding their understanding of the recalled advertisements beyond the Facebook interface. These findings were similarly observed in a study conducted by Taylor et al. (2011) who concluded that individuals' concern about Facebook advertising privacy and invasiveness negatively predicted their attitudes toward social network advertising. For example, individuals who cared very much about their own privacy would have a negative attitude toward Facebook advertising. The implications of these results show that the advertising strategy is most effective when targeting individuals who may have lax privacy settings or less concern about advertising invasiveness.

Considering that advertising information efficacy and reflective thinking are explored within the context of social advertising, we were interested in terms of how the concepts of reflective thinking and advertising information efficacy relate to each other. Although not a formal research question prior to the study, results from these constructs led us to examine them more closely. Using hierarchical multiple regression with the step-wise procedure within blocks, we entered demographic variables (i.e. age, gender, and race) to the first block and entered reflective thinking to the second block. We found that reflective thinking (b=.28, p<.001) positively predicted information efficacy (R^2=.08), suggesting that individuals who have the tendency to seek out additional information feel that they are more informed about advertising strategies. Future research could explore whether other antecedents of attitudes toward advertising would impact individuals' level of reflective thinking and advertising information efficacy in a social advertising setting.

Results also suggest that advertisers need to do more than rely on the "friend endorser" to extend the advertising message cues in the social media environment ("Global advertising," 2009). Only 31% of participants in the general browsing condition noticed the friend endorsement, typically in the form of a "like" on Facebook. Obviously, many additional processes are important to assess the impact of the friend endorsement, such as whether the user processes the ad differently, whether the user also "likes" the product or ad, and whether the user distributes or shares the advertisement with other friends. The limited recognition of the social advertising cue means that even fewer of the users were in a position to advantage advertisers by spreading the ad message via their social network. Since research demonstrates that friend endorsements are positively associated with user trust and engagement (Valenzuela et al., 2009), advertisers need to do more to try to get the social cue identified by Facebook, or other SNS users. Our findings of individuals' openness toward Facebook advertising also should be carefully considered by advertisers as this factor alone has significantly affected participants' attitudes toward Facebook advertising and their willingness to think twice about online information they saw. Future studies may examine whether participants' ability to identify social cues and their openness toward Facebook advertising together affect their attitudes toward the product, purchase intention and behavior.

Advertising information efficacy, a new construct, was employed in this study as a means to assess whether participants felt powerful to understand the advertising and its strategies. Participants in the goal-directed condition recorded identical average mean scores for advertising information efficacy in the pre- and post-test. However, participants in the general browsing condition recorded a significant decrease in advertising information efficacy. Participants in the general browsing condition were rarely able to recall specifics of ads appearing on their Facebook page and rarely recognized whether social cues were present. Failure to recognize the advertising content, or the social advertising cues, resulted in a significant reduction in advertising information efficacy for participants in the general browsing condition. The advertising information efficacy construct was asked following the question on recall in the post-test. Since results show that participants in the general browsing condition were unable to recall much about the Facebook advertisements, it is likely that these inability to recall any specifics also contributed to the significantly reduced efficacy scores. The results suggest that awareness of the advertising and the social cues do little to increase advertising information efficacy, but failure to detect the advertising or its strategies significantly lowered participants' efficacy. The fact that the goal-directed participants did not increase their information efficacy despite ability to identify advertising aspects and to recognize social advertising cues suggests that these participants may be skeptical or unsure of the advertisement strategy and its effects.

Limitations

This study is not without limitations. For example, the artificial nature of the experiment aimed to specifically ask participants to attend to advertisements is unrealistic. Perhaps more valuable are the findings from the general browsing condition, which are more realistic and show that attention to ads on Facebook pages rarely received a sufficient threshold to allow participants to recall details about the ads. Participants in the general browsing condition were only able to identify, on average, 2.91 relevant aspects of Facebook advertising (e.g., product, brand, type, or feature) on their personal Facebook page. Although timeline and advertising were new to Facebook at the time of this experiment, the lack of ability to recall seems to suggest that Facebook users pay little attention to the advertisements. This finding is consistent with Havlena and Graham (2004) who found that time since last exposure to online advertising does significantly impact brand awareness, advertising awareness, brand favorability, and purchase intent.

The results of this exploratory study suggest that additional measures will help identify antecedents and consequences of advertising effects on SNSs. The unobtrusive nature of Facebook ads suggests that the ads suffer from limited attention and limited recall when participants are not specifically asked to attend to the ads. Although advertisers constantly search for ways to reach new audiences, and friend endorsements add credibility and trust to ads, results indicate that SNS ads have a very limited reach and impact. In addition, without considering Facebook users' propensity toward social advertising could produce unintended results. Advertisers must balance the potential negative effects of making their ads more prominent to increase their reach with the benefits social advertising cues offer to increase ad recall, trust, and purchase intentions.

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HUMAN RESOURCES TAXONOMY REVISITED: CONFLICT, COLLABORATION, AND ORGANIZATIONAL IMPLICATIONS

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ABSTRACT

In the mid-1990s, theoretical and empirical research emerged that separated human resources (HR) systems into two camps: control- or commitment-oriented systems. These advances regarding HR taxonomies held particular appeal, as HR system type correlated with several dimensions of organizational performance. Surprisingly, little theoretical or empirical research since has sought to advance new conceptualizations of these systems. We address this scholarly shortcoming by extending a different, but related, taxonomy of HR systems. Specifically, we argue that HR systems are beyond control or commitment. Rather, systems may be classified as conflict-oriented or collaborative in form and function. Importantly, we build theory on conflict-oriented and collaborative HR systems and suggest that how these systems are bundled may impact, as most do, an organization's culture. In particular, we investigate various HR functions with a particular emphasis on compensation policies to formulate a theoretical rationale as to how the design and delivery of HR functions can either produce a conflict-oriented organizational culture or a collaborative one.

HUMAN RESOURCES TAXONOMY REVISITED

HR systems, created to manage the employment relationship between employees and the organization, influence organizational performance through its impact on employee behaviors and attitudes at work (Arthur, 1994; Guest, 1997, 2002; Huselid, 1995; Paauwe, 2009). However, theoretical and empirical work suggests that HR systems differ fundamentally in their orientation and do not all return equal performance results. As a result, HR researchers struggle to define the HR- performance link and a plethora of human resource management (HRM) processes can be found in practice (Boselie, Dietz & Boon, 2005; Paauwe & Boselie, 2005). Arthur (1994) developed one of the first taxonomies of HR systems. In this seminal work, Arthur (1994) identified HR systems as either control or commitment oriented. Control systems were categorized as those HR systems created with a goal, either implicitly or explicitly, towards improving efficiency; while commitment oriented systems are intended to produce an alignment of organizational and employee goals (Arthur, 1994, p. 672). Arthur found that the commitment based HR systems had a greater impact on several dimensions of firm performance, including productivity, reduced waste, and lower turnover rates.

