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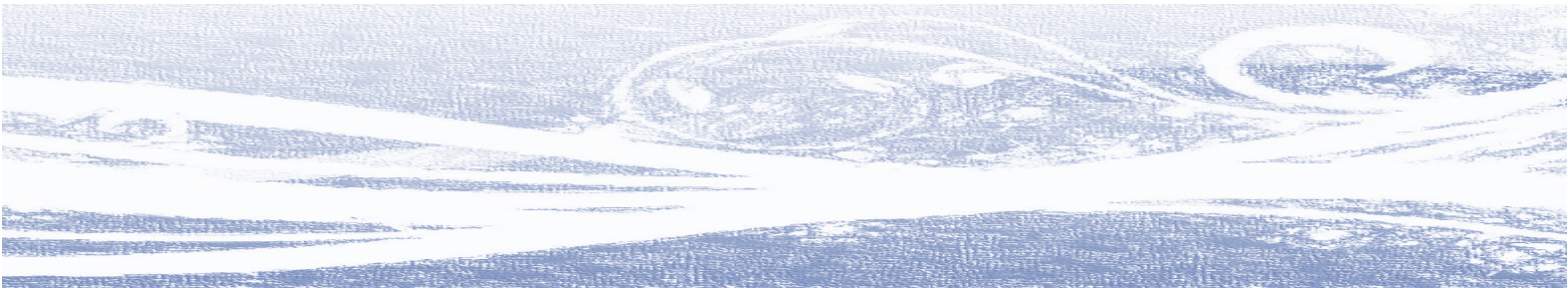
# QRBD

## QUARTERLY REVIEW OF BUSINESS DISCIPLINES

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# QRBD - QUARTERLY REVIEW OF BUSINESS DISCIPLINES

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A JOURNAL OF INTERNATIONAL ACADEMY OF BUSINESS DISCIPLINES

## FROM THE EDITORS

We begin this issue of *Quarterly Review of Business Disciplines*, with the research of Terrence B. Williams, Pace University, on the stimulation of business success by increased innovation through diverse and well-built supply chains. C. Bruce Kavan, Lakshmi C. Goel, and Dana L. Hart, University of North Florida, explore how to infuse or nurture a culture of trust and innovation that supports improved product quality, and speed of service. They conducted an analysis of qualitative and quantitative data during a pilot program with a ten-year follow-up.

The research of Shakil Rahman, Ehsan Ardjmand, and JoAnna Shore, Frostburg State University, investigates the relationship between characteristics and timestamps of posts on Facebook to small business enterprise in Appalachia. Alicia Blanco-González, Francisco Díez-Martín, and Jorge Urosa Sánchez, Rey Juan Carlos University Spain, introduce segmentation variables such as nationality, age, religion, political ideology, or sexuality in relationship to the level of state legitimacy and citizen support in Spain. Our final paper in this issue, written by C. Brian Flynn, University of North Florida, explores the cross-level effects of managerial attitudes on subordinate job satisfaction and turnover intention relationships.

Margaret A. Goralski, *Quinnipiac University*, Editor-in Chief

Kaye McKinzie, *University of Central Arkansas*, Associate Editor

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## **STRATEGIC INCLUSION OF NON-TRADITIONAL MINORITY BUSINESS ENTERPRISES WITH SUPPLY CHAIN ORGANIZATIONS**

Terrence B. Williams, Pace University

### **ABSTRACT**

Diverse and well-built supply chains can stimulate business success by increasing innovation that generates new business opportunities and revenue. The National Minority Diverse Supplier Council (NMDSC) projects a 70 % increase in Minority Business Enterprises (MBEs) by 2045. This poses opportunities to pursue new emerging, diverse business segments through MBE relationships as well as stimulate economic growth in underserved communities. This paper documents some of the strategic opportunities for effectively managing relationships with MBEs to maintain growth. Specifically, integrating corporate and purchasing social responsibility with diversity supplier strategic initiatives. For example, growth in LGBTQI MBEs could bring new means of reaching growing consumer segments. However, there are deficiencies with recognizing uniqueness of MBEs as qualification criteria places emphasis mostly on ethnicity and gender. Also, the process of public social identification could potentially complicate matters for LGBTQI MBEs, mainly stigma placed on disclosure of sexual orientation and gender identification. Drawing on a constructivist view of our nation's social-cultural impediments, this paper advances the need to address cognitive effects that could negatively affect business decision-making which lead to negative, out-group stereotype-like categorizations by enacting inclusive, non-traditional initiatives to progress the practice of corporate and purchasing responsibility.

*Keywords:* Supply Chain Management, Corporate Social Responsibility, Automaticity, Diversity Supplier

### **INTRODUCTION**

A firms' supply chain can generate a plethora of competitive strategic advantages. As purchasing managers liaise with both internal functions and external stakeholders, including suppliers and third parties (Cavinato, 1992; Webster Jr, 1992), they are in an outstanding position to impact a number of strategic business practices (e.g., cross-functional value chain optimization, corporate social responsibility and sustainability). Supplier selection is a fundamental task for purchasing managers as supplier selection research mostly focuses on pinpointing ways to maximize economic outcomes for the firm (Akinc, 1993; Choi & Hartley, 1996; Ellram, 1990; Håkansson & Wootz, 1975; Spekman, 1988; Weber, Current, & Benton, 1991). However, emergence of corporate social responsibility (CSR) calls for a reexamination of supplier selection criteria to include minority business enterprises (MBEs). In particular, as society has progressed, decision-making related to supplier selection has not kept pace (Murphy & Poist, 2002). Also, only a few researchers have addressed development of supply chain management (SCM) and CSR practice and theory. Even less have researched supplier selection from a social and cognitive perspective. And given that purchasing managers are fairly autonomous with making most strategic purchasing decisions (Kraljic, 1983), being socially responsible potentially impacts brand value and the

financial position of their firms (e.g. Carter and Jennings, 2004 introduced purchasing social responsibility (PSR). Specifically, they provide a multidimensional operationalization of PSR that reflects a general focus on CSR principles. However, this view omits detailed accounts for how decision-making autonomy may hinder well-intended CSR efforts. Carter and Rogers (2008) address this gap with their introduction of socially responsible supplier selection (SRSS). They define SRSS as the firm's commitment in selection of suppliers that embrace CSR principles when conducting normal operations. Moreover, they emphasize the increasing importance of addressing decision-making autonomy as SCM efforts continue to advance.

These theoretical approaches suggest that all SCM operations are created equal and don't take into account the constraints social and political pressures place on organizations and operational units. Moreover, they fail to account for a number of socially embedded and cognitive variables that moderate decision-making at the group and individual level that may hinder diversity efforts. This lack of consideration led me to ask the following research questions: (1) What are the primary factors connecting PSR and SRSS frameworks to supplier diversity? (2) Do these factors positively or negatively impact CSR and sustainability and the value of SCM? Specifically, do firms who embrace a system of strategic social awareness within their supply chain management (SSCM) practices attain higher economic performance than firms who concentrate predominately on economic performance?

To answer this paper's research questions, I use conceptual theory building (Meredith, 1993) to develop a framework along with related research propositions. To accomplish this, I summarize each theory and find common and contrasting elements that are worthy of further expansion. According to Wacker (1998), specific predictions are proposed based on the integration of variables related to existing theories using logical deduction which support a conceptual framework. I first examine the general guidelines and principles associated with sustainability and CSR. Next, I review Carter and Jennings (2004) multidimensional operationalization of PSR and Carter and Roger's (2008) research and theoretical model for SSCM. Afterwards, I introduce some contextual rationale surrounding the framework for the business case for diversity and supplier diversity strategies. I then examine some of the social and cognitive factors that moderate decision-making and potentially hinder strategic efforts at the group and individual level. The framework and resulting propositions begin to address the void created by the lack of connecting the theoretical, conceptual and empirical research on PSR and SRSS with the business case for diversity and the social, cognitive factors that affect decision-making at the group and individual level. The research and managerial implications are discussed in the paper's final section where I examine how this approach may affect the practice of reporting LGBTQI suppliers as MBEs as well as others and offer some new approaches to managing relationships with MBEs.

## **THEORETICAL APPROACHES TO SCM**

***Sustainability and Corporate Social Responsibility (CSR).*** Most companies have adopted some form of responsibility related to sustainability issues that deal with environmental, social and economic concerns. However, researchers are not aligned concerning the definition of sustainability and therefore, there is inconsistent application in the extant research. According to Carter and Rogers' (2008) meta-literature review, the most adopted and quoted definition of sustainability comes from the Brundtland Commission (WCED) which posits that its sustainability

efforts should meet the needs of the present without compromising future generations to meeting theirs. This macro-societal definition is difficult to synthesize and apply for organizational purposes. As such, there are some pertinent definitions provided by the related fields of management, operations and engineering which are mentioned in Carter and Rogers' (2008) literature review. Within their management and operations review, organizational sustainability focuses on ecological (e.g. the natural environment) sustainability, implicitly recognizing social and economic responsibilities. This approach addresses the societal pressure to reduce long-term concerns over natural resource depletion, energy consumption, product integrity and pollution and waste management (Shrivastava, 1995). The definitions found mostly in the engineering literature appear to more explicitly address areas of accountability that go beyond natural resources and product integrity. They define sustainability as balance among economic development, environmental stewardship and social equity (Sikdar, 2003). Furthermore, they include economic stability and social equilibrium to their definition (Gończ, Skirke, Kleizen, & Barber, 2007). Although there are several definitions of sustainability, most incorporate the integration of environmental and economic concerns with that of social and environmental issues.

Early definitions of CSR include Davis (1960), who defined CSR as engaging in decisions and actions that go beyond the firm's direct economic or ethical intent. Friedman (2007), added that it was the social responsibility of a business was to generate wealth for its shareholders. Then Carroll (1979), defined CSR as a social responsibility which encompasses the economic, legal, ethical, and discretionary expectancies society has of establishments at a given point. Now known as the triple bottom line which posits that organizations strive for economic, environmental and social balance from a micro-economic standpoint (Elkington, 1998). Therefore, its activities should not only positively affect its natural environment and society, but also provide long-term economic benefits for the organization while forming a competitive advantage for the firm. Regarding operational definitions of CSR, I find that Lambert et al. (2006, p. 368) is one that best suits this research. They suggest that CSR is "the integration of key business processes from end-user through original suppliers, that provides products, services and information add value for customers and other stakeholders."

At the organizational level, the primary goals of CSR should be transparent, strategic elements that support long-term achievement of the organization's social, environmental and economic goals (Porter, 1995). At the functional SCM unit or group level, execution of these goals should include cross-functional coordination of business processes for improving performance through its supply chains within the broader context of the firm's overall strategic and financial objectives. At the individual level, employees should have a clear understanding of the organization's overall objectives related to CSR and have a personal connection and commitment to carry out those goals (Ashforth & Mael, 1989). There are challenges to implementing sustainability and CSR strategies. For example, companies may be quick to pursue low-hanging fruit while others may find it harder and harder to maintain long-term commitments to this strategy (Gray, Owen, & Maunders, 1988). Also, gaining internal and external buy-in requires organization's to be transparent and Hart (1995) suggests communities and external stakeholders are expecting that corporate practices be more visible and transparent. Therefore, companies may face greater public scrutiny for their failures especially given the speed of social media. In this regard, the world is truly flat (Friedman, 2005). Transparency includes not only reporting to external stakeholders, but actively engaging internal stakeholders for their buy-in as well. For example, Nike regularly audits their supply chain

organizations which include its contracted factories. Given their past CSR challenges, they now seek to promote greater transparency through collaboration and reinforcement of commitment to the triple bottom line. It may be simpler for a company to make the commitment to operate transparently, however, as I discuss later, not easily achieved.

An organization's sustainability initiatives and its corporate strategy must be strategically interlinked, (Shrivastava, 1995a). True sustainability and CSR occurs at the juncture where all three areas (e.g., environmental, social, and economic) adjoin and includes explicit and comprehensive social, environmental and economic goals for developing a long-term strategic vision for CSR objectives (Carter & Rogers, 2008). As previously mentioned, the social aspects of CSR include a broad set of supply chain activities and when strategically adjoined with an organization's long-term economic objectives, the inclusion of SCM activities can generate long-lasting benefits, including several competitive advantages (Porter, 1995). In their study, Collins and Porras (1994) found that profit maximization is not the driving force of visionary organizations, instead, successful firms had strong core values and cultures that were focused on goals beyond the economic bottom line. Carter and Jennings (2004) provide additional support for the role of corporate culture in sustainability. They found a significant correlation between environmentally SCM activities when paired with an organizational culture. Similarly, Bask and Kuula (2011) reported that Nokia reduced their costs for package materials by 60% or a reduction of 100,000 tons of paper. Others found similar results (Asgary & Li, 2016; Einstein, 2016) when effectively coupling SCM and CSR activities which leads to the following proposition: P<sub>1</sub>: Organizations that strategically incorporate and leverage all three components of the triple bottom line will achieve higher financial performance over time than firms that pursue only one or two.

***Purchasing Social Responsibility (PSR).*** Carter and Jennings (2004) introduced Purchasing Social Responsibility (PSR) as a way of explaining the overlap between SCM and CSR. Supply chain managers are responsible for the selection and management of suppliers to ensure that purchases are socially responsible, have a diverse supply base and that suppliers are managing their suppliers in a socially responsible manner. They posit that PSR is a multidimensional construct involving environmental activities relating to diversity, human rights, safety and philanthropy. They also confirmed the impact that leadership has PSR, for example, supply chain managers influence PSR by hiring employees with compatible individual value systems to oversee SCM initiatives while also facing external pressures from stakeholders regarding CSR activities. They also suggest that there is a need for additional empirical research to more closely examine barriers to PSR. Specifically, how purchasing managers overcome the inevitable barriers with implementing and maintaining PSR activities at the unit or group level. They also mention diversity issues within the SCM literature and found that it mostly centered upon selection and purchasing from MBEs (Carter, Auskalnis, & Ketchum, 1999; Dollinger,ENZ, & Daily, 1991) that required top management support and policies were needed to ensure that inclusion of MBEs was a priority for SCMs. Additionally, they cite that Krause, Ragau, and Hughley (1999) provide a secondary strategy for firms to consider that concerned leveraging MBEs for growing customers. As minorities represent a growth market for many consumer organizations, organizations can market their commitment to selecting and working with MBEs as positive CSR. Unfortunately, PSR has not evolved much since the publishing this article in 2004.

***Sustainable Supply Chain Management (SSCM).*** SCM defined by Matsuno et al. (2002) is the

systemic, strategic synchronization of traditional business functions and the procedures across business functions within a particular company and across businesses within the supply chain to improve the long-term performance of individual companies as well as the supply chain as a whole. As previously stated, SCM activities overlap CSR in many ways, specifically involving the achievement of an organization's social, environmental, and economic goals. To increase the potential for improving the long-term economic performance of an organization through its supply chains, Carter and Rogers (2008) introduced the concept of sustainable supply chain management (SSCM), and they strategically link to four supporting facets of sustainability: – risk management; transparency; strategy and culture. They suggest that this approach must be linked with the organization's economic goals and operationalized by the SCM team. Like Carter and Jennings's PSR (2002), organizational culture plays a critical role in its implementation and execution. As I discuss later, social interactions and relationships influence how supply chain employees behave within the organization.

Though these approaches directly link SCM activities to sustainability and CSR at the organizational and functional levels, neither of them take into account the variation of behavior which may occur because of the autonomy SCM's possess. Carter and Jennings (2004) discuss how compatible values with socially responsible actions will be mediated where relationship exists and an individual's values can have a significant and positive influence on PSR. They further suggest that no direct relationships exist between employee values and PSR and that programs can be established regardless of employee values. However, they affirm that employee values play a pivotal role when employees initiate actions on their own or chose to develop or manage a PSR effort. Brammer et al (2012) found that the most interesting developments in CSR are concerning collective forms of self-regulation and may require greater understanding of what occurs within firms and how group norms and how regulatory standards become either secured within the organization or changed, avoided or subverted. Crane & Ruebottom (2011) suggest that symbolic predispositions are strong motivators more likely to bring group cohesion and according to Wolfe and Putler (2002, p. 68) are acquired relatively early in life. SCMs are likely to self-regulate when there is strong cohesion with from different groups which promotes positive intergroup attitudes (Hewstone, 2015). This leads to my second proposition: P<sub>2</sub>: Sustainability and CSR initiatives will not succeed in organizations that have cultures with weak group cohesion.

## **SUPPLIER DIVERSITY**

Thus far, I have explored two strategic approaches that link SCM to sustainability and CSR at the organizational levels. Most organizations have some initiative to strategically select and manage MBEs and is associated with their business case for diversity. Organizational commitment to diversity initiatives are positively correlated with meeting customer needs, understand the marketplace and improving the outcome of products and services (Cox, 1994; Cox & Beale, 1997; Hubbard, 2004; Richard, 2000). When organizations take advantage of diverse perspectives, it avails a greater array of human resources to problem resolution and fulfill workforce needs (Cox, 2001). These advantages are further explained in Watson, Kumar, and Michaelsen (1993) findings indicating that there are tangential benefits derived from the interactions and performance of culturally heterogeneous versus homogeneous groups. Because of these alleged advantages, researchers continue to explore linkages between strategic diversity efforts and firm performance (Dwyer, Richard, & Shepherd, 1998; O'Reilly, Williams, & Barsade, 1998; O'Reilly, Caldwell, &

Barnett, 1989; Pelled, 1996; Pelled, Eisenhardt, & Xin, 1999; Thomas, 1993; Tsui, Egan, & O'Reilly, 1992; Tsui & O'Reilly, 1989). Yet, very few empirical studies find evidence to uphold the validity of these advantages (Antun, Strick, & Thomas, 2007; Casado & Dereshiwsky, 2007; Christiansen & Just, 2012; Elsass, 1997; Hoffman & Stallworth, 2008; Madera, Kapoor, Kapoor, & Madera, 2011; Magnini, 2009; Meirovich, 2010a; Milliken & Martins, 1996; Richard & Shelor, 2002; Sacco & Schmitt, 2005; Selmer & Luring, 2012; Siebers, 2009b; Syed & Kramar, 2009a). Some pundits argue that the process of pursuing diversity as a competitive strategy incurs significant costs (Jehn, Northcraft, & Neale, 1999; Pelled, 1996; Pelled et al., 1999). Others suggest that it causes disruptions that are difficult to manage. For instance, Skerry (2002), points out that diversity is linked with conflict, especially emotional conflict among co-workers. Tsui et al. (1992) concur, suggesting that diversity initiatives can diminish group cohesiveness and result in increased employee absenteeism and turnover. For these reasons, skeptics still question the real impact of diversity to an organization's bottom line.

Supplier diversity has become an increasingly important component of SCM and is explicitly linked to sustainability and CSR (Carter and Jennings, 2004). Supplier diversity involves procuring goods and services from businesses owned and operated by certified minority groups (Adobor & McMullen, 2007). There are traditionally three categories of diverse suppliers: Minority Business Enterprises (MBEs), Women Business Enterprises (WBEs), and Disabled Veteran Business Enterprises (DVBES). According to the National Minority Diverse Supplier Council's (NMDSC) 2015 annual report, MBEs are responsible for generating 400 billion in annual sales and employs over two million employees. SCMs have become more attune to the potential economic benefits of inclusion of MBEs as vendors (Teague & Hannon, 2005). MBEs are the fastest growing business segment in the US economy (Caminiti, 2006) and the NMDSC projects a 70% increase in MBEs by 2045. This poses opportunities to pursue new emerging, diverse business segments through MBE relationships as well as stimulating economic growth in underserved business communities. Diversifying one's supplier base, however, will merit no competitive advantages unless there is a comprehensive strategy in place to successfully impact firm performance in sustainable ways. Since the majority of minority suppliers tend to be small businesses (one to ten million in annual revenues), they are at a disadvantage compared to their large corporate partners. Supplier diversity relationships are also competitively structured with economic imperatives, therefore MBEs must deliver on expectations and increase capabilities to maintain their competitive advantage (Hamel & Prahalad, 1990). Alternatively, Porter (1980) suggests competitive advantages can occur as a result of the relationship if the outcome is something rivals cannot duplicate and that the ability to leverage supplier relationships can contribute to a firm's financial performance when firms integrate well-articulated supplier diversity goals into their overall organizational performance goals.