Almost two decades later, while much work has been conducted and more complex models have been offered, "much work is still needed to be done in terms of theorizing the HRM-Performance relationship" (Paauwe, 2009). Put simply, other HR taxonomies, which can be supported with theoretical logic and applied evidence, are likely to exist. Like Arthur (1992; 1994) and others (Guest, 1997; Paauwe & Richardson, 1997), we embrace the notion that HR systems hold considerable influence over the organization, particularly its culture, through HR's coordinated impact on the behaviors and attitudes of the work force to include both labor and management. Our contribution is to offer some conceptual grounding and theoretic logic to an alternative, and maybe complimentary, taxonomy to the decades old notion of control versus commitment orientation. In particular, we suggest that HR systems can further be classified as conflict/competitive or collaborative in nature. Importantly, the orientation of HR systems is likely the result of how different HR sub-systems are bundled (Ichniowski, Shah & Prennushi, 1997); the purposeful and intentional bundling of HR systems is likely to have considerable bearing on organizational culture, firm performance, and, ultimately, could lead to a firm competitive advantage. Our initial theory building, then, offers a finer-grained analysis of organizing taxonomies to HR theory that answers the call for additional complex theorizing around the multi-level impact of HRM practices (Paauwe, 2009). We accomplish this extension by examining HR functions to build theoretic logic on how the design and delivery of these functions can either assume a conflict or collaborative orientation and how this orientation may result in a concomitant culture that reflects a conflict/competitive or collaborative grounding.

Acknowledging the bundling and the systems approach to HR, in the spirit of parsimony, we begin this intellectual and theoretical exercise by examining several HR functions in isolation with a particular focus on compensation policies and practice. However, the appropriate launching point is to understand the linking construct-the theoretical scaffolding that underpins the body of this manuscript. Hence, we begin by specifying the construct of conflict and collaboration along with the associated theoretical boundaries.

CONFLICT AND COOPERATION

Specific factors within any organization contribute to either conflict/competitive or collaborative relationships between its members (Rousseau, Sitkin, Burt & Camerer, 1998; Smith, 1966; Thomas, 1976). Several factors are likely influenced by institutions and systems such as HR structures. However, it is important to note that both practitioners and scholars "must develop a mosaic of theories relevant to the specific situation of interest, rather than relying on any single one" (Deutsch, 2006, p. 32) as it applies to the constructs of conflict and collaboration. The construct of conflict is incredibly expansive and not confined to any single domain, discipline, or even unit of analysis. Conflict is an internal, intra-personal, interpersonal, dyadic, group, department, organizational, and, even nation-state phenomena (Deutsch, 2006). This threading through several levels of analysis makes the dissection of conflict difficult; its spanning of levels of analysis is matched only by the multi-disciplinary interest on the topic. Indeed, psychology, communication studies, sociology, political science, economics, anthropology, history, sociology, socio-biology, biology, and religion all have contributed to the understanding of conflict (Deutsch, 2006).

With a myriad of definitions, we return to one of the foundational: "the process which begins when one party has perceived that another has frustrated, or is about to frustrate, some concern of his" (Thomas, 1976, p. 891). It is important to note that many scholars struggle with the theoretical divide between conflict and competition (Chen, 1996). Given the close nomological distance between these two concepts, we do, as other scholars do and collapse them into a single construct of conflict/competition (Deutsch, 2006). We chose this interpretation due to its non-recursive properties; it defines conflict/competition but also spells out the factors that influence its existence.

> *Conflict/competition induces and is induced by use of the tactics of coercion, threat, or deception; attempts to enhance the power differences between oneself and the other; poor communication; minimization of the awareness of similarities in values and increased sensitivity to opposed interests; suspicions and hostile attitudes; the rigidity, and size of issues in conflict, and so on.* (Deutsch, 2006, p. 30)

In choosing how to integrate conflict constructs into our HR taxonomy and, related, assertions, we purposefully and intentionally chose conflict constructs that were "received" across as many disciplines as possible. Put differently, we sought conflict theory that appeared to have some level of convergent validity across domains. Toward that end, we examine and link conflict with HR design and delivery along several micro themes embedded in the larger construct of conflict and collaboration. These include: *goal interdependence* and its relation to conflict, *justice theory* and *fairness* and its impact on conflict or collaboration, *economics* and theories of scarcity on the conditions that lead to conflict or collaboration, *power* and its impact on conflict or collaboration, and the pervasive notion of *trust* that is often tied to conflict, collaboration, and cooperation. Unlike the other constructs, trust is a *meso* construct that likely "fits" somewhere between the more micro concepts noted above and the larger *meta* construct of conflict.

Based on this definition, we juxtapose conflict/competition oriented behaviors with those characterized by cooperation or collaboration. This is consistent with the work of various scholars who see collaboration and competition as distinct approaches to conflict based on whether the intent and/or focus of the individuals is on mutual interests and cooperation or self-interest and personal assertiveness (Rahim, 1983; Thomas, 1992; Thomas & Kilmann, 2002). From this perspective, collaboration is defined as occurring when parties "surface their differences (get them out in the open) and then work on the problem until they have attained mutually satisfactory solutions" (Derr, 1984, pp. 294-295). This approach minimizes the issues of power, politics, and structural limitations and emphasizes the power of procedural approaches in relation to managing conflict (Thomas, 1992). It also assumes that the purpose of conflict is to achieve resolution.

While some have argued that collaboration is inherently better than competition, others suggest a contingency approach to conflict that recognizes that the best approach is based on the needs of the situation (Bass & Riggio, 2006; Thomas, 1992). Thus, the extent to which conflict/competition and collaboration either benefit or harm organizational success is likely based on other factors. The research suggests that these factors include the extent to which conflict is focused on the task or process differences as opposed to personal or relational concerns (Jehn, 1997; Jehn & Chatman, 2000; Jehn & Mannix, 2001; Jehn, Northcraft & Neale, 1999) as well as cognitive problem solving versus emotionally charged adversarial behaviors (Amason & Mooney, 1999). While one could suggest that the factor that most contributes to whether or not conflict negatively impacts performance is the extent to which personalization versus depersonalization of the conflict occurs, we suggest that another factor is more likely the source of determining the normative value of conflict.

In order to better address this issue of positive versus negative conflict, it is valuable to recognize that conflict occurs at four levels of analysis within organizations: intrapersonal, interpersonal, and group/organizational and intergroup/organizational (Jehn, 1995; LeBaron, 2003). Furthermore, each of these levels is dependent upon the existence of conflict at the previous level, with the likely exception of group versus intergroup conflict. Thus, interpersonal conflict is unlikely to occur in the absence of intrapersonal conflict (i.e., an individual must be dissatisfied with something before he or she is likely to enter a dispute about it with another person). Consequently, conflict is ultimately rooted in the intrapersonal processes associated with perception of and response to a source of threat or concern. Conflicts that are never perceived, therefore, cannot result in a dispute that would require either competition or collaboration.

What matters then is how an individual responds to a conflict when it occurs. Research suggests that conflicts that are perceived as threatening are more likely to induce affective, competitive responses as opposed to those that are perceived as significant, but not necessarily personally threatening (McClellan, 2005; Thomas, 1984). Therefore, one might propose that negative competition is characterized by a highly personalized perception of threat. The mediation and negotiation literature suggests that progress in conflict resolution occurs when an individual's focus shifts to solving the problem as opposed to pursuing personal interests (Fisher, Ury & Patton, 1991; Tjosvold, 1993). Likewise, individuals are less likely to perceive stressors as threatening and to experience strain when they demonstrate a sense of commitment (Maddi, 2002). Finally, superordinate, or shared, overarching, goals have been found to diminish felt conflict even when the actual conflict conditions remain (Hunger & Stern, 1976). As a result, individuals are more likely to engage in dispassionate, productive competition or to shift to a collaborative approach when they are focused on a superordinate, shared goal. Indeed, competitive behaviors may be required in these conditions (Bass & Riggio, 2006, p. 69).

Negative collaboration is fundamentally different from negative competition in that it is characterized by cooperative efforts that ultimately interfere with the ability of the organization or group to accomplish mutually agreed upon performance objectives in ethically appropriate ways. This could include both intentionally negative collaborative efforts such as sabotage, as well as unintentional efforts such as group think or escalation of commitment (Staw, 1976). Once again, however, the issue at stake is the extent to which the approach to conflict promotes or detracts from the pursuit of a shared, superordinate, and ethical goal. This is consistent with the research related to superordinate or shared goals and conflict resolution and leadership (Bass & Riggio, 2006; Hunger & Stern, 1976; Litterer, 1966; Sherif, 1958). However, the impact of superordinate goals on conflict resolution is dependent upon participants' commitment to these goals as the existence of a superordinate goal does not in and of itself lead to positive outcomes in conflict, particularly when the goal is introduced primarily as a means to resolve the conflict.

In summary, we propose that conflict can be categorized within organizations in relation to HR systems based on two axes. The first is the extent to which those engaged in conflict utilize competition as opposed to collaboration. The second is the extent to which individuals or groups are committed to pursuing mutually agreed upon and ethical superordinate organizational objectives as opposed to personal or group agendas that detract from achieving such goals (See FIGURE 1). It is worth noting, however, that even when such commitment exists there may still exist the potential for groupthink to occur (Johnson & Lewicki, 1969). As identified in Figure 1, we propose that HR systems that influence and that are influenced by shared objectives have better organizational performance outcomes than those HR systems that influence and that are influenced by individual personal goals and agendas; regardless of conflict type.

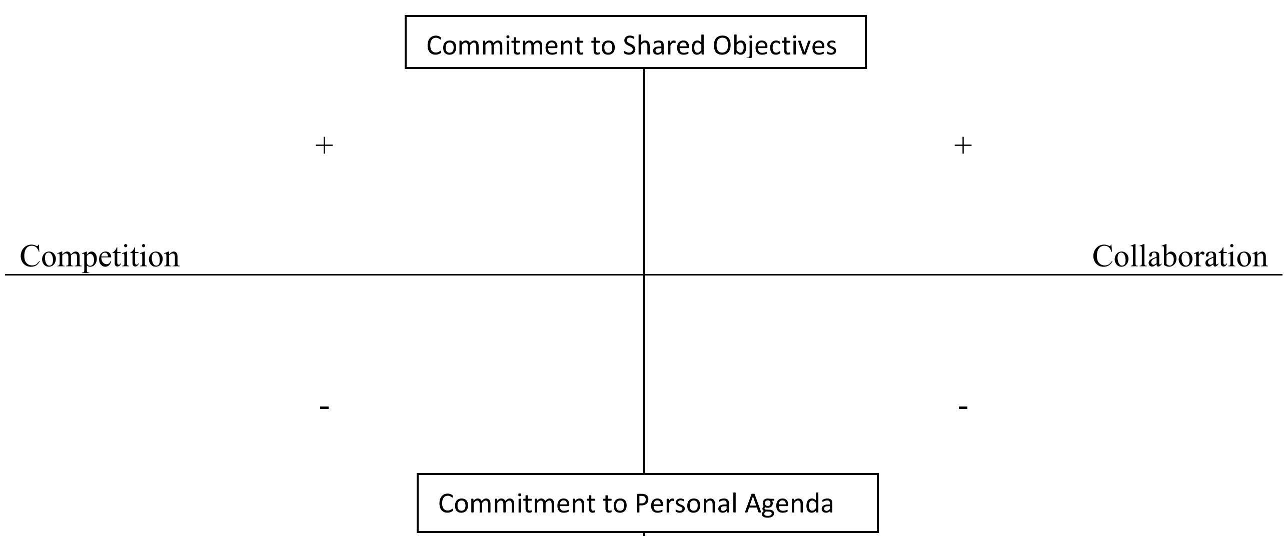

FIGURE 1 CONFLICT AND COMMITMENT

COMPENSATION AND CONFLICT OR COLLABORATION

We begin our investigation of the relationship between HR systems and conflict/collaboration by examining the controversial (and potentially unintended) consequences of compensation. Our theory building follows a systematic process. First, we offer a brief description of the HR function. Then, we examine how either the content/design or the process/delivery/execution of the HR function impacts one or more of the following: goal interdependence, justice theory and principles of fairness, economics and scarcity, and power. Leveraging arguments that either posit collaboration or competition along with an identification with either an individual or shared goal, we situate the specific HR function or practice within a given quadrant that speaks to firm performance.

Compensation's influence over organizational performance is debatable with conflicting research suggesting everything from strong to weak to deleterious and negative to non-existent effects of compensation policies on organizational performance or firm financial performance (Carlson, Upton & Seaman, 2006; Collins & Clark, 2003; Deci, Koestner & Ryan, 1999; Gerhart & Milkovich, 1990; Gomez-Mejia, 1992; Kim & Gong, 2009; Lawler, 1981; Miner, 1980). Here, we possibly inform some of these contradictions through a nuanced view of compensation systems and the delivery of those systems in building a collaboration or conflict orientation within an organization.