Through organizational commitment to sustainability and CSR, supplier diversity strategies as described are certainly possible, however, there are challenges persuading SCMs to select MBEs over their usual network of vendors. In some cases, top management are given incentives to work with MBEs through pay for performance systems that reward them when they achieve their diversity supplier goals. There are also consequences to this approach. If goals aren't met, the negative backlash can affect the legitimacy of the effort (Tversky & Kahneman, 1992). Also, Teague and Hannon (2005) suggest that supplier diversity and procurement goals may be in conflict with each other. Supplier diversity efforts broaden the supplier base while procurement

reduces it. Ultimately, these conflicting aims will have to be harmonized through clearly articulated shared goals and effective cross-functional integration strategies. This leads to the next proposition: P<sub>3</sub>: Supplier diversity relationships will positively contribute to a firm's financial performance when firms integrate well-articulated supplier diversity goals into their organizational CSR goals.

### PURCHASING DECISION MAKING BIAS

***Social Identity Theory (SIT)***. SCM, like any other business area, is susceptible to human error. Sustainability and CSR at the organizational and unit and group levels provide direction for staff to follow and execute. However, situations are powerful influencers and account for the variation of behavior which can challenge SCMs given the amount of autonomy they possess. As previously mentioned, Carter and Jennings (2004) found that employee values play a pivotal role when they decide to initiate actions on their own, or when employees are chosen to develop or manage a PSR effort. According to Social Identity Theory (SIT) (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987), people are inclined to group themselves and others into various social classifications influenced by the social environment relative to organizational memberships, gender, ethnic and age cohorts (Tajfel & Turner, 2004). Categories are typified by prototypical characteristics abstracted from the members, which provide the individual with an organized means of defining others. As suggested by literature on stereotypes, though a person assigns prototypical characteristics, these assignments are not reliable (Hamilton & Hamilton, 1981). Social classification processes assist individuals with defining him or herself in their present social environment. According to SIT, the concept of *self* is comprised of a personal identity combining idiosyncratic characteristics (e.g., physical attributes, capabilities, social and psychological traits) and a social identity that which encompasses salient group categorizations. Social identification, therefore, concerns the perception of belongingness to some aggregate of human descriptors. For example, a man may define himself by the groups he classifies himself with such as *I am Guyanese* or *I am a gay man*. He then perceives himself as an actor or symbolic member of these groups and distinguishes the purpose of these groups as his own. Therefore, social identification provides important cues to answering the question of *Who am I?* (Stryker & Serpe, 1982; Turner, 1982). However, social identification is not to be construed as an all-or-none construct as there are many social categories and hierarchies to which an individual identifies with and each category can also be defined as a matter of degree. Further, such identities are viewed positively as one vests more of their identities into valued personas (Adler & Adler, 1987).

SIT and group identification are essentially one in the same (Tolman, 1943) as social and group identification can be used interchangeably. Group identification relevant to this paper covers four main points. First, identification is regarded as a perceptual and cognitive construct, not associated with any particular behaviors or emotional states. Individuals need only to perceive themselves as psychologically belonging to the group and behaviors are viewed as potential antecedents or consequences of membership or loyalty (Foote, 1951). Second, group identification includes how members personally experience successes and failures of the group, which involves loss or suffering and even expected failure (Gammons, 1986). Third, social identification refers to oneself in terms of social categorization (*I am*) whereas group identification refers to the interest in a group's values, attitudes and beliefs (*I believe*); however, individuals do not have to always embrace or accept those values and attitudes. For example, a person can work for a company and

yet disagree with many of its philosophies (Mintzberg, 1983). Finally, group identification is analogous with a person or role (e.g., father, reverend) as people define themselves in terms of social reference, referred to as classical identification (Kelman, 1961) where people have the desire to emulate or gain the abilities of another or others.

The roles people occupy within an organization may provide cues as to the question: *Who am I?* As previously mentioned, organizational or group identification is a form of SIT and thus, to the extent the organization embodies the perceived proto-typical assignments of its members, it may support the basis for fulfillment of motives for the individual to enhance their self-esteem (Tajfel, 1982). When individuals are able to strongly identify themselves with their group or organization, it initiates a process where the goals of the organization and the individual are increasingly integrated and these shared characteristics are construed as loyalty and solidarity. A problem synonymous with this alignment is the recurrent confusion between organizational identification and organizational commitment as some researchers compare identification with commitment, while others view them as separate variables. According to the authors of the Organizational Commitment Questionnaire (OCO) (Mowday, Steers, & Porter, 1979), the most frequently used measure of commitment defines organizational commitment as the individual's identification and involvement in a particular organization characterized by: (1) belief and acceptance of the goals and values of the organization; (2) inclination to work tirelessly on behalf of the organization; and (3) a strong desire to maintain their membership. Although identification here is organization-specific, internalization and commitment may not be exclusive to an organization but to the shared goals and values of that organization. Thus, an individual can be committed, not because he or she perceives a shared purpose with the organization, but because the organization is satisfying a financial need at the moment she is taking advantage of a benefit the organization values (e.g., training and development). If another organization offers this and other added benefits, she could perceivably switch without sacrificing her goals.

Also, as previously mentioned, group coherence and cohesion is needed to successfully carry out strategy at all levels of the organization. Research on group processes are typically categorized in three dimensions: social integration; communication; and conflict, as these constructs are most widely referenced as variables that mediate group or organizational performance. For example, Cox, Lobel, and McLeod (1991, p. 828) found that “differences in cultural norms and values among ethnic groups in the United States will manifest themselves in different work-related behaviors....Asians, Hispanics and Blacks have roots in nations with collectivist tradition, whereas Anglos have roots in the Euro-Anglo tradition of individualism.” Research in this area is a critical link to clarifying under what circumstances heterogeneous teams are the most effective or cohesive. There are some positive effects of social category diversity related to generating more creative alternatives than homogeneous groups (Watson et al., 1993) as ethnic backgrounds of the group members contribute to the hyper-dynamics of group behavior, leading to task conflict, which was found to be helpful in improving performance and cognitive tasks (Jehn, Northcraft, & Neale, 1997) as well as identifying social similarities. For example, Keck and Tushman (1993) found that heterogeneous top management teams, though slower to generate ideas, were able to respond to environmental shifts more effectively than homogenous ones over time. This effect is even more dynamic when paired with functional diversity, (e.g. specific emphasis on professional background) as this generates task conflict, which eventually leads to improved performance. Two other group cohesion effects that are worthy of mentioning are Social Dominance Orientation



(SDO) and Right Wing Authoritarianism (RWA). SDO is a competitive-driven motivation situated around group-based dominance and supports the inclination to socially dominate inferior groups (Pratto et al., 1994). Those with a high SDO tend to view the world as a competitive place where only the toughest survive (Duckitt et al., 2002).

RWA is a threat-driven motivation supported by collective group security and social cohesion where individuals tend to submit to authorities and observe established social conventions (Altemeyer, 1998). From a social constructivist viewpoint, those in socially dominate positions have been acculturated to play that role according to SIT. The same for those who are less dominate roles. What situations trigger these anti-social behaviors varies for groups and individuals. This is a concern for SCM because of the conflict this can cause a unit or organization. For example, there could collective efforts to maintain status quo because of a fear of change or loss of control. Adversely, aggressively driving too much change may place the organization at risk as well.

**Automaticity.** I have illustrated thus far that there are a number of social concerns that hinder the success of implementing SCM diversity strategy at the group and individual levels. I now contend that many of these hindrances are conceived and contrived at the individual level as volitions and are automatic. Social psychologists have studied priming effects on an individual's subsequent impressions of others and have shown how our use of stereotyping carries over time and exerts unintended, passive influence of the interpretation of our behavior (Bargh, 1994; Bargh, Chen, & Burrows, 1996). Priming refers to an incidental activation of known social structures, such as stereotypes, that are influenced by the current situation and where the individual actor is unaware that they are judging others. Bargh's (1994) research has shown that attitudes are triggered automatically by the mere presence of relevant objects and events as unmediated psychological effects in the environment. Several theorists refer to this as a situational context which suggests that situations are extremely powerful influences on individual behavior. Lewin's (1943) psychological situation consists of the individual's immediate reactions to what they believe to be the objective, external situation. Mischel (1973) developed a social-cognitive model suggesting that an individual can exhibit a multitude of immediate reactions towards a person or event, that include: (1) subjective construal of what was happening; (2) expectancies for what happens next; (3) emotional reactions based on similar situations from the past; and (4) the behavioral response based on past experiences.

Stereotype priming effects have immediate impact and are consistent with the stereotype. For instance, when subjects are primed with elderly words or symbols (e.g., retirement, AARP) while completing a simple task would be observed physically walking slower when leaving the experiment than the control group without the prime. In other studies, when subjects were primed with African American faces they were more hostile toward experimenters. These stereotypes are automatically activated in the presence of stimuli (e.g., the presence of physical features associated a group) that affect self-perception and emotions (Bargh & Tota, 1988) and are then categorized consistent with the stereotype relevant to personality traits (Carlston & Skowronski, 1994) and then a reaction consistent with the dispositional attributes of the actor's salient personality (Gilbert, 1989). All of this has been shown to occur automatically and within milliseconds.

Researchers have examined the underlying neural mechanisms that are active when these stereotypical judgments are made. Researchers Selfridge (1959), and McClelland and Rumelhart

(1981), have successfully used words for testing partial consciousness at several levels (e.g., visual components, letters, and whole word) and have also tested the fusiform gyrus region or Visual Word Form Area (VWFA) which is responsible for our ability to recognize and interpret words. Magnetoencephalography (MEG) experiments aimed at measuring neural sensitivity in the VWFA revealed that that region of the brain acts as a sensory driven gatekeeper to conscious perception and that these neural events occur outside of conscious awareness unless allowed to pass through. Similar studies have been done with facial images and have yielded similar results. These automatic responses produce perceptions and elicit feelings though the individual is not aware of any of it (Herr, 1986); Neuberg, 1988) and while believing that the behavioral decisions they make are made consciously.

SIT and automaticity strongly connect to SCM in the form of group and individual behavior and decision-making. (See Table 1.) There are multiple, socially shared identities that are established by the individual and reinforced within a group or organization (Ashforth & Mael (1989). Group memberships do not require members to do anything other than identify themselves as being a member of a group. Social identification and automaticity are complex moderator variables and create dynamic opportunities and challenges for organizations as one's social and group identity will govern their behavior and decision-making. This can make managing supply chain managers and staff challenging, especially aligning their values and garnering their commitment. Lastly, research on organizational commitment has its challenges as it may be difficult to obtain if an individual is truly committed or just being compliant. This leads to the last of my propositions: P<sub>4</sub>: Success with sustainability and CSR is contingent upon there begin a strong organizational commitment to these goals at the group and individual levels. P<sub>5</sub>: Social identity and automaticity effect decision-making at the group and individual levels.

Table 1. Summary of Research Variables

Independent Variable	Measurements	Illustrative References	Related Proposition
Firm Performance	Gross earnings; earnings per share; profit margin; and liquidity.	Cochran & Wood (1984)	P1
Organizational Commitment to CSR	Individual commitment to sustainability and CSR. Organizational commitment on three levels (e.g., work group, supervisor, and top management).	Mowday, Steers, & Porter (1979); Becker (1992)	P4
Organizational Commitment to Supplier Diversity	Sees supplier diversity as a dimension of PSR.	Carter (2004)	P3
Group Cohesion	Group cohesiveness, leader initiating structure, leader consideration, and several satisfaction scales.	Dobbins & Zaccaro (1986); Stogdill (1972)	P2

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SDO/RWA	Authoritarian submission, authoritarian aggression, and conventionalism. Attitudes to intergroup relations as well as one's tendency to endorse hierarchy enhancing myths.	Altemeyer (1981); Pratto et al., (1994)	P5
Automaticity	Undetected activation of stereotypes on social behavior.	Bargh, Chen & Burrows (1996)	P5

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## DISCUSSION

***Redefining Successful SCM.*** In order for an organization to successfully leverage diversity suppliers, it will have to be willing to endure the issues mentioned above and others as these represent only a few challenges contained in this work. I define success according to Hackman and Wageman (2005) who use three criteria: (1) the productive output of the group meets or exceeds the performance standards; (2) the social processes used in carrying out the work maintain or enhance the capability of the members who work together on subsequent team tasks; and (3) the group experience satisfies rather than frustrates the personal needs of those group members. These success factors are not all-inclusive but provide a benchmark for firms to consider.

Success starts with SCM's ensuring that diverse suppliers are qualified to meet the acceptable standards of performance set by the organization (e.g., operational specifications). In some cases, intermediary organizations extend their scope beyond minimum acceptable standards and go so far as to provide additional services. A growing number of firms have discovered how to leverage MBE supplier relationships into value-added assets that provide competitive advantages. Even small suppliers are powerful when there are no substitutes for their product. To achieve success, firms must consider diverse suppliers strategic partners. This requires infrastructure of open communication, a willingness to share competencies, expertise, resources and knowledge. One of the challenges facing firms is overcoming the myth that quality or competitiveness is lost when partnering with diverse suppliers. This could be one explanation why diversity supplier efforts have not progressed with other social movements as evidenced by the disproportionate number of contracts awarded to MBEs (Adobor & McMullen, 2007). Therefore, one of the opportunities for SCM leaders is renewing its interest in developing meaningful relationships with MBEs without disrepute.

As previously mentioned, although firms have the best intentions, lack of clear direction and alignment as well as decision-making at the group and individual level can cause firms to deviate from their commitment to this area and to achieving their overall CSR goals. There are some non-traditional approaches that may potentially assist with overcoming these impediments. First, since we know that race and gender are still causes for negative cognitive stereotypes and anti-social issues, categorical expansion of the outdated criteria used for qualifying MBEs beyond ethnicity and gender should be considered. I found that several companies only account for women, minority or disabled veteran business enterprises even though there are others. For example, both CVS and GE regard LGBTQI (Lesbian, Gay, Bi-Sexual, Transgendered, Questioning, and Intersex) business owners as MBEs and don't have a category to capture this segment of diverse suppliers. Why is this significant? Under the value-in-diversity strategy, developing stronger ties with LGBTQI MBEs could expand consumer reach and create new revenue streams. Though there have

been significant reforms pertaining to LGBTQI rights in many states, there continues to be broad gaps regarding how social/cultural influences stigmatize and treat members of the LGBTQI community. According to Meyer (2003), individuals who identify as LGBTQI are not likely to be motivated to publically identify themselves in fear of further disparate treatment. As Mays et al. (1998) report, 60% of the lesbians reported in their study were reluctant to disclose their sexual orientation because they feared negative reactions. Hatzenbuehler (2009) suggests that the effects of this stigma include further social isolation and emotional distress. This calls for a change in MBE categorization to one that does not heavily implicate someone's race, gender or sexual orientation. One that more equally levels the playing field without social disclosure. This could have a tremendous impact on supplier selection practices and deserves to be further examined.

***Resource-Based View of PSR.*** Most large firms are obliged to maintain Affirmative Action Plans (AAP's) which include contracts with MBEs. This fosters fair play and transparency while also enhancing the firm's credibility among key stakeholder groups. As the world becomes more digitally connected, practicing organizational transparency and reporting may assist with maintaining legitimacy and building reputation. Integrating incentives and accountability that clearly align with a firm's sustainability and CSR goals is fundamental for success. Accountability is key. Top management should be held accountable (e.g., both internal and external stakeholders) when these efforts fail to meet the goals of the firm which should be transparent. For example, Apple's supplier website provides a plethora of information regarding their commitment to supplier diversity but they provide no information regarding who among their suppliers are MBEs. Accountability starts with top management and trickles into each functional area of the firm and to the individual resource level. Individuals play a major role in the development and execution of CSR, PSR and other sustainability initiatives. Perhaps SCMs could benefit from understanding their roles from a resource-based view (RBV) perspective (Penrose & Pitelis, 2002; Wernerfelt, 1995). The value from a large network of diverse resources who effectively work together is almost impossible to recreate. The financial benefits from this strategic advantage may be difficult to measure precisely using analytical models and the findings could have a detrimental effect on market prices (Sodhi, 2015).

Firms partner with third-party or intermediary organizations (these could even be MBEs) to identify qualified MBEs. Prospective suppliers must fulfill the minimum criteria to be considered certified which is often more rigorous than most RFP processes. Therefore, there should be less dissonance regarding the level of quality. Internally, diversity supplier programs benefit greatly if there is top leadership supporting the initiative. Some organizations actually assign a champion at the top executive level to support these efforts. This executive would vigorously promote adherence and commitment to these areas through formal and informal networks and even seek external support from important outside constituencies and stakeholders. Regarding supplier diversity programs, this resource would provide transformational leadership and have the ability to integrate all areas of sustainability (e.g. CSR, PSR, diversity supplier and RBV) into clear comprehensive and executable strategies. They must be comfortable as change agents and as Adobor & McMullen (2007) describe, cultural thinker able to get everyone to see and buy-in to big picture.

***PSR Leadership.*** SCM executives with transformational leadership styles may assist organizations with combating the social impediments (e.g., social identity and automaticity) previously

mentioned. Transformational leaders inspire followers towards a higher collective purpose (Burns, 1978) and provide a compelling vision that inspires others to change and stretch their capabilities to reach a higher level of performance. These attributes persist even when challenges arise and are complemented with a deep sense of compassion and self-awareness and emotional intelligence (Goleman, 1995). Fiske & Neuberg (1990) argued that a person could make tough choices and overcome stereotypic influences on behavior if sufficiently motivated to do so. According to Bargh (1989), to control automatic influences requires three things: (1) awareness of the influence; (2) motivation to practice control, and (3) enough capacity to engage controlling the process. Awareness is a critical component to controlling the automatic impulse triggered by speech accent, skin color, gender or age of another person. Schank & Abelson's (1977) script theory argues that the same mental structures used to understand and anticipate the sequence of behavior in social situations also used to generate appropriate responses to them. Thus, automatic social behavior may occur if the behavioral representation that is activated is already associated with that situation by the individual. Lewin's (1943) field theory holds that although you might be able to affect a person's behavior by making some motivations more salient than others, you cannot give the person a motivation that he or she does not already have and make him or her do something for which he or she has no motive base (Cartwright, 1959). Experiments have successfully developed a way to interfere with the automaticity process by creating cognitive load on their subjects after being primed by a stereotype. The more aware a person becomes of these biases, the better equipped they are at managing their effects.

Last, but perhaps most important, is organizational culture which I define as the sum of shared values, norms and beliefs of an organization (Hofstede, 1989). It dictates behaviors at all levels of the organizations and defines how people are treated within and outside of an organization – including suppliers. In order for the business case for diversity to work, there must be a cascaded form of commitment from top leadership. Regarding diversity, this translates into acceptance or inclusion being deeply embedded in how things get done and how people are treated, regardless of their social diversity. For example, the Chairman and CEO Kaiser Permanente Bernard Tyson, ranked among the best companies for diversity in DiversityInc's 2016 survey, explains "It is our collective differences that empower us every day, and enable us to consistently deliver high-quality and affordable health care to our members, customers and communities" (DiversityInc, 2016, p. 23).

## CONCLUSION

In President Obama's farewell address (2017), he posited that "...we cannot withdraw from big global fights — to expand democracy, and human rights, and women's rights, and LGBT rights. No matter how imperfect our efforts..." Some researchers argue that strategic diversity efforts can benefit organizations when properly used and improve performance. While others find it to be harmful to group effectiveness (Brewer, 1979; O'Reilly, 1997). As related earlier, the field research on diversity reveals some less optimistic outcomes concerning its detrimental effects on group functioning as it can lead to increased stereotyping, in-group/out-group effects, dysfunctional group conflict and turnover. SCM operations should consider investment toward building greater awareness within their organization regarding the suggestions presented in this paper to successfully integrate their sustainability, corporate, purchasing social responsibility goals with their commitment to supplier diversity.

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## **CREATING VALUE THROUGH COLLABORATION: A LONGITUDINAL CASE STUDY IN A DEEPLY FUNCTIONALIZED ORGANIZATION**

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### **ABSTRACT**

An important concern for many mature companies that are deeply structured or aligned by functional area is how to infuse or nurture a culture of trust and innovation that supports improved product quality, speed of service and cost. Such organizational structures are antithetical to promoting collaboration across functional boundaries, yet highly efficient within their respective structural domains. The purpose of this paper is to report on one company's efforts to break down functional area barriers in order to stimulate more effective cross functional organizational teaming or collaboration.

The individuals selected for this program were recognized by top management to be opinion leaders within individual functional areas that had the potential to make meaningful future contributions in moving the entire organization forward. The participants had the potential opportunity to be involved with the development, implementation and management of enterprise wide information-based solutions to solve significant company issues.

Analysis of qualitative and quantitative data during the pilot program with ten-year follow-up, yield three logical conclusions: 1) a top-down leadership program can serve as a nucleus for the creation and nurturing of a community of practice (CoP) that not only imbues the participants with appropriate management practices but can also reduce organizational barriers to the flow of information; 2) the knowledge created in the CoP concerning the interdependencies among the functional areas is a valuable business asset in itself; 3) knowledge ties created in the CoP extend beyond the duration of the formal program and persist over time.

*Keywords:* Community of Practice, knowledge networks, innovation, collaboration

### **INTRODUCTION**

An important concern for many mature companies that are deeply structured or aligned by functional area is how to infuse or nurture a culture of trust and innovation that supports improved product quality, speed of service and cost (Scott & Davis, 2015). Functionally segregated organizational structures are antithetical to promoting collaboration across functional boundaries (Davenport, 2013), yet highly efficient within their respective structural domains. The motivation for this paper is to report on one company's efforts to break down the functional

area barriers in order to stimulate more effective cross functional organizational teaming or collaboration.

Our subject company (Company X) is a mature organization that traces its roots back to before the US Civil War (1860-64). Company X is publicly traded and operates in a highly capital intensive industry (over \$30 billion in assets) with approximately 35,000 employees. Due to pressure from industry changes and an ailing infrastructure, it was imperative for Company X to innovate and drastically improve its customer service. To remain competitive, Company X needed to significantly tighten and align functional area goals with overall corporate objectives. Consequently, Company X decided to launch a leadership and management training pilot program that targeted cross-functional collaboration. The pilot program provided an illustrated case of the application of the concepts associated with an intra-organizational community of practice (CoP) that spanned functional areas. The formal training program commenced in early summer of 2006 and lasted nine months with a recent opportunity for a ten-year follow-up. This paper provides detailed information concerning the management development process as well as periodic measurements of group metrics.

Employees were selected to participate in the pilot program from among various functional areas within the company. These individuals were recognized by top management to be opinion leaders within their respective functional areas. Management believed that the individuals chosen for the pilot project had the requisite potential to make meaningful contributions toward moving the entire organization forward. Participants would have the opportunity to be involved with the development, implementation and management of enterprise-wide information-based solutions to solve significant company issues.

In effect, the CoP provided a bridge to connect the individual knowledge networks that existed within discrete functional areas thus enabling improved information flows and broader understanding. As one participant reported - *“intra-organizational barriers within the CoP seemed to have evaporated, and now the exchange of information over the fence has had the effect of destroying the fence. In the end, instead of us identifying ourselves by our functional role, we identified ourselves as a member of a group (community).”*

### **Background: The need for a CoP**

The quest to create value in organizations has its roots in the earliest records of civilization. In more recent decades, value has focused on efficiency (management science, vertical integration, etc.) and, most recently, on effectiveness (virtual organizations, vertical dis-integration or outsourcing, etc.). Vast opportunities have been made possible largely through advances in computing, particularly with respect to computer networks. As companies have progressed from utilizing individual effort to utilizing group effort (through the availability of networks) productive output has increased exponentially (Sytych & Tatarynowicz, 2014). For years we have heard the phrase “... it is not what you know but who you know.” Nowhere is this sentiment more evident than with the rise and abundance of social networks including LinkedIn, Facebook, and Snapchat. Thus, the creation of value is intricately tied to organizational structure (Christensen & Raynor, 2013). Indeed, well-established strategic models, such as Porter’s value

chain, acknowledge the direct impact of organizational structure on value (Porter & Millar, 1985).

The purpose of this paper is to report on one company's efforts to create value through the establishment of a cross-functional leadership training program to instill a better sense of community: a Community of Practice (CoP). Although the company is organized along deeply functional lines with extremely limited cross-functional interaction, some of the most senior executives themselves have been rotated between functional areas, presumably to develop a deeper understanding of potential functional integration and overall organizational optimization. As with many mature industries, the product of Company X has become commoditized, with differentiation based upon price and service. Therefore, there is a substantial need for innovation to improve linkages and processes both internally and externally.

During the period associated with this action research, Company X was engaged in a significant information systems expansion, particularly as it related to the establishment of closed-loop accountability systems. These closed-loop systems emphasized the development of corporate goals, as well as plan creation, execution and monitoring to meet those goals. During the information systems expansion, it was necessary for two of the largest systems to integrate disparate functional operating areas. As the project advanced, it was particularly evident that although team members were experts within their respective functional sphere, there was a significant lack of cross-functional knowledge. Thus, it was the working environment itself that created both the opportunity and the need for cross-functional knowledge sharing.

It was anticipated that this need for inter-departmental expertise would intensify as future projected developmental efforts continued the trend of spanning functional areas. Concurrently, individual functional area goals, objectives and accountabilities were ending. Accountabilities were becoming more integrative and common across the various functional divisions. Thus a higher level of understanding was required to improve awareness of how actions in one functional area affected another functional area as well as the total impact on attainment of company-wide goals. Accountability measurements became more holistic, spanning multiple functional areas. Thus, within the corporate environment, there was a very real opportunity to further develop leadership skills and leverage knowledge stemming from currently existing projects to those in the strategic pipeline. Furthermore, there was a need to more fully develop each CoP member individually, to sharpen their management skills and to provide them with tools and techniques that could be applied in their current job while simultaneously developing greater expertise which could be applied in future projects. These future projects would span functional areas and would require reducing or eliminating functional barriers to provide for the continuous flow and integration of information in support of the company's decision processes. Systems would be developed, managed, and implemented as enterprise-wide information-based solutions. The participants of the CoP involved in these future projects would be viewed as potential ambassadors, or change agents, to exchange ideas and practices across functional areas, bring down departmental boundaries and develop trust.

As such, the CoP management program was intentionally designed to build an environment where participants from among the varied functional departments could come together, build shared understandings, and serve as a nucleus for a knowledge network where participants could

access a repository of expertise to generate greater value for the overall organization (Garavan et al., 2007). This paper demonstrates how one such network was built to allow knowledge and relationships to be developed and leveraged to foster innovation and respond more rapidly to identify and resolve issues. The presence of this network also reduced intra-organizational barriers and frequent adversarial clashes by enabling the free flow of information and knowledge across the network to disparate functional units. We find evidence of how social and structural bonds can be used to refocus participants thought processes from a cost perspective (efficiency) to a company-wide value creation perspective (effectiveness). Through our ten-year follow up study, we demonstrate that these bonds persisted informally, even after the formal program had ended.

To summarize, in terms of the background discussed above, we can characterize the initial state of the company as having 1) well-entrenched functional areas, 2) top-down communication, 3) formal communication between silos, 4) lack of close relationships between IT and business disciplines, 5) IT failures with respect to strategic commitments and 6) political cliques and turf wars.

### **Initiation of the CoP**

Early on in the process of forming the CoP it was evident that the IS function was viewed as a barrier to efficiency in the eyes of other business units. This was problematic since one of the strategic goals of the program was to lay a foundation for cross-functional enterprise systems. To facilitate a top-down approach to the cross-functional management strategy (Wenger & Snyder, 2000), an innovative Executive Sponsor (from a functional area other than IT) created the program and offered it to other functional areas including IT. The first task of the Executive Sponsor was the selection of participants which would be made by identifying “rising stars” across functional areas. Particular emphasis was given to the “pairing” of functional area participants with information systems leaders who could work together on the strategic enterprise systems infrastructure projects. The goal was to imbue the participants with appropriate management practices that would benefit the company by reducing organizational barriers in the development, management, and implementation of enterprise-wide information-based solutions. The initial set of candidates ranged in level from Manager to Assistant Vice President. Participation in the CoP was voluntary, however, participation in the program would fulfill each individual’s annual corporate development training requirement. Ultimately, the candidate selection process was not without issue. For example, a senior Director of Information Systems Development demanded to know how that the participants were selected. Perhaps concerned with “losing control” in his development silo, the demand was made to the program Facilitator rather than the Executive Sponsor. The response to the Director was that “.... *the participants initially represented a cross section of individuals from various business units where these individuals were either working on very similar projects that had significant potential to move the business forward or would be working on such projects in the near term.*”

Likely participants were named by the Executive Sponsor. Potential “fast trackers” or “opinion thought leaders” who were viewed as the future leaders of the business were identified and offered the opportunity to participate in the development program. Unfortunately, the managers of some of those invited, even after helping to identify participants in support of the program,

discouraged their subordinates from participating. This behavior, at more senior levels, reflected the deep divide and the intense rivalry that existed between departments as well as managers' desire to contain informational flows within their own functional area. This resistance due to the extant organizational culture has been documented in prior research (David & Fahley, 2000). Additionally, the Talent Management (Human Resources) Department was not asked to participate in the development program. Rather, they were informed of the project after the fact. Consequently, performance measurement requirements were put in place after the program was initiated. The primary requirement of the Talent Management Department was to obtain both "before" and "after" Company360 performance reviews of the participants along with a measure of group cohesion to use as a benchmark (Armstrong & Taylor, 2014). This again reflected the extreme competitiveness between the functional areas but provided significant data in terms of attaining program objectives that would not otherwise have been available and will be reported upon in this paper.

### **CoP Kickoff**

In order to manage expectations of participants and begin to develop the psychological contract for the program, an information meeting was held with the approximately 33 potential participants invited to attend. The program facilitator and the Executive Sponsor spoke to the assembled group. The Executive Sponsor emphasized the long-term value that the program would create for the company and for the individual participants involved. The Executive Sponsor also stressed the potential for leadership roles for those offered the opportunity to participate. He carried both an Executive Committee message as well as a personal one concerning the need to find ways to better span the organizational silos that existed, particularly with respect to future enterprise wide capabilities.

Participants were asked to consider the time commitment and impact on their current workloads, and balance that with the potential return from such a program. Not only would they receive leadership training, but they would form the foundation of a Community of Practice (CoP), adding value to the organization and to themselves from their contribution to such a knowledge network. The first CoP meeting was scheduled for about a month after the information presentation. During that time, Talent Management (Human Resources) got involved and offered a before and after 360-degree management review against core competencies. For many participants, this would be their first 360-degree review.

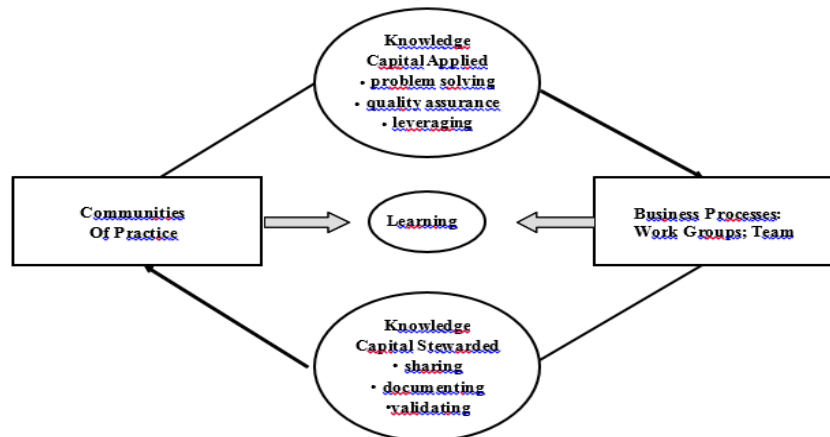
The program facilitator went through a short presentation (the agenda is attached as Table 1 – Agenda of Information Meeting) concerning the key components of the leadership program, the learning style to be utilized, potential outcomes, group governance, and time commitment (primarily every other Friday afternoon from 3 to 5pm for nine months plus advanced preparation in terms of readings). Information presented drew heavily on extant research on best practices of CoPs.

Table 1. Agenda of Information Meeting

Information Meeting Agenda Items	
•	What is a Community of Practice (CoP)
•	The Nature of Knowledge: A Managerial Challenge
•	Why CoP's
•	Why participate
•	Governance
•	Building on team diversity

In defining a CoP, the facilitator relied heavily on Wenger et al. (2002). In this seminal work, Communities of Practice (CoP) were defined as groups of people who share a common concern, a set of problems, or a passion about a topic, and who deepen their knowledge and expertise in the area by interacting on an ongoing basis. These people do not necessarily work together on a day to day basis, but they meet because they find value in their interactions. As they spend more time together, they typically share information, insight, expectations and advice to solve each other's problems. (For a recent comprehensive review of Communities of Practice and Knowledge Management Literature, please see Brayton (2016).) As CoP members accumulate knowledge and become informally bound by the value they find in learning together, they tend to develop enduring ties and trust (King, 2010; Wenger et al. 2002). *“Over time, they develop a unique perspective on their topics as well as a body of common knowledge, practices and approaches. They also develop personal relationships and establish ways of interacting and develop a common sense of identity”* (Wenger et al. 2002, p 5).

Figure 1. CoP Organizational Learning



Wenger et al. (2002)

The relationship between the CoP and organizational learning is represented by (Wenger et al. 2002, p.19) in Figure 1 above. The model represented in Figure 1 was presented at the CoP information meeting where it generated considerable discussion, particularly as it related to tacit vs explicit knowledge located in procedure manuals and systems. What seemed to resonate was the ability to capture organizational memory as to why things were done in a particular manner.

The information session proceeded with a discussion of the managerial challenges represented by knowledge management. Both the executive sponsor and the facilitator viewed the discussion as a positive sign of group interest.

### **Setting CoP Goals**

The information session continued with a discussion of the goals of a Community of Practice. Many authors, including Wenger et al. (2002), summarize the key definitional structural components generally as:

- Connection – discovering others with similar interests/issues although functionally diverse background
- Conversation – engaging in dialogs on inter-organizational basis particularly among individuals where such a dialog might not happen outside of CoP
- Community – building networks around shared themes
- Collaboration – finding new business procedures/practices

### **CoP Process**

The CoP leadership program promoted the aforementioned goals through the sharing of ideas, information, and observations to solidify existing build-team relationships thereby preparing members for new cross-functional projects. CoP principles were accomplished through a study of contemporary management issues (these readings may be found in Appendix A – Contemporary Management Readings) with a facilitated discussion framing “lessons learned” in the context of the company environment; the learning objective was apply and integrate. This learning objective was observed both within the bi-weekly group meetings as well as in the participants’ private learning journal, maintained online. This process improved communication and behaviors among members of different functional areas within the company and generated interactions in a more constructive and channeled manner thereby improving members’ respective perceptions of each other’s functional area. CoP principles demonstrated the value of cross functional team based learning. The value added activity of studying contemporary management issues helped improve the integration of the company’s products and services across more business areas as participant-managers continued to move into newer, more integrated areas of responsibility. Developing a CoP was a way to more fully utilize existing intellectual capital by creating a mechanism for knowledge transfer through best demonstrated practices while maintaining commonality of focus on the core business.

Even though relationships within the company may start as collaborations between or within functional areas, these relationships must be stimulated and nurtured if they are to thrive. These relationships become the basis of a knowledge network of individuals with the right skills, motivation and expertise to foster the continued creation of intellectual capital and, therefore, innovation. Shifting focus to knowledge innovation allows managers to find better answers to new and tougher problems and apply new technologies and processes to “old” problems.

Wenger et al. (2002) indicates that to make the collaborative process work, it is important for participants to know why cooperative relationships might be beneficial to them as an individual.

This is the primary motivator for people to spare time and effort to engage in a rather uncertain and open-ended dialogue that is unlikely to have quick or easily identifiable returns. Equally important in the development of a collaborative relationship is the creation of a relaxed and safe environment in which to take risks, play with new ideas, and have a dialogue. Clearly the socialization process plays an important part here. It is crucial that the participants get to know one another at a personal as well as a business level. This is key to developing the trust required for people to share tentative ideas, speculative insights and intuitive understanding.

In this action research project, as participants applied more of the readings to their individual, unique situations, they learned that their comments were kept confidential by the group. Once the participants felt safe within the group, the dialogues concerning application and integration to the company environment became very open, unvarnished and frank. The result was great dialogue and the development of trust. As one participant said, "... the greatest proof so far that people feel they are receiving value for their time spent is that we have only lost one participant from the program after the initial month ... I think the group is balancing well and ... beginning to get caught up in the enthusiasm of the group."

Knowledge about how to relate to other parts of an organization is a valuable business asset in itself, which in this case, helped the company save money, be more flexible, improve innovative and increase responsiveness. Knowledge managers made a contribution to these improvements by taking action to help partnering relationships run more smoothly, avoiding the waste and damage that occurs as a result of frequent adversarial clashes, thereby enabling people engaged in these relationships to pool their ideas and learn about inter-organizational processes, and disseminate this knowledge more broadly.

Prior to the first bi-weekly meeting, participants were asked to take the Myers Briggs personality test. Each group member was then asked to read an article about personality styles and their impact on group dynamics (White, 1984) as the beginning of the team building process. Participants were also asked to bring a brief one page statement completing the phrase "My ideal team is ...." At the first gathering of the group, the team building process began as participants discussed the assigned article and its anticipated impact on the group. During this session, they also talked about their ideal teams, and they were given an initial assignment to write a group contract determining the governance for the group (i.e. their own team rules). This three-step process of getting to know yourself, describing your ideal team (your values) and concluding with a group outcome, started the team building process by allowing participants to develop trust through sharing and discussing such information (Ellinger & Bostrom, 1999). The governance process was very useful in that it provided a method for the group to communicate topics of special interest beyond the prescribed list of readings from the facilitator. Thus the grouped began to "own" the process.

The facilitator also asked each individual participant to identify and bring with them three to four "core competency areas" that the participant wanted to develop from among the competencies defined by the company for participant's current and next level position. Participants reported on learning in these specific areas in their learning journals, to the exclusion of other areas. The Talent Management Department administered a "pre" and "post" full 360 evaluation against the core competencies that was intended to evaluate improvement in specific core management



areas. The company coded participants' core competencies in accordance with the FYI methodology as described in the *For Your Improvement Handbook*, by Michael M Lombardo and Robert W Eichinger (1996). Using the FYI methodology, along with a group cohesion measure, the company intended to demonstrate individual's progress in acquiring leadership skills

Contemporary management readings were utilized for managerial developmental objectives while framing them against the company environment. Each reading served as a basis for discussion concerning how the author's particular concepts or principles might be applied to practice within the company environment to address corporate and individual objectives. The readings also promoted informal discussions between members, describing specific organizational cultures, department challenges, realities, and possibilities for healthy intra-organizational behavioral change. A complete list of readings may be found in Appendix A – Contemporary Management Readings.

## Outcomes

As indicated earlier, the motivation for this program was the creation of a forum to serve as a nucleus for a long-term knowledge network that promotes constructive change and provides perspective to members of the community. Although much of the value of creating a community of practice is behavior oriented or perception driven, how to measure the success of such a program was an important question. Just as beauty is defined in the eyes of the beholder, success was measured on multiple levels.

First, on a programmatic level, we measured the development of a social network utilizing a group cohesion method as defined in Bollen & Hoyle, 1990. For this purpose, we collected information at five points during the program. We represent the beginning and end points in Table 2 (Depth of CoP).

Table 2. Depth of CoP

Dimension	Beginning of Cop	End of CoP
Seek advice on personal issue (top 3)?*	2.40	3.00
Who else?***	0.00	2.71
Seek advice on business / systems issues (top 3)?*	2.60	3.00
Who else?***	0.80	1.71
Which are the 3 with whom you socialize most often?*	2.40	2.86
Who else?***	0.80	2.57
Number of CoP Team Responding	14	7

Scale: \* is 0 to 3 while \*\*\* is scaled from zero to n, where n is the number of participants in the program

Second, on an individual level, proof of program success was measured as the individuals' ability to take an abstract construct, adapt it to the company environment, and modify their individual or group behaviors for critical improvement. At the beginning of the program, the participants established personal objectives, as well as a common set of group objectives, used to track their progress within the program. At the midpoint and at the end of the leadership program, participants were asked to review their own journals and prepare a report to enter into the journal to describe the application of learning to their current and future potential job roles to be shared with their respective (and future) managers. Progress against these objectives was tracked with formal written feedback provided to participants and their management at the midpoint and at the end of the project. The individual formal feedback was reported against the Critical Success Factors contained in Table 3 (Dimensions of Individual Evaluations). This included the “before” and “after” Company360 reports against core competencies defined for each position. These core competencies, as defined, are aligned with those in Lombardo and Eichinger (2004).