Piecework

Piecework, a system that pays employees according to the number of units they produce, is among the simplest, and oldest, variants of compensation systems. Remarkably, while its overall use is declining, the piecework system is still in relatively high use today (e.g., Lincoln Electric's use of piecework as described in Siegel & Larson, 2009). Piecework is often practiced or executed along two lines—straight piecework as mentioned above or piecework that involves base pay plus pay for number of units produced above a given standard. The theoretical rationale or content embedded within piecework is a significant lack of trust between management and leadership and its labor force. Specifically, the theoretical content of piecework is anchored on an assumption that employees will perform at a level below capabilities. It suggests without a quantity incentive goal, employees will loaf and under-produce (Lazear, 2000). Moving beyond content, the process or execution of piecework also signals a lack of value for teamwork and collaboration especially if straight piecework or a Taylor-like plan paying differential rates for higher production are employed (Taylor, 1914). Another way of examining this last imperative is that piecework tends to favor and positively affect the individual as opposed to the collaborative tendencies of a team.

As a consequence and referring back to our theoretical rationale, it appears that piecework is a low *trust* activity with low *goal interdependence*, which impacts more heavily self-interested goals as opposed to team or superordinate goals. Thus, we suggest that piecework is a negative driver of organizational performance since it drives competition anchored on low goal interdependence and low trust with the domination of a personal agenda. Ironically, some arguments could also be made toward negative collaboration in regards to piecework. In particular, there is some evidence that piecework could, indeed, lead to collaboration, but collaboration based on individual agendas—not that of a superordinate goal. Specifically, workers may collaborate to restrict and dampen output to keep standards artificially low (Lawler, 1981). In other words, high performers may succumb to peer-pressure and social *power* to restrict production, even though producing more is in their best interest. Interestingly, this dysfunctional collaboration to "game" the system and to make it easier to "hit" targets may result in subdued or latent conflict. Remarkably, a type of dissonance could occur where the individual subjugates a personal agenda that could pay himself more to a negative collaboration where he is paid less, but the "team" is paid more. This of course, could also result in feelings of *unfairness* at the intra and interpersonal levels.

In either scenario, though, collaboration or competition is rooted in personal agendas—not an organizational or superordinate goal. Thus, piecework likely exerts downward pressures on firm or organizational performance through its role in building conflict and cooperation that hurt, not help, organizational priorities. Generally, piecework's negative impact on goal interdependence, fairness along with creating power differentials suggest that piecework cannot positively impact collaboration, conflict, and, as such, organizational performance.

Commission

Popular in a variety of industries, this variant of compensation tends almost exclusively to be linked with sales professionals. Indeed, sales commission remains the dominant logic in such industries as pharmaceuticals, stock and financial services, and employee and executive placement/talent. Clearly, with the adoption of sales commission by so many firms in a variety of industries suggests high efficacy and promise. However, sales commission, as a practice, often fails to deliver as predicted and is a focal point of derision and consternation by employees and managers alike (Gomez-Mejia & Balkin, 1992).

Like piecework, sales commission, in its purest form, is remarkably simple. Sales commission pay systems involve paying individuals a certain amount of money based on the level of sales she achieves. Straight commission systems involve no base salary with all compensation based on direct ties to the amount of sales a person can obtain. Hybrid systems involve a base salary with a commission component.

Whether in its straight or hybrid forms, sales commission systems suffer some of the same maladies of piecework, but for different reasons. Typically, commission systems, like piecework, involve little goal interdependence. Where commission systems, however, tend to gravitate towards competition with negative performance outcomes is in the area of justice and fairness arguments. Interestingly, this differs from piecework typically used in manufacturing environments where workers tend to work under the same or similar conditions with equal opportunity to produce. This is often untrue in the sales field or sales situations. Thus, the theoretical content and logic is often pure and should, by extension, produce positive competition or, put differently, competition that positively impacts organizational performance. Namely, pay for performance, on its face, seems commonsensical and infallible in its logic. However, it is in the delivery, the execution, or the unfolding of the process that commission systems divert towards negative competition. We explain below.

There is high likelihood that sales professional and sales teams will resent management not because of the inherent unfairness of sales commission systems, but, rather the unfairness that emerges in the execution and delivery of sales commission plans. Borrowing from the economic literature, economic and opportunity bias suggests that achieving sales are not under the actual control of employees. Specifically, some regions or territories, by their very nature, offer more or richer opportunities. Put differently, it is practically unfeasible to design a sales commission for every possible contingency.

The HR literature seems to reinforce these economic notions. Often used in describing the adequacy or inadequacy of performance evaluation systems, the logic underpinning the phenomena of criterion contamination and criteria deficiency apply to commission systems. For instance, criterion contamination results when factors outside the control of the employee have some bearing on performance. Borrowing and linking from the economic literature just mentioned above, it is conceivable that some sales professionals could get "lucky" and receive a high growth territory while others may get territories that suffer lower rates of growth and higher levels of economic suffering such as higher unemployment and lower wage rates. These forces collide to produce feelings of distributive unfairness, which often results in a line-of-sight relationship with employee dissatisfaction. And, of course, employee dissatisfaction is significantly and meaningfully correlated with product/service quality, turnover, absenteeism, and grievance filing (Batt, 1999). Before turning our attention to criterion deficiency and more nuanced issues of cooperation, it appears that commission systems emphasize competitive, as opposed to collaborative, personal agendas vis-á-vis superordinate goals, produce little goal interdependence, feelings and perceptions of unfairness, particularly, distributive fairness, and invoke feelings of economic inequality and scarcity as some territories or regions are more "target rich" than others.

Taken at its extreme, and where practice can deviate from policy content and intent, is when sales commission systems suffer from criterion deficiencies. Criterion deficiency is when performance standards myopically focus on a few, usually one, criterion such as sales revenue while excluding other important criteria that are usually less quantifiable such as after sales customer service or referrals across units/territories. This myopic focus can create competition between employees and drive a "sell at all costs" mentality. This, in turn, will be to the detriment of positive collaboration, and potentially to organizational welfare at large. For example, this competition could induce unethical behaviors not entirely unlike those found within the financial collapse of 2008 that centered on aggressive, sell-at-all costs, tactics in the mortgage and financial services industries (Baldwin, 2011).