Table 3. Dimensions of Individual Evaluations

Critical Success Factors	CoP Discussion Forum	Individual Learning Journal	Group Survey	Consultant in-person observations	Manager sit-down review with consultant
Progress against CoP objectives	X	X	X	X	X
Work process modified to take advantage of knowledge sharing	X	X			X
Taking action on lessons learned	X	X			X
Communication of lessons beyond CoP		X			X
Shift in focus to knowledge innovation	X	X		X	
Articulating value to company community	X	X	X		X
Activities that demonstrate learning	X	X		X	X
Active & involved leadership	X	X		X	X
Facilitation skills developed	X	X group		X	

The Corporate360 was administered in the second month of the CoP program with results not available until the fourth month of the program. The intent of administering the Corporate360 was twofold. First, the Corporate360 was to provide feedback to participants of certain areas requiring improvement. Each CoP team member had previously selected at least two areas of focus for improvement and granted permission for the results to be reported to their respective management as part of a score card of progress. For most participants, the results were truly shocking, as they had never participated in such a process before, and they were not ready to see the results. However, the results provided a beneficial “reality check” for the CoP as to the

importance of a focus on soft management skills. As one long-term employee indicated in their journal “I am, like others, surprised by some of the scores. Through this matrix report I see that I have been identified with three important skills with high skill level, two high skills of low importance, two middle skills of middle importance, and six important skills with low skill level. I try to give my all, provide support to my colleagues as much as I can, and encourage others to do their best. Through this CoP program I have had some time to momentarily pause and reflect upon my job issues, my weaknesses and those areas I need to focus upon to improve myself as a manager”. Another participant indicated that he had “been very distracted during the development process and a *bit skeptical*.” He tended to dismiss things that he didn’t immediately agree with and rationalize why they could not be right, particularly the Company360 evaluation. This individual worked in Information Technology and was “not very accepting of dissenting opinions particularly when coming from outside the IT arena”. The Company360 evaluation was very useful in establishing the reality, or need, for soft skills and team building.

Table 4. Changes in Corporate360 Core Competencies  
Focus Areas by Participant That Completed CoP

Corporate360 Competency (skill number in Lombardo and Eichinger)	Individual Participants						
	D	I	J	K	N	O	H
Managing Vision & Purpose (65)	-0.11				0.13	0.24	
Managing (4)	-0.19						
Communication (33 & 67)		+1.0					
Leadership		+0.95					
Managerial Courage (34)			0.04	0.31			
Drive for Results (53)			0.17				
Priority Setting (50)				0.19			
Building effective teams (60)					0.27		
Strategic agility (58)				-0.33	0.08		
Customer focus (15)						-0.04	0.5
Integrity & trust (29)						-0.06	0.11

Notes: (1) Changes on 5 point scale; (2) Statistically significant 97.5% level using Wilcoxon Matched Pairs Signed Rank Test

The second purpose for administering the Corporate360 was to serve as a “pre” and “post” CoP program evaluation tool. Results of this evaluation are found in Table 4 above, (Changes in Corporate360 Core Competencies by Focus Areas by Participant That Completed the CoP). The Corporate360 was administered by the Talent Management (Human Resources) Department of the company. In most cases, there was positive movement at the particular competency level. In a few cases, there was negative movement. It must be pointed out that all individuals with negative differences had changes in management (and perhaps, therefore, perceptions). Statistically, we chose to use a non-parametric test due to the small sample size and uncertainty about the distribution of means. The non-parametric Wilcoxon Matched-Pairs Signed-Ranks test yielded a significant difference between the “pre” and “post” scores at the 97.5% level.

Previously, the objectives of a Community of Practice were defined in terms of the 4 C’s: Connection, Conversation, Community, and Collaboration. According to Hoadley (2012), a CoP

is made up of a relational property of individuals in context and in interaction with one another rather than a property of individuals and the cognitive representations in their heads. Within this framework, the results of the pilot were very positive. (For a novel approach using the 4 C's in social media, see Ang (2011).)

In regard to connection, (i.e. discovering others with similar interests / issues), team members of the CoP quickly found many common bonds from bonus systems, including similarity of bonus objectives, similar frustrations concerning bureaucratic response to innovation, ownership issues, communication issues, fuzzy strategies, etc. The group used their functional diversity to forge common solutions or responses to these shared views. Additionally, many of the CoP team members used each other and the group as a sounding board for handling their own multifaceted business problems. Often the outcomes were modified by suggestions from the group to improve clarity and offer alternative methods of accomplishment.

Within the 4 C's framework, conversation may be described as engaging in conversational dialog on an intra-organizational basis, particularly among individuals where such a dialog might not otherwise happen outside the CoP. This type of interaction was frequent between the CoP team participants. They often had group lunches in the cafeteria to discuss issues from the readings as they applied to business opportunities. Many of the team members started exercising and doing activities outside the office as the bond and dialogues continued to strengthen. The participants also began to offer each other suggestions on how to use the principles they had discussed to address work and personal issues. Sharing this knowledge had the effect of minimizing real or perceived barriers based on their functional role within the organization. The members found commonality in their desire to be more effective in both their personal and professional lives.

Conversation within the group provided the opportunity to develop a sense of community (building networks around shared themes). One participant was particularly reflective in his journal comments indicating *“Another concept is the choice between reactive and proactive evaluations of situations. I am high-strung, which is a good quality in my mind, but slowing down a little and really absorbing what other people are saying has helped me, and it is really appreciated by people in my teams.”* Another participant indicated that *“I have found few ways to use the information.”*

A social network is so central to the theme of Communities of Practice that we formally measured its development. The results of those measurements are summarized previously in Table 2 (Depth of CoP).

Table 5. CoP Feedback Survey

Dimension	at 6 weeks	at 15 weeks	at 36 weeks
The purpose of the CoP program is to create a forum to serve as a nucleus of a long-term knowledge network that promotes constructive change and provides perspective to members of the community. Extent to which the program is accomplishing its primary goal	4.17	4.67	4.86
Improve communication & behaviors among members of different functional areas & to interact in a more constructive and changed			

manner thereby improving their respective perception of each other's area as well as the value of cross functional team-based learning. Extent to which the program has facilitated this goal?	4.00	4.67	4.71
One of the goals of creating a knowledge network is to take advantage of knowledge sharing and collaborative capabilities thereby shifting focus to knowledge innovation – finding better answers to new and tougher problems and applying new technologies and processes to revisit “old” problems. To what extent has this program helped provide frameworks for evaluating current problems and suggesting ways to solve old problems?	3.83	4.42	4.57
To what extent have you been able to take action on lessons learned to integrate key concepts from the CoP into your current professional thinking/environment?	4.00	4.67	4.43
To what extent have you been able to share CoP knowledge or concepts to members of the larger corporate community?	3.50	4.25	4.17
To what extent has the CoP been successful in “Connection” - Discovering others with similar interests/issues	3.83	3.87	4.57
To what extent has the CoP been successful in “Conversation” - Engaging in dialogs on an inter-organizational basis particularly among individuals where such a dialog might not happen outside CoP	4.33	4.67	4.14
To what extent has the CoP been successful in “Community” - Building networks around shared themes	3.83	4.00	4.14
To what extent has the CoP been successful in Collaboration - Finding new business procedures / practices	3.50	3.83	3.86
Overall, how satisfied are you with the results of the CoP?	4.00	4.67	4.83

Note: Measured on a five point scale (5 highest)

In order to gauge the level of perceived satisfaction of the participants against the multiple criteria of the program, an anonymous survey was administered at three intervals during the course of the program. The results are presented in Table 5 above (CoP Feedback Survey).

In addition to the above CoP facilitator administered survey, the corporate Talent Management Group developed and administered an independent survey for the participants. The instrument was developed after two of the more senior participants were interviewed to gain a more in-depth understanding of the objectives and issues within the program. The results of the survey (with small sample respondent size) are represented as Table 6 (Company Administered Survey):

Table 6. Company Administered Survey

Survey Question	Score
<b>JOINING THE TEAM</b>	
The objectives of the program were made clear to me before I agreed to participate	3.75
I had clear expectations before I joined the program team	3.25
I was prepared for my participation in the program	3.25
My expectations of the program were met	3.75
My manager supported my participation in the program	3.25
<b>TEAM PRACTICES</b>	
The CoP team represented a wide range of functional responsibility at the company	2.75
The CoP team members were able to communicate effectively during the program	3.50

I felt like I was part of the team	3.75
As a participant, I contributed something to the team	3.50
ABOUT THE FACILITATOR	
Was prepared (room, printed materials, slide show) for program sessions	4.0
Encouraged questions during sessions	4.0
Was knowledgeable of the program material (e.g., value-adding behavior concepts)	4.0
Was enthusiastic about the material	4.0
PROGRAM CONTENT	
Met my expectations	3.75
Were easy to understand	3.50
Were relevant to my daily job	3.50
Had to do with “value-adding behavior”	3.75
Had to do with aligning different functional units to meet company goals	3.25
Were interesting	3.75
Were useful	3.75
MY LEARNING	
I believe I have learned something as a result of my participation in this program	4.0
I did not learn much	1.0
Participating in the program enhanced my ability to work with other functional areas in the company system	3.75
I would recommend others to participate in this program	4.0
I learned something about myself	4.0
I am better equipped to perform my job	4.0
I know how to add value to company	3.75
COURSE DELIVERY	
I was able to complete the text readings on time	3.0
The text readings helped me learn the topics	3.75
I did not benefit from the readings	1.25
The building-block approach to teaching the topics worked for me	3.25
Active discussions with team members helped me learn about value added behavior	3.75
It helped that the material was tailored to the company	2.5
The goal of the program is clear to me	4.0
The next team should meet more frequently	3.5
I enjoyed using the “chat room” for communicating with team members	1.75
I wish there was more hands-on learning during the program	2.5
I had everything I needed to be effective in the program	3.5
The personality tool was helpful	4.0

Note: Measured on a 4 point scale (4 as strongly agree)

In addition to the program objective to facilitate the development of cross functional teams, sharpening managerial skills was also a primary objective. To this end, many contemporary management readings were utilized - most were books but several were journal articles. As a group, the readings were exceptionally well received. As one Information Technology participant indicated in his journal, I now “begin all meetings and conversations with asking how the task or vision at hand “adds value”. [I] Start there with trying to determine whether we should take on the work or not, and if so, how to best go about it.” In addition, the same individual reported that “The CoPs training class has completely changed my perspective on how to analyze

and conduct business. It has shown me that working on the right things are far more important than working on everything.”

The CoP participants that gained the most were those individuals already in higher-level positions. They had a broader experience base to absorb and relate to the materials, but they also were in a better position to apply the tools and knowledge set. In a few instances they were working on complex, multi-year, cross-functional projects, and that created a personal and professional need for the material. The company surveys indicated that the participants had a good understanding of the expectations of the program. But the survey was limited in size, and it did not include the individuals that discontinued participation along the way. Ultimately, this study teases out the need for greater deliberation in the selection process, choosing individuals from among potential managerial candidates and those recommended by their management rather than using a “semi-strong arm” approach. As noted by Bandow, Gerweck, and Self (2015), organization leaders must commit wholeheartedly to this concept [of a CoP] and demonstrate this commitment daily in order for the implementation of CoP's to be successful. There were clear indications in the current study that some of the participants’ managers discouraged participation, although in the end, the CoP was successful.

In terms of pace, the CoP met twice a month for about nine months. The facilitator was initially concerned with the pace of the readings at about a book a month plus a journal article or two. Although the Corporate360 survey indicated that not everyone finished every reading on time (which was also evident in the discussion), there was also a free form comment indicating a desire for more readings. The facilitator’s recommendation was to essentially stay with the one book a month format but step into the second month with journal articles to supplement the readings and manage the number of journal articles assigned. The facilitator recommended that the sessions be conducted bi-weekly rather than semi-monthly, giving potentially two more sessions during program duration. The CoP lost some momentum when a new participant joined the group (and had to be socialized into the team) and during scheduled holidays.

Although the CoP started with a thorough intended list of readings, it did not complete all of them. When issues surfaced within the group, readings were substituted as appropriate to respond to the issues at hand. About half way through the CoP, the book entitled FYI (For Your Improvement) was identified. This book has chapters which correspond to each of the dimensions measured in the Corporate360. It was interesting to note how many of the readings discussed within the CoP were also included in the FYI suggested readings list. One recommendation from this research is that prior to implementation of a CoP, companies review the FYI resources and modify their reading list accordingly.

The team members were asked to keep a “Learning Journal,” first in LotusNotes and then in SharePoint, as well as to participate in electronic reading rooms. This task resulted in the most surprising and disappointing finding in the program; the participants would not regularly utilize the electronic environment. First, in LotusNotes, the participants objected to the non-windows like interface of LotusNotes. So, the IT people on the team implemented and converted materials to SharePoint (almost overnight). Ironically, the IT people still did not want to use the technology. Close to the end of the program one of them explained why: they were not comfortable that their comments, in electronic form, could be kept confidential because of the

security overrides by their own management team. On the other hand, these same participants were very open and candid during group discussions. It should be noted that the group offset the lack of online discussion with lunch discussions (without the facilitator) on the readings and management problems. It is the facilitator's recommendation that for future CoP development, an outside provider be utilized so that participants can be assured of a greater level of confidentiality regarding their comments. This would promote the use journaling activity as a means of measuring the level of participation with regard to performance management scores.

All the CoP participants have agreed to serve as “ambassadors” for the program and to provide active participation with others, particularly as it relates to expectation and outcomes.

### **IMPLICATIONS FOR RESEARCH AND MANAGEMENT**

In summary, analysis of qualitative and quantitative data during the pilot program, and from the ten-year follow-up, yield three logical conclusions: 1) a top-down leadership program can serve as a nucleus for the creation and nurturing of a community of practice (CoP) that not only imbues the participants with appropriate management practices but also reduces organizational barriers to the flow of information; 2) the knowledge created in the CoP concerning the interdependencies among the functional areas is a valuable business asset in itself; 3) knowledge ties created in the CoP extend beyond the duration of the formal program and persisted over time.

There was high attrition in the project. Of the approximately 33 potential participants invited to attend the information program, less than 14 moved forward into the program. The attrition may not be surprising given the research on challenges of sharing knowledge (Ardichvili et al., 2003). While participation was voluntary, changes in job responsibility, leaving the company, and the shock of a 360 evaluation program may have served as further cause to leave the program. Over the course of the program, the CoP team dwindled to 9 core members. The selection process clearly needed to change, as did management attitudes.

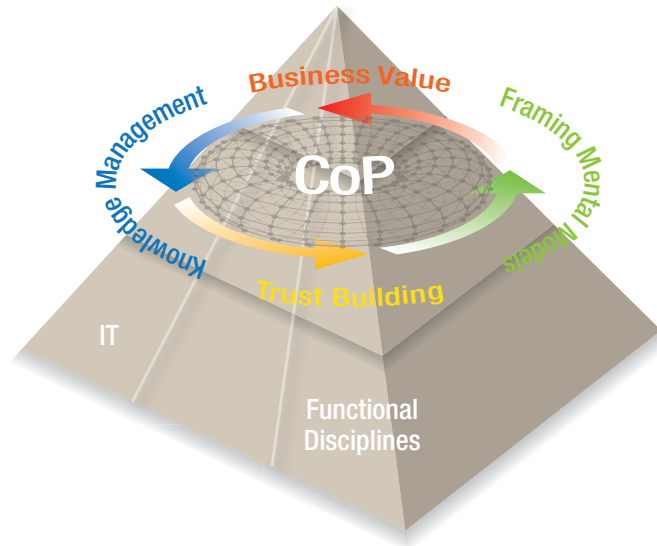
There was one key unanticipated benefit which was highly desirable: closer alignment of projects within the corporate strategy. Often, strategies are fuzzy, undeveloped visions on slides. The CoP was the perfect group to develop those visions and create detailed, substantive plans which could be implemented with multiple functional areas represented.

This pilot program demonstrated two additional significant outcomes. First, knowledge concerning how the functional areas interrelate within the organization is a valuable business asset in itself. This familiarity can facilitate cost savings and flexibility within an organization, as well as innovation and responsiveness to customers (both internal and external). Second, knowledge managers make a contribution by taking action to help partnering organizational relationships run more smoothly, avoiding the waste and damage that occurs as a result of frequent adversarial clashes, thus, enabling people involved with intra-organizational relationships to pool their collective ideas and knowledge about these relationships to disseminate knowledge more effectively. Thus there should be a fifth C – Creating knowledge.



- Connection – discovering others with similar interests/issues
- Conversation – engaging in dialogs on an intra-organizational basis particularly among individuals where such a dialog might not happen outside of CoP
- Community – building networks around shared themes
- Collaboration – finding new business procedures/practices
- Creating knowledge -- combining information in new ways

Figure 2. Creating Value Through Collaboration



This action research project was initiated in the early summer of 2006 and lasted a little less than a year with the results recently longitudinally verified. The paper is summarized above in Figure 2 - Creating Value Through Collaboration. The outcomes of the project documented in this paper are summarized in the following quote by a CoP member: *“Interorganizational barriers within the CoP seemed to have evaporated, and now the exchange of information over the fence has had the effect of destroying the fence. In the end, instead of each of us identifying ourselves by our functional role, we identified ourselves as a member of a community”*. Since no single case study can provide a high degree of reliability from a research perspective, the success of CoPs requires further exploration toward the development of a verifiable process to accomplish optimal interdepartmental collaboration. From a practitioner point of view, a detailed “how to” manual on the implementation of a CoP, as well as a greater emphasis on the linkage between strategy and fit, would have been very useful.

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Appendix A – Contemporary Management Readings  
(Publication Descriptions from Amazon)

***Overcoming the Five Dysfunctions of a Team: A Field Guide for Leaders, Managers, and Facilitators*** (Patrick Lencioni) -- excellent “think book” concerning aligning organizations around common goals and reduce the conflict that often is inherent in cross functional teams.

***Silos, Politics, and Turf Wars: A Leadership Fable About Destroying the Barriers That Turn Colleagues Into Competitors*** (Patrick Lencioni) – excellent “think book” concerning aligning organizations around common goals so reduce dismantle silos and the dysfunctions associated in organizations as a result. It provides an insightful look at how companies can recognize and remedy infighting.

***Now, Discover Your Strengths*** (Marcus Buckingham & Donald O. Clifton) – book discusses how to identify and develop your talents and those of the people you manage.

***Blue Ocean Strategy*** (W. Chan Kim & Renee Mauborgne) – book’s hypothesis is that you have a choice: continue in a bloody battle of diminishing returns against your competitors or innovate and find a “blue ocean” where the market is yours to dominate.

***Good to Great: Why Some Companies Make the Leap... and Others Don't*** (Jim Collins) – how can a good company become a great company? The author examines commonalities in companies that have made the transition and discovers that making the transition from good to great doesn't require a high-profile CEO, the latest technology, innovative change management, or even a fine-tuned business strategy. At the heart of those rare and truly great companies was a corporate culture that rigorously found and promoted disciplined people to think and act in a disciplined manner. Peppered with dozens of stories and examples from the great and not so great, the book offers a well-reasoned road map to excellence.

***The Innovator's Dilemma*** (Clayton M. Christensen) – Discussion centers on when new technologies become available, how do established companies take advantage of these innovations without disrupting existing relationships with customers and stockholders? It provides an insightful analysis of technology on industries and organizations, and a convincing argument for why thinking outside the box is so critical.

***The Goal*** (Eliyahu M. Goldratt & Jeff Cox) – an alternate method of examining problems to determine constraining factor (Theory of Constraints) and application to continuous process improvement.

***The Power of Strategy Innovation: A New Way of Linking Creativity and Strategic Planning to Discover Great Business Opportunities*** (Robert E. Johnston, J. Douglas Bate, & E. Russell, Jr. Johnston) -- This book is a phase-by-phase approach to the process of strategy innovation, not step-by-step. They provide the blueprint and encourage the reader to customize it for the specific needs of their company and industry. "Strategy Innovation is best achieved by leaping ahead and working backward."

***The 7 Habits of Highly Effective People*** (Stephen R. Covey) – Program of self-improvement involving creating habits for effective living including: 1) Be Proactive, 2) Begin with the End in Mind, 3) Put First Things First, 4) Think Win-Win, 5) Seek First to Understand – Then to be Understood, 6) Synergize, and 7) Sharpen the Saw.

***Managing the Equity Factor: Or “After all I’ve Done for You*** (Richard Huseman & John Hatfield) – the book provides techniques towards setting positive expectations and goal setting, providing positive feedback and learning how to communicate in terms of the value structure of the “other person.”

***Bullies, Tyrants, & Impossible People: How to beat them without joining them*** (Ronald Shapiro & Mark Jankowski) – provides techniques for identifying and neutralizing negative behaviors.

***The Balanced Scorecard*** (Robert Kaplan & David Norton) – develops the concept of management by scorecard and providing actionable metrics linked to strategic objectives.

***The Dilbert Principle*** (Scott Adams) – tongue in cheek look at serious management issues.

***Sample Contemporary Management Readings (Articles)***

“**The Outcome Frame: Key To Managing for Excellence**” by Rita Cashman, *Mobius*, 1986

“**Research-Driven Facilitation Training for Computer-Support Environments,**” by Victoria Clawson and Robert Bostrom, *Group Decision & Negotiation*, 1996.

“**Having Trouble with Your Strategy? Then Map It,**” by Robert Kaplan and David Norton, *Harvard Business Review*,

“**IT Doesn’t Matter,**” by Nicholas G. Carr, *Harvard Business Review*, 2003.

“**Management Time: Who’s Got the Monkey?**” by William Oncken and Donald Wass, *Harvard Business Review*, 1999.

“**Managing Your Boss**” by John Gabarro and John Kotter, *Harvard Business Review*, 1993

“**Pygmalion in Management**” by Sterling Livingston, *Harvard Business Review*, 2002

“**Software is not the Solution**” by Paul Sharman and C. Bruce Kavan, *Journal of Strategic Performance Measurement*, 1999

“**The Rise of the Business Web,**” by Don Tapscott, David Ticoll, and Alex Lowy, *Business 2.0*, 1999

“**MIS Project Teams: An Investigation of Cognitive Style Implications,**” by Kathy Brittain White, *MIS Quarterly*, 1984.

“**The Entitlement Generation: Are young workers spoiled or simply demanding a new kind of work life,**” by Martha Irvine, 2005

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## **FACEBOOK USE IN THE WESTERN MARYLAND APPALACHIAN REGION: RESTAURANT/CAFE BUSINESSES**

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### **ABSTRACT**

Small businesses in Appalachia are an important segment of its local economy. One way small businesses can promote themselves is through social media. This study discusses the use of Facebook by local restaurants/cafes in Garrett, Allegany and Washington counties of Appalachia. For this purpose, the Facebook posts created by 25 local restaurants/cafes during 2016 were extracted and analyzed. The relationship between characteristics of the posts including their types and timestamp as well as the words used in them are analyzed and their relationship to the popularity of the posts (in terms of number of likes) are evaluated. To analyze this relationship, an analysis of variance (ANOVA) as well as three predictive models, namely the classification and regression tree (CART), random forest (RF) and support vector machine (SVM) are used. Surprisingly, it was found that Facebook use by local restaurants is not necessarily compatible with the trends that can lead to the popularity of their posts. Using a clustering method, it was found that the words that affect the popularity of a post point either to a menu item or to an event/deal. It was observed that posts containing promotional words have a higher chance of being popular. Moreover, the posts containing words related to seafood were also more popular than those that did not.

### **INTRODUCTION**

Small businesses are an important segment of the local economy. The Small Business Administration's website states that the 23 million small businesses in the United States account for 54% of all US's sales (US). It also reports that small businesses have created 55% of all jobs since the 1970s. There are over 600,000 franchised small businesses in the US, accounting for 40% of retail sales. An average of 540,000 new small businesses started since 2014, and many of these businesses do so with limited budgets. Many of these businesses took advantage of the opportunity to use social media as a tool for reaching their target audiences.

The small businesses used in this research are located in a part of the Appalachian Region of the United States. With an approximate population of 25 million people, it includes 420 counties in 13 states that extend along the inland east coast, from southern New York to northeastern Mississippi. Those states also include Alabama, Georgia, Kentucky, Maryland, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia. Though the region experiences widespread poverty as compared to the rest of the nation, some counties have seen economic growth and prosperity. However, other Appalachian counties need basic infrastructure development, which includes simple necessities such as roads, water, and sewage systems. Table

1 shows the Appalachian Regional Commission’s (ARC) definition for “Levels of Economic Growth.” These index values start at the top ten percent of counties and descends to the bottom ten percent of counties. Figure 1 provides a graph of the ranked index values.

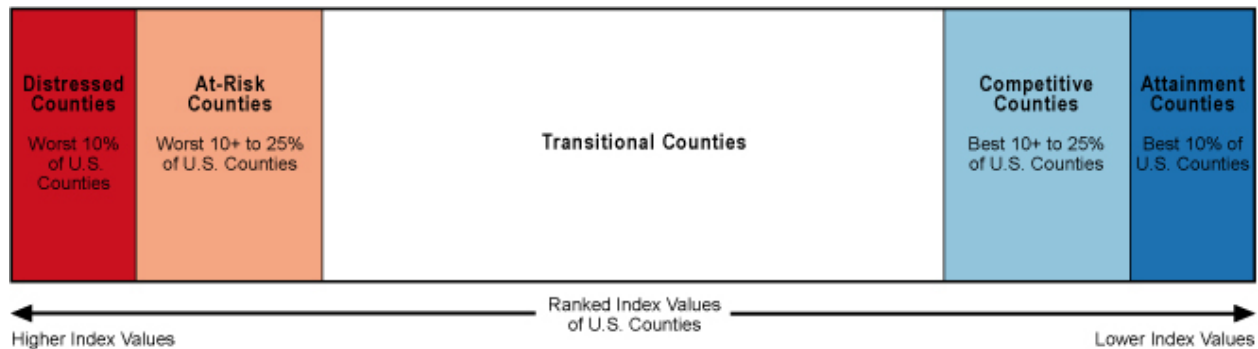
Table 1. Definition of Levels of Economic Growth

Term	Definition
<i>Attainment</i>	Attainment counties are the economically strongest counties. Counties ranking in the best 10 percent of the nation’s counties are classified attainment.
<i>Competitive</i>	Competitive counties are those that can compete in the national economy but are not in the highest 10 percent of the nation’s counties. Counties ranking between the best 11 percent and 25 percent of the nation’s counties are classified competitive.
<i>Transitional</i>	Transitional counties are those transitioning between strong and weak economies. They make up the largest economic status designation. Transitional counties rank between the worst 25 percent and the best 25 percent of the nation’s counties.
<i>At-Risk</i>	At-Risk counties are those at risk of becoming economically distressed. They rank between the worst 11 percent and 25 percent of the nation’s counties.
<i>Distressed</i>	Distressed counties are the most economically depressed counties. They rank in the worst 10 percent of the nation’s counties.

Definitions Courtesy of Appalachian Regional Commission:

[http://www.nccommerce.com/Portals/2/Documents/CommunityDevelopment/ARC/ARCCountyEconomicStatus\\_DistAreas\\_FY2011\\_NorthCaro.pdf](http://www.nccommerce.com/Portals/2/Documents/CommunityDevelopment/ARC/ARCCountyEconomicStatus_DistAreas_FY2011_NorthCaro.pdf)

Figure 1. Ranking Index Values for all U.S. Counties  
(Image ARC County Economic Status Designation by National Index Value Rank)



For this study, three counties located in the western panhandle of Maryland were chosen due to authors’ prior studies of the region and for a preliminary examination of businesses’ present Facebook use as a promotional tool. However, researchers’ future studies will be expanded studies covering various levels of economic growth so we can compare results among levels. The counties and their populations are Garrett (population 30,000+), Allegany (population 75,000+) and Washington (population 147,000+). The Appalachian Regional Commission lists all three counties as “Transitional” because they fall short of national norms and often contain economically distressed areas Table 2 lists the counties and their number of distressed areas. Even though all



three counties in Maryland are designated “Transitional,” only Allegany and Washington Counties have designated areas labeled as “Distressed” by the Appalachian Regional Commission.

Table 2. Maryland’s County Economic Status

County	Economic Status	Number of Distressed Areas
Allegany	Transitional	3
Garrett	Transitional	0
Washington	Transitional	3

Currently, many small businesses are aware that Facebook can help get the word out about their business. In Appalachia, as per the researchers’ investigation, limited business owners are using Facebook to their benefit, while others are missing-out on new customers or connecting with current ones. An advantage of Facebook is that it can be used without purchasing ads. Today any small business can have a Facebook page deliver its information. For example, if a new coffee shop opens on Main St. U.S.A., within a matter of minutes/seconds, they can display the phone number, address, map, menu, specials, and events. Facebook provides an opportunity for businesses to link to customers effectively, including helping customers to find information pertinent to locating them. In order for customers to keep coming back, businesses need to update Facebook page regularly.

The purpose of this paper is to investigate the use of Facebook in the western panhandle of Maryland, as a business tool especially in the restaurant/café sector. More importantly, this research identifies the communication modes used in Facebook, i.e., content of the post and creation time of post, to determine which are most popular. It examines the effective ways of using Facebook that give restaurant/café businesses better opportunities to enhance their advertising beyond traditional approaches.

## REVIEW OF CURRENT LITERATURE

This review of literature will examine present research and information about small businesses and their use of Facebook as a promotional tool. Facebook has had more than 214 million active users in the United States as of January 2017. Three-quarters of 18 to 29-year-olds use a social networking site, with Facebook topping the list (Taylor & Keeter, 2010). Profit and nonprofit organizations create profiles within social networks, like Facebook, to take advantage of the high consumer ratings that the site attracts (Orrell, 2009; Roberts & Roach, 2009). Not only does Facebook provide a more convenient way to communicate, but it also provides a format that reassures engagement which results in developing relationships (McCorkindale et al., 2013). Facebook and other social networking sites makes it an option for corporate and educational organizations to cut costs while still reaching their main audience (Ganster & Schumacher, 2009). Tredinnick (2006) defines Facebook as a social networking site because it is driven by user participation with user-generated content. Facebook was founded in 2004 by Mark Zuckerberg, and has quickly become one of the most popular websites in the world (McCorkindale et al., 2013). In April of 2006, the Facebook registration process for organizations became available and more than 4,000 organizations joined within two weeks (Waters et al., 2009). Users on Facebook can

create and join groups, which many are organizations, and “like” pages (McCorkindale et al., 2013).

Organizations are using Facebook to include marketing, customer service, fundraising, information dissemination, and stake holder engagement (Orrell, 2009; Roberts & Roach, 2009). Approximately three quarters of the Fortune 500 companies have a Facebook page, with 87% of 500 respondents claiming to “very familiar” with Facebook (Barnes, 2010). Over three-fourths of these respondents confirmed that Facebook had been successful for their organization. Charities in the U.S. seem to be the most involved, with 93% indicating that they are on Facebook and more than three-quarters said that social media held some importance to their organization’s success (Barnes & Mattson, 2009).

Incorporating social media into the organizations’ existing strategies to improve communication is a main goal. Credibility and relationships can improve by listening and participating in conversations with transparent communication (Holtz & Havens, 2008). Marketing Director, Randi Zuckerberg, explained that whenever a person “likes” an organization on Facebook, they are building awareness of that company among their “friends” (Zuckerberg, 2010). An opportunity created by Facebook for companies is for the public to give their opinions through “likes” or by commenting on the company or organization’s “wall”. Organizations should respond to the comments posted on their “wall” because it will encourage that person to post again (Henderson et al., 2010). This will also show the user that the organization is listening and responding to issues.

As of 2015, approximately 65% of adults have started using some form of a social networking site (Perrin, 2015). Research has shown that a majority of users on these sites think that companies should have more of a presence and use it to interact with their customers (Bitner & Albinsson, 2016). Not only does social networking sites allow companies to interact with consumers, but it also allows them to interact in a timely manner and on a personal level. Social networking sites also allow companies to solve customer service issues immediately and gain feedback directly from the person buying the product.

A major challenge that organizations face when using Facebook is maintaining an authentic persona (McCorkindale, 2010). Bulmer & DiMaurio (2010) suggest that companies should be more mindful that the main reason for using social networking sites, like Facebook, is to collaborate with the consumer rather than to merely sell a product. Bergström & Bäckman (2013) found in a study that users want to see unique and personal posts from the companies rather than pure marketing tactics. Also, organizations may find it a challenge to convince management of the significance of having an online presence (Ganster & Schumacher, 2009).

Broekemier et al. (2015) found in a study that small businesses do not use social media that often because they believe that other types of advertisement are more important and that it is too hard and time consuming to update a social network site. Small businesses should be made aware of certain benefits that come from using Facebook and other social networking sites, like increasing brand recognition, and they should put more effort into building relationships with their consumers that will come at a lower cost for the company than traditional advertising. To create the same level of awareness as companies with larger marketing budgets, social networking sites can be the key for a more cost-effective marketing plan for small businesses (Quesenberry, 2015).

To ensure best results for a small business, companies should focus on posting information about sales and promotions and even make contests and giveaways for consumers which will help with increasing engagement (Bitner & Albinsson, 2016). Small, local businesses should also be aware that all genders are equally receptive to companies on social networking sites, so they should give an equal amount of attention to all gender identities.

Social networking sites have become very significant in consumer decision making in areas such as increasing awareness, sharing information, forming opinions and attitudes, purchasing, and evaluating buyers' satisfaction (Mangold & Faulds, 2009). Specifically, consumers rely on online reviews for information when planning hotel and restaurant reservations (Jeong & Jang, 2011; Kim et al., 2011). As a matter of fact, travelers are more likely to trust other consumers, posting their comments on social media, over comments posted on the travel agent websites (Pantelidis, 2010).

Facebook is one of the most popular websites for external communications among corporations. Companies have been using information from other social networking sites on their Facebook page (Kwok & Yu, 2013). For some companies, consumers are allowed as well as urged to post comments on their websites and even log into to their websites using Facebook credentials (Kwok & Yu, 2013). The endorsement of users on Facebook are important in indicating the effectiveness of a company's social media strategies (Kwok & Yu, 2013).

Electronic word of mouth (eWOM) has become important in travel planning (Kim et al., 2011; Litvin et al., 2008). A crucial factor of eWOM is the "convenience and quality assurance" (Kwok & Yu, 2013). Jeong & Jang (2011) looked at the relationship between restaurant services, such as quality of food and service, the atmosphere, price fairness, and consumers' motivations of positive eWOM, such as concern for others, expressing positive feelings, and helping the restaurant company. Results showed that food and service quality and the atmosphere can trigger positive eWOM. Kwok & Yu (2013) found that photographs and status messages seem to gain more attention from Facebook users than links and videos.

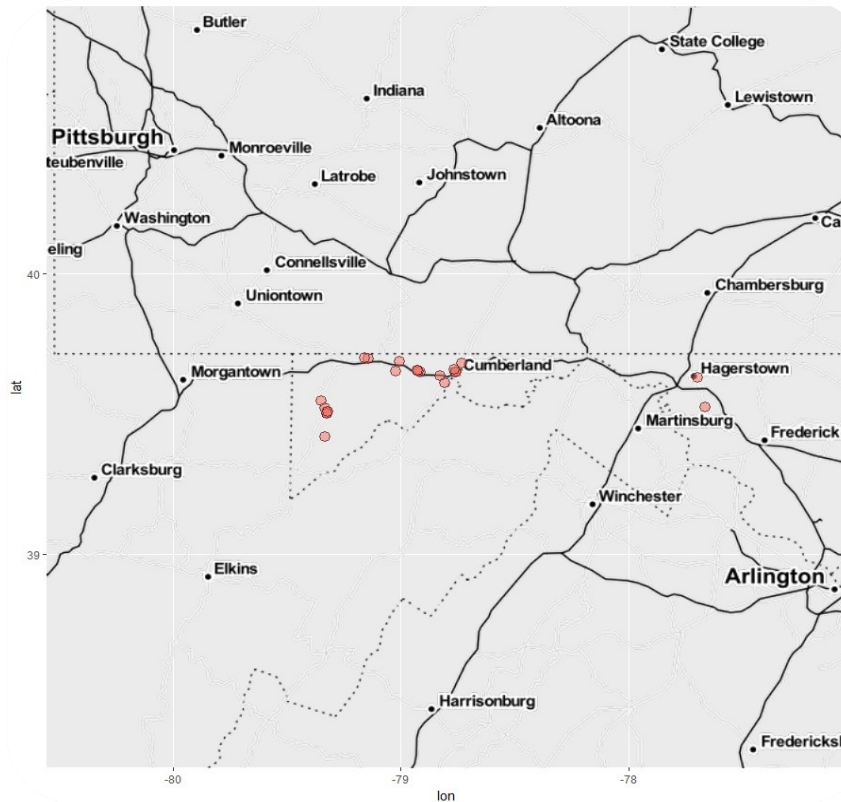
## **STUDY METHODOLOGY**

For an examination of businesses' present Facebook use as a promotional tool in the three counties located in the western panhandle of Maryland, restaurants/cafes were chosen due to high utilization of social media (Jeong & Jang, 2011). There were only twenty-five non-chain restaurants/cafes in the region who are using Facebook actively. Table 3 lists the chosen businesses, their Facebook User Name, City and Zip Codes. Figure 2 depicts the location of business in the state of Maryland.

Table 3. List of restaurants, their Facebook User Name, City and Zip Code

<b>Facebook User Name</b>	<b>Restaurant Name</b>	<b>City</b>	<b>Zip Code</b>
@acesrundeepecreek	Ace's Run Restaurant & Pub	Oakland	21550
@honihonibar	Honi Honi Bar	Oakland	21550
@mezzoscumberland	Mezzos	Cumberland	21502
@shootersmd	Shooters Bar & Grill	Cumberland	21502
@TheDraftBarAndGrille	The Draft Sports Bar & Grille	Frostburg	21532
@MtnCityCoffee	Mountain City Coffeehouse and Creamery	Frostburg	21532
@ninerscanalpub	Niner's Canal Pub	Cumberland	21502
@lgoodskewer	Skewers, Kabobs & More	Cumberland	21502
@BlackBearDCL The	The Black Bear Tavern & Restaurant	McHenry	21541
@brendaspizzeria	Brenda's Pizzeria	Oakland	21550
@datrirestantlavale	D'Atri Restaurant	LaVale	21502
@DeepCreekSeafood	Deep Creek Seafood	Oakland	21550
@deepcreekuno Uno	Uno Chicago Grill	Oakland	21550
@GBoones	G Boone's	Boonsboro	21713
@giannispizza	Gianni's Pizza & Wings	Cumberland	21502
@Giuseppes.Net	Giuseppe's Italian Restaurant	Frostburg	21532
@henhousefrostburg	Hen House Restaurant	Frostburg	21532
@TheCornucopiaCafe	The Cornucopia Café	Grantsville	21536
@thedeerparkinn	The Deer Park Inn	Deer Park	21550
@DAtriSubsEtc	D'Atri Subs Etc.	Cumberland	21502
@hccandm	High Country Creamery & Market	Grantsville	21536
@AntietamBrewery	Antietam Brewery	Hagerstown	21740
@DeepCreekDonuts	Deep Creek Donuts	Oakland	21550
@gunterhotel	Gunter Hotel	Frostburg	21532
@SavageRiverLodge	Savage River Lodge	Frostburg	21532

Figure 2 - Depicts location of the restaurants



After identifying restaurants/café and using the Facebook application-programming interface (API), 4,278 posts, posted during 2016, along with their type and timestamp were extracted. To separate the highly liked posts from the rest, each post's number of likes were normalized into a z score. For this purpose, a z score for a post is calculated as  $z = \frac{l - \mu_{posts}}{\sigma_{posts}}$  in which,  $l$  is the posted number of likes,  $\mu_{posts}$  is the average number of likes and  $\sigma_{posts}$  is the standard deviation of number of likes. The posts with  $z > 0$  were considered highly liked or popular posts while the posts where  $z \leq 0$  were considered less popular posts. To understand the relationship between a post's characteristics – such as type and time of posting – and its popularity (expressed as high or low), a series of analysis of variance (ANOVA) were conducted.