There are two unique notions here that need further exploration. First, note that this type of system may invoke short term positive performance increases based on loose moral/ethical practices. However, the sustainability of these practices is exceedingly suspect as evidenced in the collapse of the mortgage securitization industry. Secondly, and not unlike the notion of piecework mentioned above, there may be some deleterious forms of collaboration that could emerge. Namely, it is conceivable that a type of passive collaboration forms as the "sell-at-all costs" drives unethical behaviors aimed at achieving outcomes via circumventing responsible processes and practices. Clearly and referring back to the financial crisis of 2008, there were enough individuals that benefited in the short term to keep quiet the pervasive unethical behavior that would, ultimately, diminish or destroy some of the largest brokerage and mortgage brokerage firms in the world (i.e., Countrywide, Bear Stearns, Lehman Brothers). Thus, we offer some rationale that commission systems may also invoke a passive collaboration where responsible processes are sacrificed for short term gains.

Either way, commission systems whether in straight or hybrid forms appear to result in unhealthy competition that negatively impact organizational performance. The mediating variables at work here are low goal interdependence, high feelings of unfairness, and feelings of economic inequality and scarcity. Moreover, and not unlike our arguments regarding piecework, collaboration may also arise, but not of the kind or manner that would produce beneficial performance outcomes. Just the opposite, like competition, the collaboration is anchored off highly self-interested personal agendas. Importantly, the mediating variables that the poor competition (or collaboration) that it drives likely exists on multiple levels (interpersonal, between territories, and between employees and management). Thus, we offer some conceptual logic on why commission systems still remain controversial and underperforming when viewed in the aggregate.

Individual Cash/Spot Bonuses

Bonuses, like commission pay systems, are meant to incent and drive behavior with direct links to performance. With a tradition rooted in both expectancy theory (Vroom, 1964) along with principles of operant conditioning and principles of reinforcement (Skinner, 1953), bonuses are highly embedded in the fabric of HR compensation systems. Unlike commission systems, bonuses are a popular incentive or reward across labor functions allowing them to be applied to classes of employees beyond sales professionals. Similarly, bonuses transcend exempt and non-exempt classifications—both labor and all levels of management are typically eligible for bonuses. In addition, bonuses can be found across industries, both nationally and internationally. These forms of incentives are also found in small businesses and entrepreneurial ventures as well as large corporate entities. Indeed, variable pay structures, of which bonuses are a popular variant, are an ever- increasing proportion of compensation (Lemieux, MacLeod & Parent, 2007).

By definition, bonuses are inherently simple. Like commission and piece work, the theoretical and conceptual content of bonuses is straightforward. However, it is the delivery, the process, or the execution of bonuses that fosters a complexity that belies its apparent simplicity. Bonuses are incentive payments that are usually paid above and beyond the base wage. They are typically triggered by high levels of individual performance. Spot bonuses are a variant of bonus plans in which a bonus is administered "on the spot" without a specified payment schedule for unusually good performance. Related to the bonus genre are lump sum merit programs in which employees receive a year end merit payment, which is not added to their base pay. While spot bonuses are not typically tied to formal performance appraisals, year-end bonuses and lump sum merit increases are often tied to rankings of a performance appraisal system.

The process of administering bonuses and similar incentive plans are fraught with complexities that decouple the predicted theoretical outcome from its actual outcome. Said differently, the delivery of incentives to individuals causes multiple levels of the organization to move towards a competitive stance with a deleterious influence on organizational performance. We examine the episodic, unfolding nature of the bonus and incentive process similar to above; we examine this phenomenon through the lenses of goal interdependence, justice and fairness, economics and theories of scarcity, and power. By their very nature, individual bonuses are low on goal interdependence. Accordingly, we spend our conceptual efforts on the other three primary lenses.

The process of bonus administration is troubled by both objective and subjective vagaries. From a more fact-based, objective standpoint, bonuses are meant to vary across individuals based on performance differences. The problem, however, is that the variability of bonuses rarely reflects the true variability in performance. In addition, there is often range restriction in practice, which further complicates the delivery of individual incentives. A scenario in which this may occur is the performance of five sales professionals with the first earning sales figures of $1,000,000 and the fifth earning $985,000. This difference may not be significant nor meaningful. Slicing the bonus payments here to reflect the true variation of performance is complex and may be untenable.

However, it is in the realm of the subjective that bonuses and incentives truly complicate. For instance, supervisors, in completing an employee's performance appraisal, are often the gatekeeper and hold the ultimate decision for bonus and incentive awards (Kite, Katz & Zarzeski, 1997). These supervisors, however, are often biased in their own perceptions. For instance, we know that ingratiation by subordinates works; those that engage in ingratiation behaviors often receive higher performance appraisals and greater benefits (Higgins, Judge & Ferris, 2003). Similarly, impression management and political behaviors have been known to substantially alter and influence decisions (Ferris & Kacmar, 1992; Ferris & King, 1991; Jones & Pittman, 1982). Lastly, empirical research overwhelmingly confirm the active presence of evaluation and perceptual errors such as the halo effect, leniency and recency errors, the prior hypothesis bias, or escalation of commitment (Kondrasuk, 2011).

All of these call into question the efficacy of bonus decisions. As such, the awarding of incentives and bonuses often triggers feelings of procedural and distributive unfairness. Ironically, incentives that are meant to motivate individuals may do more harm and lead to lower levels of motivation across the board. Another way to frame this is that one or two individuals may experience the intended effects of incentives, while the majority may suffer the opposite—a lessening of motivation. Aggregating these arguments, it becomes readily apparent that perceptions of procedural and distributive unfairness and all of its deleterious consequences (i.e., lower satisfaction, lower citizenship behaviors, etc.) contribute to unhealthy competitive feelings and behaviors. These feelings of unfairness probably contribute even more to a feeling of guarding personal agendas. Together, the feelings of injustice coupled with an embrace of a personal agenda beget forms and norms of competition that hurt organizational performance.

Economics and theories of scarcity may also lead to unintended, even opposite, behavioral and performance effects. For instance, one of the theoretical and practical hurdles of incentive systems is to avoid the sentiment that bonuses are an expectation (Bewley, 1999). If and when this expectation and entitlement notion arises at the individual, team, or organizational level, the magnitude of disappointment can be incredibly high when the firm can no longer afford to offer bonus pay outs. In other words, the firm's or organization's ability to pay, not necessarily individual performance, is the prime variable explaining the presence of a bonus. Regardless of performance then, individual bonus pay outs may be more of a function of organizational and industry financial health. Of course, this scenario plays out in various forms on a regular basis—exceptional performers do not receive bonus payouts due to the overall financial condition of the organization in which they work. Indeed, research supports that morale suffers significantly as bonuses vary across time (Abelson, 2001). As a result, theories of economic scarcity dampen the predicted impact of incentives. As opposed to models of abundance, models of scarcity are predicted to drive aggressive, self-serving, and self-preserving behaviors (Pondy, 1967). Put differently, scarce resources contribute to conflict at a variety of levels from inter-personal to conflict among nation-states over scarce resources. Predictably, these forms of self-serving and self-preserving behaviors, like those predicted from the feelings of unfairness, lead to norms of competition that detract from organizational performance.