In addition to a post's characteristics, words used in it can also affect its popularity. Unlike characteristics of a post, it is not usually a straightforward task to analyze the contents of textual data. Textual data, such as the words used in a post, is usually highly unstructured and a word can be present in it in different forms. Hence, it is necessary to convert the post's text into structured data before usage. For this purpose, several operations were done on the posts (Feinerer, 2017):

- Cleaning the text: remove any non-text character, lowercasing every character, eliminating punctuation and extra spaces between words.
- Removing the stop words: eliminating the words that usually do not contain any useful information such as “your”, “I’m”, “don’t”, etc.
- Tokenization: parsing the text into sentences and words.

- Stemming: converting a word to its root form. This step converts different forms of a word to a single one.
- Creating a Document Term Matrix (DTM): a DTM is a matrix that shows the frequency of words in posts.
- Removing sparse terms: If the total frequency of a word over all the posts is less than a threshold, that word is eliminated from the DTM. This operation helps to reduce the size of DTM and highlight more relevant terms.

Using DTM, it is possible to evaluate the effect of words in a post and its relationship with the post's popularity using predictive models. In this study, three predictive models are used: a classification and regression tree (CART), random forest (RF) and support vector machine (SVM). A CART model classifies data through recursive partitioning of the dataset (including posts and the words used in them) into mutually exclusive subsets, which best explain the variation in the dependent variable (i.e. popularity) under observation (Ardjmand et al., 2016; Biggs et al., 1991). Random forest (RF) is an ensemble of classification trees created by bootstrap samples of data. Usually in RFs, the prediction is made by aggregating the prediction of ensemble members (Svetnik et al., 2003).

SVMs, originally developed by Boser et al. (1992), is generally used as a classification and regression tool. The main idea of SVMs is that nonlinear trends in data can be converted into linear relationships in a higher dimension space (Ghalekhondabi et al., 2017a; Ghalekhondabi et al., 2017b). It is shown that SVMs can perform well when used for high dimensional data such as textual data (Shanahan & Roma, 2003). In the next section, the results of analyzing the Facebook posts are presented.

## ANALYSIS AND DISCUSSION

The posts extracted from Facebook have been posted at various times of the day and in different types. Table 4 tabulates the percentage of the posts based on their types. Table 5 shows the percentage of the posts based on the creation time. Table 6 shows the percentage of posts based on the day they were created. Table 7 shows the percentage of posts based on the season they were created.

Table 4. Percentage of the posts based on their types

Event	Link	Photo	Status	Video
6.49	4.58	77.28	8.88	2.76

Table 5. Percentage of the posts based on the creation time during the day

Morning (5:01 AM – 12 PM)	Afternoon (12:01 PM – 5 PM)	Evening (5:01 PM – 9 PM)	Night (9:01 PM – 5 AM)
40.97	30.29	3.01	25.71

Table 6. Percentage of posts based on the day they were created

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
17.37	14.86	11.31	8.04	16.80	15.52	16.08

Table 7. Percentage of posts based on the season they were created

Spring	Summer	Autumn	Winter
39.76	20.17	10.04	22.01

To measure the effect of a post's type and creation time, four ANOVA analyses were conducted for type, creation time during the day, week days and season. The variation in all four variables were found to be statistically significant in determining the number of likes. Table 8 shows the tabulated results. It was found that video posts have the highest chance of being popular. Moreover, the posts sent out in the morning, during summer time and on Friday, Saturday and Sunday were found more likely to become popular ( $z > 0$ ).

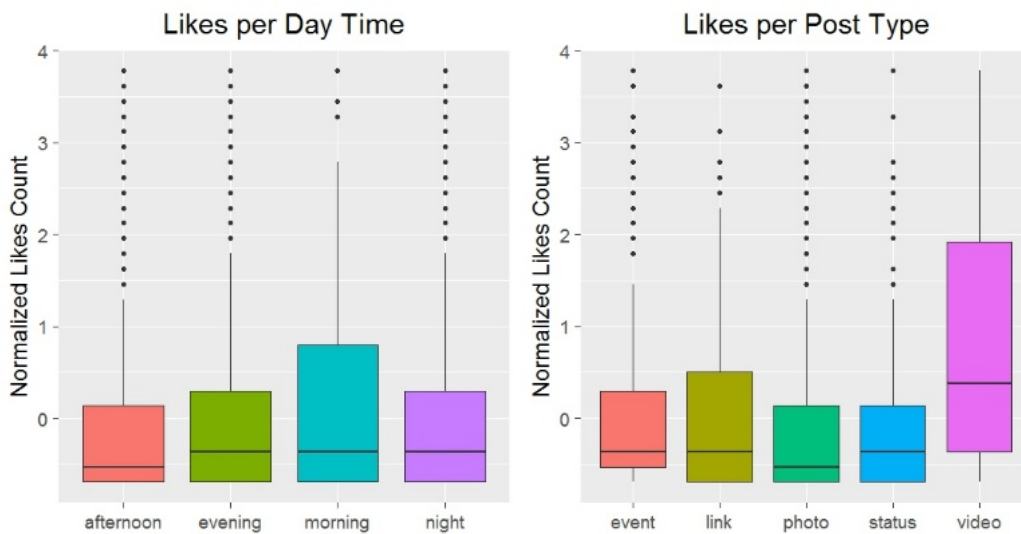
Interestingly, some of the social media use of local restaurants is not compatible with the trends observed. For instance, while it is observed that posts sent out in the morning are more popular, local restaurants tend to send out most of their posts in the afternoon.

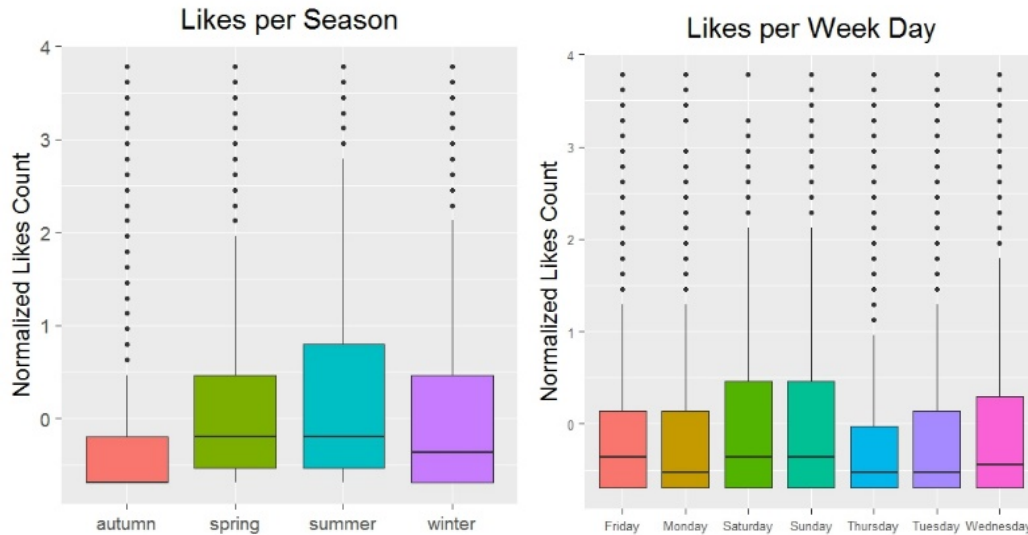
Table 8. Results of ANOVA for type, time of day, weekday and season variables

	Degree of Freedom	Sum square	Mean square	F value	P value
Type	4	88	22.11	22.56	<2e-16
Day time	3	14	4.581	4.593	0.003
Week day	6	18	3.006	3.015	0.006
Season	3	190	63.45	66.36	<2e-16

Figure 3 depicts the boxplot of the normalized likes count (using z score) based on the post's type and timestamp.

Figure 3 Variation of the normalized number of likes based on post type and time of creation





To find the keywords that affect the popularity of the likes, classification and regression tree (CART), random forest (RF) and support vector machine (SVM) models were built and tested. Popularity of the posts (popular vs less popular) was considered as a dependent variable while the words in the posts were independent variables. Splitting the posts into two sets of train and test, the accuracy of CART, RF and SVM on the test dataset was found to be 73.0%, 75.0% and 74.1% respectively. Hence, RF was chosen for further analysis. Using RF and considering the mean decrease Gini coefficient, some of the most important keywords include the following:

*Grill, Frostburg, special, great, pizza, share, shrimp, crab, salmon, lunch, cheese, weekend, grill, tonight, and night.*

One notable observation regarding the words that increase the popularity of menu-posts is that they included seafood items. However, the popularity of seafood in the evaluated counties needs more analysis. To further understand the keywords and their effect on the popularity of a post, they were analyzed using a hierarchical clustering. Clustering was performed based on the appearance of a word in a post. In general, two meaningful clusters (themes) were found in the posts. One cluster contained the words related to an introduction of a restaurant's menu item while the other clusters were found to represent the events and promotion of services and foods by the restaurants. Next, the collective mean decrease Gini coefficient for each cluster was calculated. It was found that, in general, promotional posts receive higher positive reactions compared to the posts that introduce menu items.

## CONCLUSIONS

Facebook is an inexpensive marketing opportunity for any small business. Being available 24 hours a day, Facebook can network businesses with customers on demand. These same individuals can give and receive quick feedback and responses. In this study, the use of Facebook by local restaurants in Garrett, Allegany and Washington counties was evaluated. For this purpose, using Facebook API, 4,278 posts, posted during 2016 by a sample of 25, restaurants along with their



type and timestamp were extracted. It was found that 77% of the posts are photos. Most of the posts were created in the afternoons, and during the spring.

Using ANOVA, it was found that posting type and time significantly affect the popularity of posts. The posts that contain visual content, such as videos, were found to be more popular. Moreover, the posts that were created in the morning, during the weekends or in the summer were also more popular. Interestingly, it was observed that Facebook use by restaurants is not necessarily compatible with the trends that can lead to highly liked posts.

In order to evaluate the relationship between a post's text content and its popularity, three predictive models were built and compared: classification and regression tree (CART), random forest (RF) and support vector machine (SVM). It was found that RF has the highest accuracy in predicting the popularity of a post based on the words used in the post. In general, two types of words were found to positively correlate with the popularity of a post: menu item introductory and promotional words. Using a mean decrease Gini coefficient for each group of words, it was observed that the posts that contain promotional words (such as "special" and "tonight") were usually more popular compared to menu item introductory words (such as *shrimp*, *crab*, *salmon*). Moreover, it was found that seafood related words increase the popularity of posts.

The results of this research offer some tips for local restaurants in the reviewed counties:

- Understand the company's customer base: What does the average customer respond to in a post (videos, posts, photos, or event announcements).
- Be mindful of the time of day customers are accessing the information.
- Upload and change frequently the videos and photos of products or something relevant to the business.
- Make sure to include seafood items in the menu and promote them on the Facebook.
- When creating a new post, pay attention to the words that can increase the popularity of the post. Promoting events and deals are more popular compared to introducing menu items.

### **LIMITATION AND FUTURE RESEARCH**

While being insightful, this study has several limitations. In this research, only Facebook practices of local restaurant/cafes were evaluated. Including other forms of social media into research can draw a more comprehensive picture of the social media practices of restaurants/cafes. Another limitation of this research is that it only surveyed restaurants/cafes in the Maryland Appalachian Region, which may not be applicable to other regions of Appalachia. In addition, this study focuses on three counties located in the western panhandle of Maryland with the same level of economic growth. However future studies should be expanded studies covering various levels of economic growth and other part of Appalachia so we can compare results among levels and regions.

Several directions can be followed for the future research. Currently, the study only focuses on the posts initiated by the businesses. However, it would be more informative if the posts initiated by customers and shares are also considered. Using other predictive models to gain insight into the relationship between posts and customer response can also be another future research direction. In this regard, using various ensemble methods as well as other classification methods are suggested.

Future studies can examine the interaction among for categories (types, time, day, and season of posting). For example: If certain particular type of posts place in the morning interacts with other categories. In addition, studies could be made more interesting by doing phone survey to collect critical data such as “Do you think Facebook drives your sales?”, “How to compare with other social media?”, “What Facebook feature do you like the most?”, “How do you compare Facebook promotion and traditional marketing?”, Etc.

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## **SEGMENTATION OF STATE LEGITIMACY. THE CASE OF SPAIN**

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### **ABSTRACT**

This paper analyzes the level of state legitimacy in Spain across the belongingness to groups of population. The state legitimacy is the degree of citizen support to their institutions. However, does every citizen of the country give the same legitimacy scores to the State? Is there any variable that determines significant differences? In this sense, this research introduces segmentation variables of state legitimacy such as nationality, age, religion, political ideology or sexuality. Source data for this study is derived from the last round of European Social Survey (ESS) for Spain in 2014. With a sample of 1.925 citizens it is proved that political party, religion, some of discrimination groups (race, gender and sexuality) and nationality determine different scores in the state legitimacy. These results are very relevant for government because it can establish which are the most sensitive groups, and develop effective social politics and communication campaigns. Moreover, the final objective of the state is obtaining the trust within its institutions and the citizen satisfaction and an analysis depending on the membership group offers more detailed information.

*Keywords:* State Legitimacy, Segmentation, Spain

### **INTRODUCTION**

State legitimacy is the degree of support of its citizens for the operation and exercise of political power (Beetham, 1991, Easton 1975; Gilley, 2006). States with low legitimacy spend most of their efforts on staying in power rather than on effectively managing their institutions. This makes them more vulnerable to citizen unrest and economic turbulence (Baum & Oliver 1991; Gilley, 2012).

The components of legitimacy (for example, political support, institutional trust, or involvement in public events) are key elements for the social, political, and economic equilibrium in a country, the strength of the economy, and the competitiveness and growth of the state. The analysis of the state legitimacy permits to establish effective political strategies, develop efficient social politics, and apply relevant communication actions. In this sense, a government with this information could have a more robust intelligence system and could approve more accurate politics.

States, just like organizations, must find competitive advantages (Porter, 2002) and adjust to the social and economic demands of its environment (Blanco-González et al., 2015, Díez-Martín et

al., 2013) in order to survive and gain access to necessary resources. Institutions need to create an impression of legitimacy to receive support from their stakeholders and be competitive (Cruz-Suárez et al., 2014, Grigoli and Mills, 2014). Achieving this source of competitive advantage is the main reason states must pay attention to their legitimacy (Blanco-González et al. 2015; Díez-Martín et al. 2016).

However it is necessary to consider the differences among social groups because there are social, economic and demographic disparities in the Spanish population. According to the La Caixa Social Observatory (2016) the progress of the Spanish economy at the macro level shows a weak recovery. GDP is growing at a rate of around 0.8% and although the unemployment rate is 21%, employment grew around 0.7% in the second quarter. The Consumer Confidence Indicator or the Business Confidence Index, are being positive. This improvement does not seem to be reflected in a greater welfare of the citizens or in a decrease of the inequality. In particular, social protection rates are declining and the distribution of wealth is changing in a way that increases the inequality between the individuals with the highest income levels and those with the lowest.

In this line, the academic literature is replete with techniques that incorporate a number of segment-defining characteristics, including attitude, behavior, demographic, geographic, and psychographic. Although this literature has applied, adopted, and extended many of these techniques to the field of elections and voting (Baines, 1999; Baines et al., 2002, 2003; Newman, 1994, 1999; O'Shaughnessy, 1987; Phillips et al., 2010; Reid, 1988; Schiffman et al., 2002; Smith & Hirst, 2001; Smith & Saunders, 1990; Yorke & Meehan, 1986), it has not been applied in the research of legitimacy in general or state legitimacy in particular.

Following Baines et al. (2003), developing political messages that affect voter decision making and choice entails a segmentation approach that not only describes what issues, positions, and traits are important to a given segment of voters, but that also identifies the reasons for it.

The objectives of this paper are: to test a state legitimacy index based on the specific characteristics of social groups. In this line, we first define the concept of state legitimacy. After that, we explain the sample used and methodology. We then present the results broken down by segments. Finally, we explain how to interpret the specific indexes vs global index, and how it can influence the stability of the country and become an effective indicator for policy-making.

## **STATE LEGITIMACY AND ITS DIMENSIONS**

State legitimacy is a basic concept that refers to how different uses of power influence its conscious acceptance by its constituents (Beetham 1991, Easton, 1975; Gilley, 2006). It is a determinant factor for a country's structure and operations. Countries must dedicate their resources to effective governance and not to maintain the control. The countries without state legitimacy present lower levels of social support and are more sensitives to social instability or economic crisis (Blanco-González et al., 2015; Gilley, 2006).

Legitimacy is studied in different contexts: institutions, processes, or individual actors. In this research paper, we focus on the state context, because the state is the basic institutional and ideological structure of a political community (Gilley, 2006). In democratic countries, citizens

distinguish between their views on the state and its political parties. A state's stability is guaranteed by citizen participation and good governance (Muller et al., 1982; Lillbacka, 1999), but is "threatened" by a lack of trust in their institutions. Aspects such as corruption, citizen participation, trust in the law, weaken legitimacy (Blanco-González et al., 2016).

In this sense, there is a necessary distinction between the legitimacy of the state as an institution and other political sciences concepts like democratic legitimacy, effectiveness, or satisfaction. This research studies how much the state as an institution is socially accepted; but not how much social or other type of support exists for democracy (Dahl, 1971; Easton, 1975; Gunther et al., 1995; Inglehart, 1997; Linz, 1988; or Torcal & Montero, 2006; among others).

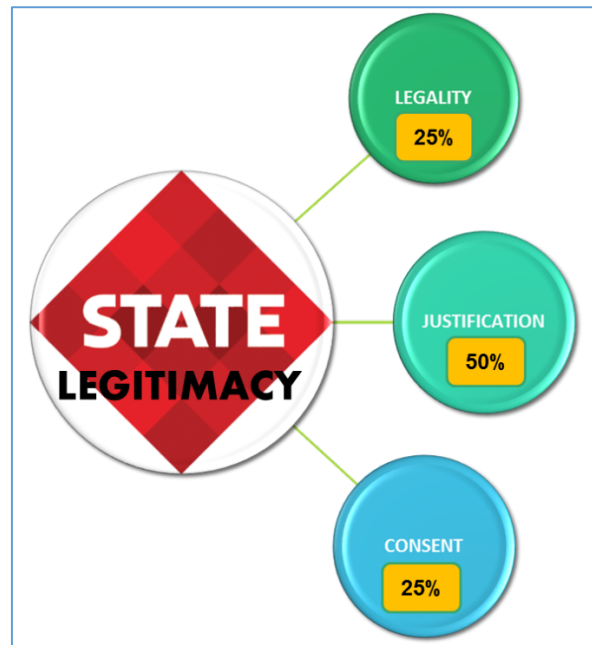
The concept of state legitimacy is analyzed from three dimensions (Beetham, 1991; Blanco-González et al., 2016; Gilley, 2006): legality, normative justifiability, and expressed consent.

- Firstly, within the dimension of legality or acceptance of legal authority, the state exercises its political power in concordance with its citizen's views on laws, rules, and customs. These are important because they are generally applied and predictable. Rules create predictability in social life, which is in itself a moral good. An example of this dimension is how citizens perceive corruption and the rule of law or the actions followed by the police.
- Secondly, the dimension of normative justifiability looks at shared principles in a specific society: its ideas and values. Citizens react to the moral reasons given by the state to act in a certain way. Legitimacy arises from the degree of synchrony with the shared moral values in the discourse of its citizens (Nevitte & Kanji, 2002). In other words, there is a set of shared beliefs that intermediate power relationships (Beetham, 1991). The notion of moral congruency between state and society is the basis of the literature on comparative politics and sociology (for example, Nevitte & Kanji, 2002). Some indicators of this dimension are trust in political leadership or opinions on the effectiveness of political institutions.
- Thirdly, dimension of consent or political support provide a complementary explanation for state legitimacy, citizen support and participation that does not have a normative root as the two previous dimensions. At any given time, a citizen can only evaluate the legality or justification of a small fraction of the entire system regulated by political power. To fill this legitimacy gap, "acts of expressed consent" are those positive actions that express the acknowledgment by a citizen that the state possesses overarching political authority and that he or she must follow the resulting decisions. Examples of acts of expressed consent would be voter turnout, level of participation in associations, or membership in political parties.