What is particularly interesting is when bonuses and incentives are threaded through the lens and notion of power and politics. As mentioned in the specification of our model above regarding conflict and competition, power differences are both a cause and consequence of conflict. An intriguing possibility exists when one considers that errors need not be intentional. Rather, ranking results and incentive payouts could result from intentional errors based on power and political forces. Indeed, some economic grounded research on tournament theory suggests that when bonus payouts are particularly large, certain individual and team behaviors result that can be best described as highly aggressive, coalition forming, politically charged, and, even, unethical (Lazear, 1999). This suggests that the higher the incentive, the more egregious the impact on competition and organizational performance. To summarize, higher incentives may cause the formation of political alliances in an attempt to achieve the awarding of large payouts. These political alliances and the eventual identification of a winner and a loser, also a tenet of tournament theory, creates further power differentials within organizations. This type of competition is anchored on a highly personalized agenda. Consequently, organizational performance suffers.

Bonuses, lump sum merit increases, and other incentives possess certain levels of face validity. However, this validity is rooted in the conceptual content and theoretical simplicity embedded in the HR systems. Organizations are not perfect experiments and friction and tensions readily exist. It is these tensions and imperfections that make the delivery or process of this particular form of compensation from delivering predicted results. Remarkably, it is the inverse of the predicted outcomes that usually arises. In particular, the incentives systems detailed here reflect low goal interdependence, high levels of procedural and distributive unfairness, the realities of economic scarcities, and higher power differentials mean that incentives probably contribute to a self-interested competitive mindset throughout the organization that can be best described as resting on personal agendas and political coalitions. Consequently, this type of competition drives lower firm and organizational performance.

Team Based Pay—Straight or Incentive

To this point, our narrative and our corresponding examples have led primarily to conflict and conflict based on a personal, self-interested agenda. A logical question would be to investigate team based pay and incentives to see if collaboration could be achieved along with common allegiance to superordinate goal. After all, if these conditions are met, one would predict positive effects on performance.

Let us begin by examining the notion that self-managed work teams are normatively, by their very nature, good and that they positively impact organizational performance. To begin, autonomous work teams, created to reduce employer-employee conflict, reflect power sharing by management with employees (Lewin, 2001). Most studies conclude that autonomous work teams and employee involvement programs (EIPs) have strong positive effects on productivity and employee attitudes (Cotton, 1993). However, Cotton notes that while "empirical studies or case examples of unsuccessful EIP initiatives are few and far between, this may be due to under-reporting of such and selection bias of researchers." Godard and Delaney (2000) found that high performance work systems heavily grounded in EIP have only weak empirical effects on business performance, and that numerous North American and European case studies reported quite limited life spans and even outright failures of these systems. Consequently, evidence on the efficacy of these programs is actually mixed (Lewin, 2001). EIPs are usually reserved for full-time core employees, not temporary, contract, or contingent employees (Lewin, 2001), so potential for conflict between employee participants and nonparticipants can arise. At a global level then, we assume a nature of social complexity within teams that may make compensation integration, even of so-called simple pay systems, complex and prone to failure. Of course, actual group dynamics and the resulting performance indicators may be influenced by whether group membership was voluntary or involuntary (Jin, 1993).

Using the same four conceptual lenses, we begin with the notion of justice and fairness. Assessing and integrating team performance and teasing out individual contributions within a team is extremely difficult both from a research vantage but also within the practitioner realm of performance evaluation (Bamberger & Levi, 2008). Even peer evaluations are likely to miss actual performance differences within teams. Thus, assessing team performance and teasing out individual contributions within teams is likely to invoke feelings of procedural and distributive unfairness.

If we turn to notions of economics and scarcity, we arrive at classical, well-received, arguments that produce performance dampening conflict. For example, social loafing and free ridership often exist for some of the same reasons mentioned above—social loafers can "hide" better within teams. Since social loafers appropriate a piece of the team based "pie", feelings of scarcity and unfairness increase. Furthermore, if there is no mechanism to effectively identify and weed out social loafers, more individuals are incented to become free riders. What results is a routine, practical phenomenon. Namely, few teammates work harder to support the loafers while trying to maintain appropriate levels of performance. Here, we have a tenuous version of collaboration where the personal agenda of social loafing conflicts with the shared agenda of earning team based payouts.

It is particularly interesting to view team based pay from a goal interdependence and power and politics perspective. On the face, many would believe that teams are the ideal place to house shared goals or objectives. However, even with the presence of "shared" goals, conflict can arise. Especially in diverse teams, inconsistencies between individuals' definitions of problems retard capabilities to integrate others' information with little misunderstanding along with the willingness to do so. In other words, representational gaps make coordination difficult by fostering inherent contradictions in how teammates believe the problem should be solved (Cronin & Weingart, 2007). In turn, this leads them to take actions that contradict or compete with each other. Not surprisingly, functional factions and political alliances can form. At its core, when team members interpret the same information differently and view solutions from a variety of angles, the team is likely to face conflict with goal interdependence unlikely.

Clearly, representational gaps, information processing, and goal conflict stems from differences in knowledge, values, experiences, cultural backgrounds (Hofstede, 1980) and personality (Rokeach, 1979). Because individuals are constrained to perceiving a problem from their own vantage, internal alignment and consistency is often difficult to obtain. Even when pay is attached to high levels of team performance, differences in goal interpretation suggest the movement towards goal conflict as opposed to goal interdependence.

Our conceptual arguments then suppose that team based pay will either result in conflict or a loose collaboration, either of which has at its core houses a self-preservation or self-interest component. Moreover, we highlight how untenable goal interdependence is, even within teams. When feelings of injustice run high, and feelings of economic scarcity are magnified, along with a politically charged environment, competition or negative collaboration is likely to result. In both cases, the current of self-interest or political factions is embedded. As a result, downward pressure is exerted on organizational and firm performance.

Selection

Our conceptual grounding, to date, suggests that compensation, in isolation, contributes to poorer organizational performance largely due to conflict/competition or collaboration anchored on self-interested agendas and personal goals. Perhaps bundling effects (Ichniowski, Shaw & Prennushi, 1997) may arrest this impact or even invert it. Put simply, HR systems may interact to lead to better, not worse, firm financial performance. In entertaining these possibilities, we offer a cursory exploration of the impact of selection, benefits, and leadership.

Part of the theoretic logic behind our compensation arguments was the notion that increased effort needed to be incentivized. However, in the practice and process of delivering compensation policies an unintended consequence often emerges. In the quest for enhanced effort and performance, self-interest, as opposed to a collective interest, also rises. Thus, the question surfaces—can HR systems interact to drive enhanced effort while simultaneously supporting team, as opposed to individual, goals.

Selection is one such place where the effects of compensation policies can be neutered or, even, reversed. There is some precedent into the value of the conscientiousness within HR systems, in general, and selection, in particular. Indeed, the personality trait of conscientiousness is most often correlated with organizational performance (Hurtz & Donovan, 2000) and positive individual and team citizenship behaviors (Taylor, Bedeian & Kluemper, 2011). Hiring conscientious employees would seem to neutralize some of the unethical tendencies and immoral behaviors that some compensation systems may drive especially when they are executed poorly, without boundaries. However, conscientious employees do not necessarily translate into an orientation where a superordinate or collective goal could prevail. Actually, the theoretical correlation would be only a spurious one. Put differently, a conscientious employee may still be highly self-interested but would be more prone to follow a personal agenda within the moral and legal confines of the rules and regulations.

In light of this notion, it is interesting to advance beyond the personality construct of conscientiousness to the economic, personality, and, even, biblical construct of stewardship. Davis and colleagues (1997) draw out marked and meaningful distinctions of steward versus agent behavior. Using the same lenses of goal interdependence, justice and fairness, economic scarcity, and power and trust, we explore how the purposeful and intentional hiring of stewards is an HR lever for collaboration based on a shared goal. As such, we expect to such actions to have a positive affect organizational performance.

There are several themes embedded within the notion of stewards. Intersecting biblical and economic literatures (Davis et al., 1997), stewardship is about managing resources for sustainability. Stewards also tend to favor the collective and shy away from self-serving, agent behavior. Instead, there is an element of stewardship that emphasizes personal sacrifice, so the larger entity can grow and exist long after the steward departs. Related to this point, power tends not to be an individual construct through the lens of the steward. Rather, power is shared among a congregation or group of members. Also threaded throughout the discussion of stewardship is a unique temporal perspective. In particular, stewards tend to view performance over a longer term as compared to agents who are often described as more short sighted in adopting performance views. Linking these descriptions of stewards and stewardship together, we can see that the probability of goal interdependence is greater with more stewards as opposed to fewer as they naturally view collective goals as more important. The very essence of stewards is to subjugate their personal agendas for interdependent, collective goals. Second, we also see how power differences decrease and trust increases with adherence to a stewardship mentality that places the collective power of the organization or congregation above that of the individual. Similarly, stewards are more apt to see economic abundance over time as opposed to economic scarcity. Feeling less threatened by individual preferences of justice and fairness, stewards seem more likely to view justice through a belief system of what is fair, and best for the organization.

As a result of this reasoning, we feel that the hiring of stewards is one of the most impactful HR drivers to secure a collaborative culture with alignment and focus behind superordinate goals. Remember, it is precisely these forces which we predict lead to positive organizational performance. At the very least, the hiring of stewards, while difficult in practice, may neutralize some of the dangerous, unintended, consequences of compensation delivery. At its best, though, it may interact with compensation practices and policies to produce a synergistic uptick in performance. This is because the content of HR compensation practices are often pure and economic in nature. They are so simple that we are often surprised when pay systems often fail to work as predicted. The root of this dysfunction, however, probably rests in the delivery or process of HR compensation practices by agents. It is agents that disrupt the purity of the content and convolute the theoretical intent in its delivery. Thus, stewards may adhere more closely to the conceptual purity and intent of compensation practices and policies. As a result, compensation practices will be more likely to deliver predicted effects.

Benefits

A central theme to our arguments is that HR systems, both coupled and in isolation, should try to influence shared commitment behind a superordinate and collective goal. Seemingly, without this collective or superordinate goal, it is unlikely that any HR function, whether in isolation or bundled/coupled, can positively impact organizational culture and performance. The readiness and willingness for employees to commit to a collective goal orientation is largely predicated on the perception regarding whether senior leaders truly value human resources and human capital. Put differently, employees are more apt to move beyond self-interest and possess a positive organization-based self-esteem when they perceive and witness senior leaders investing time, attention, and resources in its people (Ferris, Brown & Heller, 2009; Pierce, Gardner, Cummings & Dunham, 1989). Basic norms of reciprocity dictate that this commitment will be reciprocated.

A current day exemplar of such a leader-workforce relationship is SAS. Consistently recognized as one of the world's best employers, SAS enjoys superior Human Capital metrics such as voluntary turnover. Arguably, the driver of these Human Capital metrics and world class performance are tied rather tightly to the way this organization embraces and satisfies its talented work force. Of particular note, perception of value seems at least partially explained by how well the organization signals this sentiment to its workforce. Namely, signaling and cues are important as managers and labor assign meaning and interpret whether or not senior leaders and the organization value employee contributions.

While benefits have long received scant, or at most, cursory analysis compared to other HR functions, we question the veracity of such arguments. In particular, benefits have long been viewed, especially by practitioners, as a cost to be managed as opposed to a driver of competitive advantage (Pfeffer, 1996; Wang, He & Mahoney, 2007). Even well received conceptual arguments seem to dismiss the power of employee benefits. For instance, Herzberg's theory of motivation is often brought to bear regarding dialogue on the efficacy of the benefits. Under Herzberg's conceptual umbrella, benefits are seen as a source of dissatisfaction—never a source of satisfaction. Said differently, benefits will never directly lead to employee satisfaction and commitment. Instead, ***not*** having them can only lead to job dissatisfaction and lower employee commitment.

Perhaps the single greatest collective signal or cue senior leaders and an organization can make regarding the value of its Human Capital is through the provision of generous employee benefits. Because benefits are usually equally applied across a workforce, there are relatively few opportunities for perceptions of procedural and distributive unfairness to arise. Rather, we believe that the provision of generous benefits is a visible signal and cue that senior leaders and top organizational leadership values its employees. Research on HR and firm performance would support this inference as firms that invest more in HR tend to exhibit higher performance (Becker & Gerhart, 1996). We suggest that the provision of better than average benefits garners greater commitment to the organization and to the superordinate goals that filter through an organization. This outward manifestation of a valued workforce, we believe, creates less self-interest and adoption of personalized agendas and creates more commitment to collective goals. In organizations where management does not hold reverence for its employees or does not share an employee's first philosophy, employees will more than likely act in their own self-interest and be more prone to manipulate systems to the detriment of the organization.