Legitimacy can be lost, maintained, or acquired. For this reason, institutions should actively manage it (Suchman, 1995; Deeds et al., 1997). Various academic studies have analyzed how certain actions can help obtain, or lose, legitimacy (for example, Phillip et al., 2004). Their findings confirm Suchman's (1995), who noted that oftentimes the best course of action is simply to adjust to what the environment is asking for. This admits degrees; it is a thermometer

or a metric of the situation (Walzer, 2002) and can have varying degrees of intensity (Gurr, 1971).

Figure 1. State legitimacy



Source: Own elaboration

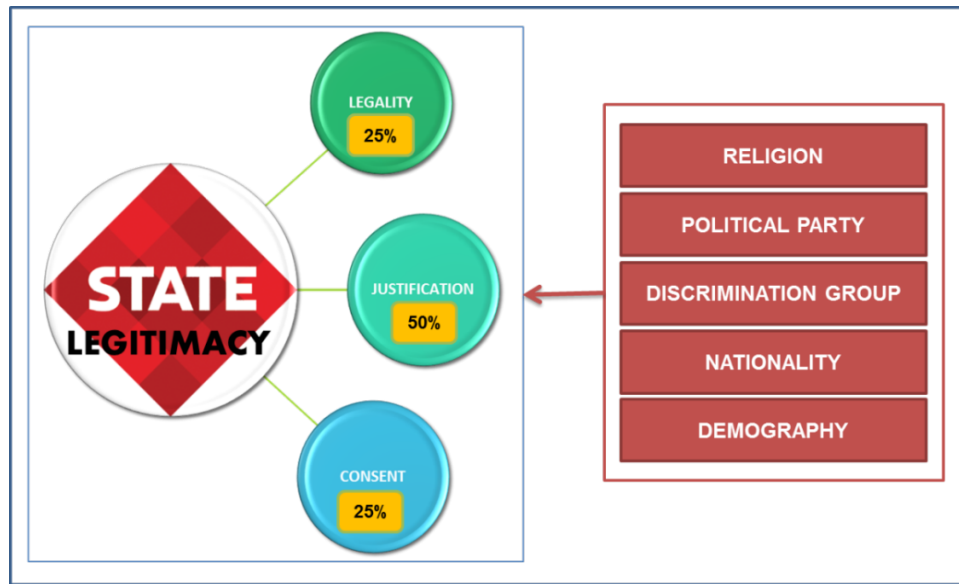
Are all three dimensions of legitimacy equally important in building a legitimacy index? Following Beetham (1991), Gilley (2012), Prado-Román et al. (2016), Power and Cyr (2009) and Seligson and Booth (2009), the three dimensions should have different weights (Figure 1). For these authors, legality represents 25% of the importance in determining political legitimacy, acts of expressed consent 25%, and normative justifiability the remaining 50%. A country will most effectively improve its legitimacy by carrying out actions that improve its normative justifiability.

### SEGMENTATION OF STATE LEGITIMACY

It is necessary to quantify the differences in state legitimacy among social groups. The academic literature has identified a number of segments and its characteristics (attitude, behavior, benefit, demographic, geographic, and psychographic). The segmentation in political markets has been previously outlined (O'Shaughnessy 1987; Reid 1988). Much of the academic literature on market segmentation has been analyzed from a product marketing perspective, including political markets, which have been segmented using geographic, behavioral, psychographic and demographic methods (Smith and Saunders 1990). For example, Baines et al. (2003), suggested that developing political messages that affect voter decision making and choice entails a segmentation approach that not only describes what issues, positions, and traits are important to a given segment of voters, but that also identifies the reasons for it.



Figure 2. Segmentation of State Legitimacy



Source: Own elaboration

Although this literature has applied, adopted, and extended many of these techniques to the field of elections and voting (Baines, 1999; Baines et al., 2002, 2003; Newman, 1994, 1999; O'Shaughnessy, 1987; Phillips et al., 2010; Reid, 1988; Schiffman et al., 2002; Smith & Hirst, 2001; Smith & Saunders, 1990; Yorke & Meehan, 1986), it has not been applied in the research of state legitimacy (Figure 2).

## SAMPLE AND METHODOLOGY

To measure the state legitimacy, we have followed the guidelines used by other well-regarded indexes in high impact publications, such as the University of Michigan Consumer Sentiment Index (MCSI). This index measures consumer attitudes on the business climate, personal finance, and spending (Vosen et al., 2011). Another index we studied, the Consumer Confidence Index (CCI), is designed to measure overall consumer confidence, relative financial health, and purchasing power of the average US consumer (Kwan & Cotsomitis, 2006; Tsalikis & Seaton, 2007). It achieves this by providing a score between 0 and 1 that is modified by positive, negative, and neutral indicators; allowing us to analyze change over time (Prado-Román et al., 2016).

Every two years, the Standing Committee for the Social Sciences (SCSS) of the European Science Foundation leads the European Social Survey (ESS). This represents an effort to measure change in the attitudes, beliefs, and behavior patterns of the various populations in Europe, improve the quality of quantitative measures, and establish a set of solid social indicators to evaluate well-being in European countries.

To quantify state legitimacy we have adapted the indicators proposed Prado-Román et al. (2016) and Gilley (2006). It is possible to use the results of social surveys to build a state legitimacy

measure as they contain indicators of social and political nature (Gilley, 2012; Grimes 2008; Hetcher 2009; Rothstein 2010).

We have collected the bi-annual ESS data for Spain in 2014 and select 20 items (identified in Table 2) that measure legitimacy by referring to citizen's acceptance, trust, an public participation in the countries analyzed (2 items for legality, 8 for normative justifiability, and 10 or expressed consent).

Table 1. State Legitimacy Items

<i>Dimensions</i>	<i>Item</i>	<i>Initial scale</i>	<i>Statistical Treatment</i>	<i>Final scale</i>
<b>Legality</b>	Trust in the legal system	1 - 10	Calculated new variable. Log 10 transformation	0 - 100
	Trust in justice	1 - 10	Calculated new variable. Log 10 transformation	0 - 100
<b>Justification</b>	Satisfaction with your country's democracy	1 - 10	Calculated new variable. Log 10 transformation	0 - 100
	Satisfaction with your country's economic situation	1 - 10	Calculated new variable. Log 10 transformation	0 - 100
	Sate of education in your country	1 - 10	Calculated new variable. Log 10 transformation	0 - 100
	Satisfaction with your country' government	1 - 10	Calculated new variable. Log 10 transformation	0 - 100
	Trust in parliament	1 - 10	Calculated new variable. Log 10 transformation	0 - 100
	Trust in political parties	1 - 10	Calculated new variable. Log 10 transformation	0 - 100
	Trust in politicians	1 - 10	Calculated new variable. Log 10 transformation	0 - 100
	State of health services	1 - 10	Calculated new variable. Log 10 transformation	0 - 100
<b>Consent</b>	Participation in an election in the last 12 months	1 - 2	Recoding. NO value transformed from 2 to 0	0 - 100
	Boycotted a product in the last 12 months	1 - 2	Recoding. NO value transformed from 2 to 0	0 - 100
	Feeling of closeness with a specific political party	1 - 2	Recoding. NO value transformed from 2 to 0	0 - 100
	Contact with public administration in the last 12 months	1 - 2	Recoding. NO value transformed from 2 to 0	0 - 100
	Member of a political party	1 - 10	Calculated new variable. Log 10 transformation	0 - 100
	Participated in a lawful public demonstration in the last 12 months	1 - 2	Recoding. NO value transformed from 2 to 0	0 - 100
	Signed a petition in the last 12 months	1 - 2	Recoding. NO value transformed from 2 to 0	0 - 100
	Voted during the last general elections	1 - 2	Recoding. NO value transformed from 2 to 0. Omitted value 3	0 - 100

Worked in an organization or association in the last 12 months	1 - 2	Recoding. NO value transformed from 2 to 0	0 - 100
Worked in a political party or action group in the last 12 months	1 - 2	Recoding. NO value transformed from 2 to 0	0 - 100

Source: Own elaboration by Prado-Román et al. (2016) and European Social Survey (2012)

Some additional data homogenization is necessary to allow us to compare the different measures. As shown in Table 1, the scales of the items in the ESS are not homogeneous. Some of them receive values between 1 and 10, others between 1 and 2, and some data cleansing was also necessary. Scales are converted to 0-100 by applying base 10 logarithms (0 = minimum legitimacy; 100 = maximum legitimacy), and variables on the 1-2 scale are re-coded by reversing the values (2 = no legitimacy; 1 = full legitimacy). Following these transformations, we weight, calculate the average values and attribute the value of each dimension to the building of a weighted state legitimacy. This allows us to compare items and obtain a robust index (Hair et al., 2009).

Common-sense segmentation requires the researcher to first choose the variables of interest, and then to classify this segments in accordance with those variables (Pulido-Fernández & Sánchez-Rivero, 2010). The choice of these variables is based on European Social Survey indicators and proposals found in the literature for similar cases (Baines et al., 2003, among others).

With respect to the segmentation criteria, there are basically four types of variables (Table 2): religion, discrimination group, nationality and demography.

Table 2. Segmentation Variables

Segmentation criteria	Item
<b>Religion</b>	Belonging to particular religion or denomination How religious are you
<b>Political party</b>	Party voted for in last national election Which party feel closer to, Spain
<b>Discrimination</b>	Member of a group discriminated against in this country: <ul style="list-style-type: none"> <li>• Color or race</li> <li>• Nationality</li> <li>• Religion</li> <li>• Language</li> <li>• Ethnic group</li> <li>• Gender*</li> <li>• Sexuality**</li> <li>• Disability</li> </ul>
<b>Nationality</b>	Born in country & type of continent Father born in country Mother born in country What year you first came to live in country
<b>Demography</b>	Number of member of household Gender Age

	Legal marital status Highest level of education Main activity
*Gender: male or female **Sexuality: sexual orientation (heterosexual, homosexual, bisexual and others sexual orientation)	

Source: Own elaboration

Regarding the political party, this study has selected those parties voted massively at national elections. In the European Social survey other parties have been identified, however, the sample of these voters is not wide enough for the statistic technique applied.

## RESULTS

Anova analysis for the variable of state legitimacy showed differences with regard to the following variables (Table 3). If the level of significance is less than 0.05, it means that there are differences which depend of the segmentation criteria.

Table 3. Anova Analysis

Segmentation criteria	Item	Anova
<b>Political party</b>	Party voted for in last national election, Spain	<b>0.000***</b>
	Which party feel closer to, Spain	<b>0.000***</b>
	Placement on left right scale	<b>0.000***</b>
<b>Religion</b>	Belonging to particular religion or denomination	<b>0.000***</b>
	How religious are you	<b>0.000***</b>
<b>Discrimination</b>	Color or race	<b>0.000***</b>
	Nationality	0.775
	Religion	0.775
	Language	0.386
	Ethnic group	0.351
	Gender	<b>0.039***</b>
	Sexuality	<b>0.007***</b>
	Disability	0.984
<b>Nationality</b>	Born in country	<b>0.015***</b>
	What year you first came to live in country	0.801
	Father born in country	<b>0.009***</b>
	Mother born in country	<b>0.009***</b>
<b>Demography</b>	Number of people living regularly as member of household	0.330
	Gender	0.511
	Age	0.285
	Legal marital status	0.155
	Highest level of education	0.401
	Main activity	0.320
*p<0.05, **p<0.01, ***p<0.001		

To build the specific state legitimacy indexes, those segmentation variables which were tested as significant in Anova analysis have been selected. These variables are: political party (PP, PSOE),

religion (yes, no), nationality (born in country), and discriminated group by color or race, gender and sexuality (Table 4 and Figure 3).

With respect to the influence of the practice of any particular religion or other denomination, the analysis of the disaggregated index indicates that the values of legitimacy for those who are identified as members of a religious community are similar to the global index (52.27 vs 52.89). However, if the results are analyzed by dimensions, it is verified that this group represents a higher value in the justification dimension (72.79 vs 54.32).

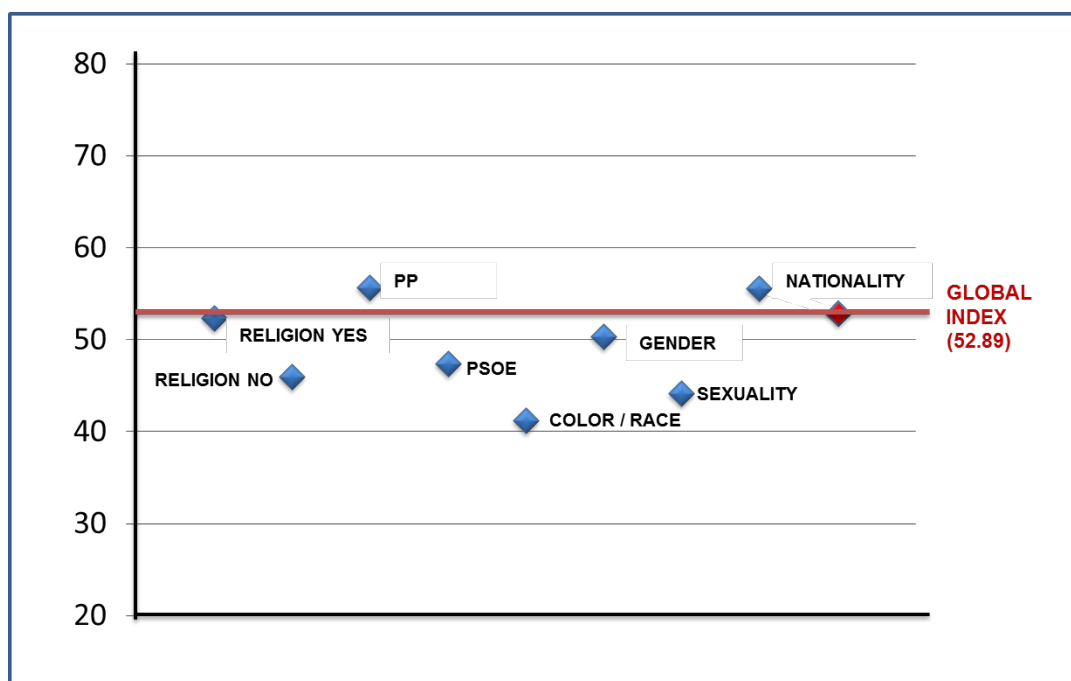
Table 4. Results of Specific Indexes Vs Global State Legitimacy Index

<b>Segmentation criteria</b>	<b>Sample</b>	<b>Dimension 1. Legality</b>	<b>Dimension 2. Justification</b>	<b>Dimension 3. Consent</b>	<b>State Legitimacy</b>
Religion: Yes	1076	57.75	72.79	20.81	<b>52.27</b>
Religion: No	527	46.43	63.50	27.46	<b>45.96</b>
Political party: PP	388	63.04	75.19	21.38	<b>55.66</b>
Political party: PSOE	296	48.16	68.27	24.88	<b>47.36</b>
Discrimination: Color/race	8	46.74	49.06	22.21	<b>41.18</b>
Discrimination: Gender	16	42.44	67.15	49.07	<b>50.28</b>
Discrimination: Sexuality	13	37.09	60.39	41.86	<b>44.11</b>
Nationality (foreign)	142	62.74	76.65	22.03	<b>55.54</b>
<b>GLOBAL INDEX</b>	<b>1925</b>	<b>69.74</b>	<b>54.23</b>	<b>33.72</b>	<b>52.89</b>

Moreover, those who do not identify with a religion give a value below 50 on average to legitimacy (45.96). This is a lower value than the global index due to a low value in the legality dimension (46.43).

With respect to how does the legitimacy index reaches disparate values according to the political party which was voted in the last elections, it is interesting to check how, these voters whose party reached power (PP), give high level of state legitimacy (55.66). And those who are voters of the "opposition" (PSOE) do not give the score of approved to the institutions of the country (47.36). The obtained results from the voters of PSOE regarding the legality dimension represented lower values (48.16).

Figure 3. Graphic Representation Specific Indexes Vs Global Index



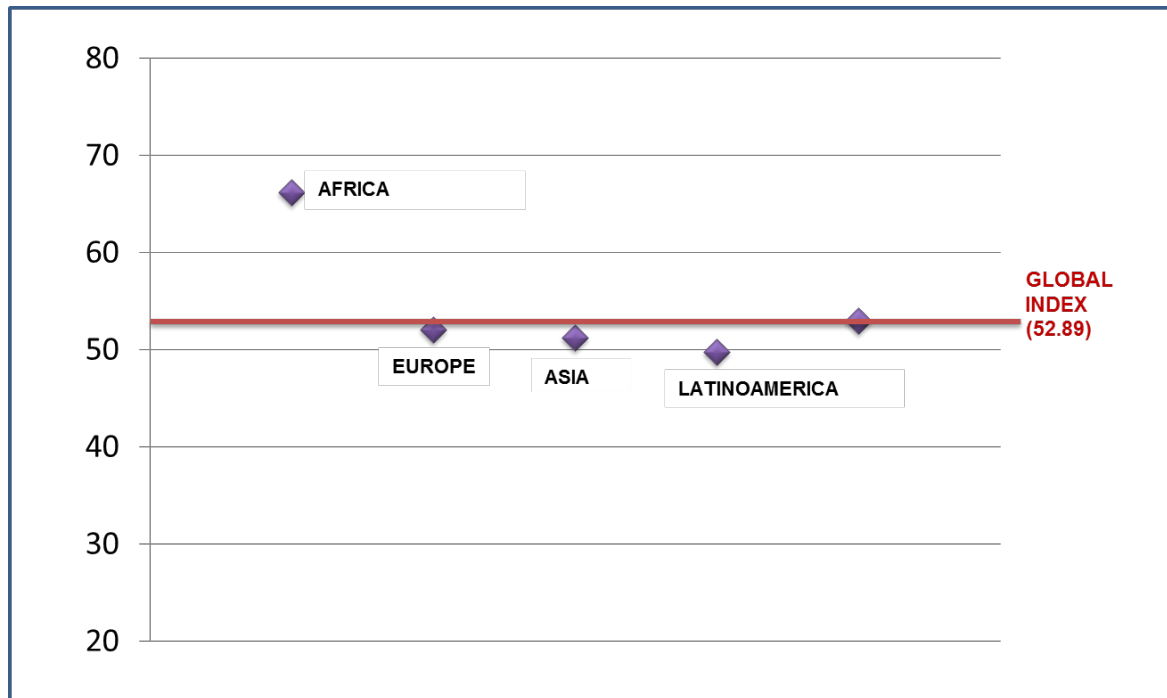
Regarding the values disaggregated by discrimination social groups, it is necessary to analyze the results cautiously due to the small size of the sample. On one hand, for the three discrimination groups (color/race, gender and sexuality) the results of the legality dimension are very low (color/race: 46.74, gender: 42.44, sexuality: 37.04, vs global index: 69.74). On the other hand, the results for consent show that the people who are feeling discriminated by gender and sexuality, participate actively in the public sphere (gender: 49.07, sexuality: 41.86). These results detect a more responsive response and a greater public impact on policies approved by the government.

Table 5. Continent of Origin - Foreign Citizens

Continent of origin		Sample	Dimension 1. Legality	Dimension 2. Justification	Dimension 3. Consent	State Legitimacy
Africa		29	66.81	79.24	51.83	66.17
Europe		40	45.31	65.45	51.83	51.98
Asia		9	46.05	73.31	19.17	51.14
Latin America		62	60.19	29.22	59.30	49.73
<b>GLOBAL INDEX</b>		<b>1925</b>	<b>69.74</b>	<b>54.23</b>	<b>33.72</b>	<b>52.89</b>

Finally, those foreign citizens who live in Spain give a high score to state legitimacy (55.54 vs 52.89). In particular, the trust in the justification dimension exceeds in more than 20 points the global index. In this point, the analysis of the region of origin of foreigners living in Spain establishes relevant differences (Table 5 and Figure 4). Citizens from African countries record the highest scores (66.17 vs 52.89), Asian and European citizens give values similar to the global index (Asia: 51.14, Europe: 51.89, vs 52.89), and the Latin American citizens grant lower values (49.73 vs 52.89).