At the meta and global levels, it would seem that the provision of benefits creates a context in which other HR functions bundle, intersect, and work. When HR functions situate in a benefit context that demonstrates and signals low value for its employees, we would expect the delivery and function of HR systems to drift towards conflict and competition or negative collaboration around a personalized agenda. Conversely, when HR functions and systems situates in a benefit culture and context that signals and cues high regard for its employees and workforce, it is likely that HR function will gravitate toward healthy competition and performance enhancing collaboration based on shared, superordinate goals. As a consequence, the provision of benefits could be viewed not as a cost containment arena, but a source of competitive advantage due to its signaling properties and its direct and indirect influence on the conflict/collaboration operation of other HR functions.

Leadership

Lastly, we examine how organizational leadership behaviors can work along with compensation to achieve a system that fosters a healthy commitment to superordinate goals, and in turn, increased organization performance. In particular, we will examine firm efforts at creating and fostering transformational leadership styles.

Transformational leaders are considered to be those leaders that create some greater outcome from followers than those leaders that merely expect and seek an exchange of inputs for desired outcomes (Burns, 1978). These transformational leaders demonstrate to members of an organization the importance of an organization's goals and objectives and shepherd an alignment of the member's own values with those of the organization (Bass, 1985). The transformational leader accomplishes this goal re-alignment through a combination of earned trust and charismatic behavior (Jung & Avolio, 2000).

The alignment of individual goals with the firm's superordinate goals by the transformational leader goes beyond the "contingent reinforcement" utilized by the transactional leader (Bass, 1985, p. 121). The transactional leader's focus on an exchange of services for rewards does not involve deep commitment between the leader and the follower, and as such, does not create a bond of trust and ties between the employee and the organization (Jung & Avolio, 2000; Podsakoff, MacKenzie, Moorman & Fetter, 1990). The higher level commitment to the organization created by the transformational leader can lead to, in terms of short term measurable results, increased job performance, citizenship, reduced absenteeism, and lower turnover rates (Becker, 1992; Herold, Fedor, Caldwell & Liu, 2008; Maertz, Mosley & Alford, 2002; Mowday, Steers & Porter, 1979). In the long run the creation of a culture of transformational leadership can impact organization change when necessary (Burke, 2002; Herold, Fedor, Caldwell & Liu, 2008; Groves, 2005).

Through the bundling of multiple HR practices, to include compensation, selection, benefits, and leadership behavior, the goals and objectives of organizational members can be aligned with the superordinate goals of the organization (Ichniowski, Shaw & Prennushi, 1997). As a result, this properly aligned integrated system can induce the appropriate use of conflict and collaboration behaviors to direct the organization towards a competitive advantage and greater performance.

CONCLUSION

This manuscript signals the revival of the importance of taxonomies as substantive organizing structures within the HR literature. Given the wide spread recognition and acceptance of the initial taxonomies offered by Arthur (1994), it is surprising additional dialogue regarding alternative taxonomies have not surfaced. This manuscript takes an initial, but important step, in reviving discussion.

As such, we hope that we offer a noteworthy advancement in theory regarding the nature of various HR systems. We propose a new, but most likely, complimentary taxonomy to that of Arthur (1992; 1994). That is to say, while the outcomes of this taxonomy differ from those of Arthur, we see strong parallels between the relationships we propose and those proffered by his works. To explain, if we view compensation as control mechanisms, our theoretical analysis makes it clear that they are mechanisms that may be readily manipulated to result in unintended consequences and detrimental effects on the performance of the organization. In addition, we propose that it is primarily wholesale commitment to superordinate goals or to the overarching objectives of the firm that moderates the relationship between these HR practices and organizational outcomes.

A contribution to theory which we feel is of particular note is that, to the best of our knowledge, we advance only the second HR taxonomy in the literature, and the first in the almost two decades since Arthur's (1992; 1994) control and commitment model. We think, then, that this manuscript has significant implications for academic exploration, but also important considerations regarding HR formulation and implementation for practitioners as well.

Theory building involves creating boundaries (Pedhazur & Schmelkin, 1991). We offer some "greenshoots" of theory building but considerably more explication and model specification is required. For instance, we touch on a precious few HR functions. Clearly, performance evaluation, training and development, and employee discipline are all worthy HR areas that could be more fully explored in the conflict and collaboration context we offer here. Indeed, we see this as an important step in further research.

At the meta-level, we propose theoretical relationships. The next logical step is empirical work to examine the validity of those propositions. This requires hypothesis testing and construct and measure specification similar to that of Arthur's work (1994). Further, all meaningful theory building requires that the constructs be operationalized. In his seminal entry into organizing taxonomies, Arthur operationalized his control and commitment taxonomies through purposefully and intentionally choosing relevant proxies (e.g., scrap rate and turnover as measures of organizational outcomes). We fail to do this here, but hope that both future empirical and theoretical research will advance our theory building to arrive at appropriate proxies that signify cooperation or conflict. Of course, until this is done, empirical hypothesis testing is untenable.

Finally, we suggest the promise and offer the appeal of bundling, but we only do so here in a cursory, exploratory manner. Much more rigor of thought is needed to better understand how different HR functions may interact to influence cooperation or conflict. Future conceptual and empirical research may also wish to investigate how different taxonomies interact to influence organizational culture and performance. For example, scholars may want to consider the impact of bundling and combining HR taxonomies. What, for instance, would occur when control and collaboration taxonomies are combined? How is that different from control and conflict oriented taxonomies and what organizational outcomes does this interaction beget? All of these questions are intriguing and may offer greater understanding behind the HR to competitive advantage relationship.

In conclusion, HR impacts many aspects of an organization to include its culture and its performance. Our theory building here suggests the importance of purposeful and intentional HR design to more directly influence organizational culture. Rather than a haphazard approach to designing and delivering HR systems, we offer some initial conceptual linkages that suggest HR functions and systems can be purposefully designed to produce either conflict oriented or collaborative cultures. Also, we offer a moderating concept and that is of goal theory. HR functions and their conflict or collaborative orientations impact performance differently depending on whether the goal is superordinate or self-interested. Importantly, we call into questions oft maligned HR functions, such as benefits, as a source of competitive advantage. Both practitioners and scholars, alike, should agree that better understanding this phenomenon offers appeal and promise as it can inform the most important of all conceptual and empirical linkages—the link between HR and organizational performance.

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