Figure 4. Graphic Representation of Foreign Citizens Index Vs Global Index



## DISCUSSION

This study establishes a state legitimacy index adapted to the particularities of the Spanish population clusters. It evidences the link between the state legitimacy and political party, religion, discrimination groups (color/race, gender and sexuality) and nationality. This specific index reflects more detailed information inside the country. This type of information permits to establish effective political strategies, develop efficient social politics, and apply relevant communication actions. In this line, a government with this information could have a more robust intelligence system and could approve more accurate politics.

With respect to the segmentation criteria, it studies four types of variables religion, discrimination group, nationality and demography. The statistical analysis confirms that the discrimination by nationality, religion, language, ethnic group, or disability, the number of years that foreigner came to live in Spain, or demography variables (number of people living regularly as member of household, gender, age, legal marital status, level of education and main activity) are not significant. Therefore, it is not necessary to build specific legitimacy indexes because their degree of support for state institutions does not deviate from the generality.

The variables that require detailed analysis and a specific legitimacy index are: political party, religion, discrimination groups and nationality. Depending on these variables, the legitimacy index varies and it is necessary to analyze these differences with the objective of verifying how these social groups respond to new social, communication or government policies.

First, the non-practice of a religion determines lower levels of legitimacy. Second, citizens whose political party is in the government are more benevolent with state activities, while

citizens who have voted for the opposition are more critical (especially in relation to law and justice). This information indicates that failure to achieve representatives in institutions leads to a decrease in levels in the basic dimension of any country (they extrapolate these results to the concept of "justice").

Third, individuals discriminated by their color or race, their sexuality or gender are very sensitive to legitimacy. The values reached are lower than the global index. Although their confidence in the legality is inferior, a greater social mobilization of these groups is verified, which in some cases determines higher levels of consent (for example, in gender, a value of 49.7 vs 33.72 of the global index).

Finally, when the legitimacy indexes are analyzed in relation to whether they are emigrants and their origin, it is surprising that the results of legitimacy are higher than the global index. Especially, for this social group the level of legitimacy given to the justification dimension is higher. That is, these citizens evaluate Spanish institutions better than Spaniards.

A detailed analysis of the country of origin highlights that "affinities" established a priori constitute stereotypes and do not respond to the expected values. On the one hand, citizens born in Latin America who share language and certain customs with Spaniards are the most critical with the legitimacy of the state. These results test a cultural factor shared by most Latin American countries: the lack of trust in their public institutions and the crisis of political culture.

On the other hand, citizens born in Africa (most of them born in Morocco, Algeria or Tunisia), who are sometimes perceived as a threat and are associated with Islamic extremist movements, give values above any other group of membership. In particular, the values of legality and consent dimensions for African population are higher. Moreover, European and Asian citizens, maintain the general values of legitimacy.

Finally, there are certain limitations to the current study. It would be necessary to analyze the correlation between legitimacy and political, social, and economic variables, as well as to increase the sample, or compare these results with other countries.

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## **INTERACTIVE EFFECTS OF MANAGER AND SUBORDINATE JOB SATISFACTION ON SUBORDINATE TURNOVER INTENTIONS**

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### **ABSTRACT**

Previous research has provided substantial support for the role that attitudes play in predicting turnover intentions. In particular job satisfaction has been found to be a consistently significant predictor of turnover intentions. Little attention, however, has been paid to the cross-level effects of managerial attitudes on the subordinate job satisfaction - turnover intentions relationship. Using hierarchical linear modeling (HLM), this study examined the cross-level interactions of both manager job satisfaction and manager turnover intentions on the subordinate job satisfaction - turnover intentions relationship based on a sample of respondents involved in the merger of two banking institutions. The results of the analysis confirmed that the negative relationship between subordinate job satisfaction and subordinate turnover intentions was stronger when manager job satisfaction is high, suggesting that managers' attitudes may have influence on the turnover intentions of subordinates if those attitudes are apparent to subordinates. Manager turnover intentions, however, did not moderate the subordinate job satisfaction-turnover intentions relationships.

*Keywords:* Turnover, Turnover Intentions, HLM, job satisfaction

### **INTRODUCTION**

In seeking to explain and predict employee turnover, a considerable body of research consisting of more than 1500 studies has accumulated (Holtom, Mitchell, Lee, & Eberly, 2008). The sheer volume of this research suggests that scholars and organizational leaders alike understand the importance of employee retention, especially given highly skilled individuals' ability to maintain mobility under stressful economic conditions, such as when unemployment rates are high and labor markets are unfavorable (Trevor, 2001). Organizational leaders also recognize that replacing high-performing employees results in significant increases in selection and training costs (Albrecht, 2006; Cascio, 2003) as well as costs associated with loss of production and overall workforce disruption (Allen, Bryant, & Vardaman, 2010).

Current models of employee voluntary turnover are based on early work by March and Simon (1958) suggesting that turnover is driven by both cognitive (perceived availability of alternatives) and affective (perceived desirability to leave the organization) factors. Affective-based models primarily focus on the role of employee job satisfaction in turnover decisions (Mitchell, Holtom, Lee, Sablinski, & Erez, 2001). In these models, negative organizational factors (e.g., poor human resource practices and poor leadership) reduce job satisfaction which, in turn, initiates the withdrawal process, including thoughts of quitting, job search, evaluation of alternatives, and intentions to quit, that then leads to actual turnover (Allen et al., 2010; Johnsrud & Rosser, 2002).

As part of the withdrawal process, turnover intention is the most studied precursor of turnover (Barrick & Zimmerman, 2005). Turnover intentions are an individuals' own estimated probability that they will leave the organization permanently (Vandenberg & Nelson, 1999), and represent the link between the thought of leaving and the actual behavior (Crossley, Bennett, Jex, & Burnfield, 2007). Thus, employee turnover intent is widely acknowledged to be one of the best predictors of actual turnover (Griffeth, Hom, & Gaertner, 2000).

Despite the ubiquitous nature of research that includes turnover intentions, it continues to be an important topic of study for at least two reasons. First, while the majority of employees who claim to have high turnover intentions fail to actually leave their organization (Allen & Weeks, 2005), these individuals may “check out” mentally, suffer from lower motivation to perform, and become distracted through job search or other withdrawal activities resulting in decreased job performance (Bowen, 1982). Second, it may be more beneficial to focus on factors that influence employee turnover intentions rather than actual turnover (Albrecht, 2006), because attitudes can be modified while the employee is with the organization, but once an employee has left there is little chance of getting them back (Lee & Mitchell, 1994).

To better understand employee turnover intentions, researchers have examined a number of micro- and macro-level antecedents. At the micro- (individual) level, antecedents include, career stage (Flaherty & Pappas, 2002) and personality (Jenkins, 1993), but more commonly employee turnover intentions have been viewed as an outcome of job attitudes, particularly job satisfaction and organizational commitment, (Chiu, Lin, Tsai, & Hsiao, 2005; Freund, 2005; Jenkins, 1993; Karsh, Booske, & Sainfort, 2005). At the macro- (organizational) level, human resource practices, such as socialization tactics (Bauer, Bodner, Erdogan, Truxillo, & Tucker, 2007), work design (Humphrey, Nahrgang, & Morgeson, 2007), and pay practices (Shore, Tashchian, & Jourdan, 2006) have been commonly linked to turnover intentions.

The emphasis on micro- and macro-level antecedents to turnover intent leaves room for additional research on meso-level (i.e. work unit) antecedents. Unless the organization is very small, most employees spend a significant amount of time with supervisors/managers and coworkers in their work unit. For many employees, the work unit becomes the “organization” and unique work unit characteristics have the potential to influence an employee's attitudes and behaviors. Specifically, this study was interested in what role a manager's job attitudes might play in determining their subordinates' level of turnover intentions. While studies have examined the interaction effects of organizational factors such as trust (e.g., Brower, Lester, Korsgaard, & Dineen, 2009) and employee morale (Johnsrud & Rosser, 2002) on turnover intentions, the interaction effects of manager's job attitudes on the relationship between subordinate job attitudes and subordinate turnover intentions remains neglected. In addition, this research responds to more general calls for multi-level turnover studies (Holtom et al., 2008).

## **THEORY AND HYPOTHESES**

Studies have begun to examine the meso- (work-unit) level factors affecting turnover intent. Brower, Lester, Korsgaard, and Dineen (2009) found that manager's trust in subordinates was a significant indicator of individual-directed organization citizenship behaviors beyond the influence of the subordinate's trust in the manager. Johnsrud and Rosser (2002) found that

differences in perceptions of faculty across institutions influenced morale and, in turn, turnover intentions. Smith and Canger (2004) investigated the effects of supervisor personalities on subordinate attitudes using the five-factor model of personality. They found that supervisor Extraversion was negatively related to subordinate turnover intentions ( $r = -.24$ ).

What remains unclear is whether manager attitudes moderate the relationship between subordinate attitudes and their turnover intentions. Often, in studies assessing subordinate attitudes in relation to their supervisor or manager, satisfaction with their supervisor is assessed either as an element of overall job satisfaction or as a factor within a higher order job satisfaction construct (Tett & Meyer, 1993). This approach fails to examine how the attitudes of the manager might influence the relationship between subordinate job satisfaction and their turnover intentions. Similarly, research on Perceived Supervisor Support (PSS) and Perceived Organizational Support (POS) suggests that perceptions of support from the organization and its representatives (i.e., supervisors or managers) have an influence on turnover cognitions and actual turnover (Allen, Shore, & Griffeth, 2003; Eisenberger, Stinglhamber, Vandenberghe, Sucharski, & Rhoades, 2002; Maertz, Griffeth, Campbell, & Allen, 2007). Again, however, this work looks at supervisor and organizational support through the eyes of the subordinate rather than as reported by the supervisor.

In an effort to address these cross-level concerns, an assertion is made that a manager's attitudes interact with subordinate attitudes (e.g., job satisfaction) to alter the strength of the relationship of subordinate attitudes and subordinate turnover intentions. The negative relationship between job satisfaction and turnover intentions is well established. But is the nature and strength of that relationship influenced by the attitudes of a subordinate's manager? This study argues that it is.

In the present study, signaling theory (Spence, 1973) is used to frame the investigation of the role of supervisors' self-reported job satisfaction and turnover intentions on their subordinates' job satisfaction to turnover intentions relationship. Signaling theory, developed originally in the market economics literature, suggests that individuals will make inferences based on environmental cues about job and organizational characteristics when faced with an absence of adequate information regarding current organizational conditions (Rynes, Bretz, & Gerhart, 1991; Spence, 1973). Signaling theory has been used in the OB/HR literature in studies on Web-based recruiting (Allen, Mahto, & Otondo, 2007) and employee recruiting (Cable & Judge, 1997; Ma & Allen, 2009), work-family conflict (McNall, Masuda, & Nicklin, 2010), and psychological contracts (Suazo, Martínez & Sandoval, 2009). Ramaswami, Dreher, Bretz, and Wiethoff (2010) extended signaling theory by suggesting that it is not just the signal that is important, but how strong the person is (in terms of status and/or position) that sends the signal ("signal strength") and how noteworthy that signal will be to the recipient ("signal visibility").

In a work group context, managers have great potential to influence their subordinates in terms of the meanings that people give to their jobs, co-workers, leaders, pay, and other job-related factors (James et al., 2008). In the manager/subordinate relationship, managers are often privy to information not readily available to subordinates. The job attitudes of managers may thus be influenced by this information, and in turn managers may send cues related to their job satisfaction (e.g. facial expressions, cordiality, mood) and their turnover intentions (e.g. job search activities, unusual and frequent early departures from work) that subordinates observe and interpret. Further,

a manager's cues may be more readily accepted due to his or her authoritative position, and managers may also have more opportunities to send cues, as they tend to set the goals and performance standards of the group. Likewise, subordinates may be more attentive to those cues because they come from an individual in a position of authority (Hatfield, Cacioppo, & Rapson, 1994; Sy, Côté, & Saavedra, 2005).

After viewing these cues, subordinates may reconsider, either consciously or unconsciously, their own attitudinal relationships, such as their job satisfaction to turnover intentions relationship. Specifically, one could expect these cues about the manager's attitudes to operate as a moderator of the subordinate's job satisfaction to turnover intent relationship. When manager job satisfaction is high and manager turnover intentions are low, the negative relationship between subordinate job satisfaction and subordinate turnover intentions may be strengthened (i.e., the negative slope of the subordinate job satisfaction-turnover intentions relationship will become steeper). When a manager's job satisfaction is low and their turnover intentions high, the negative relationship between the subordinate's job satisfaction and subordinate's turnover intentions may be weakened (i.e., the negative slope of the subordinate job satisfaction-turnover intentions relationship will become less-steep).

In sum, considering the attitudes of *both* the manager *and* the employee will give a fuller picture of the negative relationship between subordinate job satisfaction and subordinate turnover intentions in comparison to considering the subordinate's attitudes alone. This interactive effect is thought to emerge out of manager signals displayed through interactions comprising the manager/subordinate relationship. Thus, the following hypotheses are posited:

*Hypothesis 1:* Manager job satisfaction will moderate the negative relationship between subordinate job satisfaction and subordinate turnover intentions such that when manager job satisfaction is high the negative relationship will be stronger and when manager job satisfaction is low the negative relationship will be weaker.

*Hypothesis 2:* Manager turnover intentions will moderate the negative relationship between subordinate job satisfaction and subordinate turnover intentions such that when manager turnover intentions are high the negative relationship will be weaker and when manager turnover intentions are low the negative relationship will be stronger.

## METHODS

### Research Setting

The data used in this study were collected from all 98 branches of a regional bank in the Southeastern U.S. created by the merger of two other banks. Mergers have often been used as a means of enabling organizations to improve their effectiveness and competitiveness (Andrade, Mitchell, & Stafford, 2001; Daly, Pouders, & Kabanoff, 2004), but mergers are particularly stressful because of the organizational and human resource changes that often occur (Schweiger & DeNisi, 1991). These drastic change events can negatively influence job attitudes because the merger is viewed as a psychological contract breach, which may be evidenced by higher turnover intentions (Raja, Johns, & Ntalianis, 2004).



Data were collected eight months after the merger was announced and several months after it became official. At the time of the study, bank branch consolidation and name changes to reflect the new parent had been fully completed, but standardized goals, performance reporting criteria, and operations were still not yet finalized, and some planned changes, such as integrating accounting systems, were still in progress. Thus, the potential for variability in turnover intentions created a good setting for this study.

### **Sample and Procedure**

Survey packets were created for all bank managers and assistant managers, customer service representatives, and tellers inviting them to participate in a survey addressing employee morale and merger issues ( $N = 1052$ , 98 branches). Regional managers were asked to deliver the survey packets identified by job type to bank branch managers for distribution to employees. Each survey packet contained a prepaid return envelope that respondents were instructed to use to return the completed survey directly to the researchers. Employees were encouraged to participate and were assured that all responses were completely anonymous. A total of 466 employees returned surveys; there was no discernible overarching reason for why the remaining employees failed to respond. Data were screened for missing values, of which 37 cases were found. Missing data analyses produced no significant differences between respondents and non-respondents on the variables of interest, thus these 37 cases were deleted. Of the final 429 participants, 61% worked for the acquired bank and 39% came from the acquiring bank. Job positions consisted of 24% managers, 22% customer service employees, and 54% tellers.

The final sample contained data on a total of 64 branches. To arrive at this number, respondents identified the branch for which they worked using a unique bank identifier. For some of the branches, multiple employees classified themselves as being in a management position. This is reflective, typically, of the branch size, where larger branches might have a manager and several assistants and smaller branches might only have a single manager. Due to the anonymity of the responses, subordinates were not directly linked to a specific manager. Thus, to produce one manager-level score for both job satisfaction and turnover intentions, each was averaged using these level-2 attitudes resulting in a single score for every branch. This was necessary for 31 out of the 64 branches (48%), with the vast majority of the branch-level manager attitudes (28 out of the 31) being the average of two manager respondents, and no branch having more than four manager respondents. Subordinates were those participants who indicated their position title as either customer service representative or teller. The analysis required at least one manager/subordinate match per branch. Thus, those branches not meeting this requirement were eliminated resulting in a final sample of 64 manager scores at the branch level and 263 employees (an average of four employees per branch).

### **Measures**

Unless otherwise noted all responses were measured on a 5-point Likert-type scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

***Manager and Subordinate Job Satisfaction.*** Job Satisfaction was measured for both manager's and employee's using Cammann, Fichman, Jenkins Jr., & Klesh's (1983) 3-item scale. A sample

item is “All in all, I am satisfied with my job.” Coefficient alphas for subordinate and manager job satisfaction were .83 and .88 respectively.

**Manager and Subordinate Turnover Intentions.** Turnover intention was measured using Kelloway, Gottlieb, & Barham’s (1999) 4-item scale. A sample item is “I am thinking about leaving this organization.” Coefficient alphas for subordinate and manager turnover intentions were .91 and .90 respectively.

**Controls.** Previous bank affiliation was expected to cause differing turnover intention levels and was thus included as a control. I dummy coded previous bank affiliation so “1” represented the absorbed company and “0” the acquiring company. Position was also used as control because the job characteristics (e.g., autonomy) associated with teller and customer service representative positions may influence turnover intentions.

### Analysis Strategy

To test the multi-level hypotheses in this study, HLM was used (Raudenbush & Bryk, 2002). Subordinate turnover intentions were entered as the level-1 outcome variable and subordinate job satisfaction as the level-1 independent variable. Manager responses to these two attitudes were entered as level-2 variables. A slopes-as-outcomes model was tested, allowing the level-2 variables to predict the level-1 slope between subordinate job satisfaction and turnover intentions. As recommended by Hofmann and Gavin (1998), job satisfaction at level-1 was group mean centered and all level-2 variables were grand mean centered. This centering approach was used to protect against chance-shared variance in slopes-as-outcomes models due to the same type of centering (e.g., all variables grand mean centered). The control variables were not centered and fixed because they represent non-random dummy coded values.

## RESULTS

Table 1 shows the means, standard deviations, and intercorrelations among the study variables at each level. The correlations for the study variables are in line with, though slightly lower than a previous meta-analysis placing the correlation between job satisfaction and turnover intentions at -.58 (Tett & Meyer, 1993). To ensure construct distinction, however, a confirmatory factor analysis (CFA) was conducted for the study variables. Model fit was evaluated using Chi-squares [ $\chi^2(df)$ ] test, comparative fit index (CFI), standardized root mean squared residual (SRMR) and root-mean-square error of approximation (RMSEA) as well as its 90% confidence interval (Hu & Bentler, 1999). The model fit for the two-factor model [ $\chi^2(13) = 53.86$ , CFI = .98, SRMR = .03, RMSEA = .10 (.072 ≤ RMSEA<sub>90%CI</sub> ≤ .16)] was significantly better ( $\Delta\chi^2 = 93.70$ ,  $p = .000$ ) than the one-factor model [ $\chi^2(14) = 147.56$ , CFI = .93, SRMR = .04, RMSEA = .17 (.15 ≤ RMSEA<sub>90%CI</sub> ≤ .20)]. Given the results of the CFA, the two-factor structure generated more confidence and the analysis was conducted.

Table 1. Means, standard deviations, correlations, and reliabilities for study variables

Variable	Mean	s.d.	1	2	3	4	5	6
Level 1								
1. Previous bank affiliation	.64	.48	--					
2. Subordinate Position Title	.28	.45	.08	--				
3. Subordinate Job Satisfaction	3.74	.88	.18**	-.05	(.83)			
4. Subordinate Turnover Intentions	2.54	1.13	-.22***	-.01	-.78***	(.91)		
Level 2								
5. Manager Job Satisfaction	3.94	.79					(.88)	
6. Manager Turnover Intentions	2.26	.81					-.78***	(.90)

*Note.* Level-1 N = 263; Level-2 N = 64; s.d. = standard deviation; Cronbach's alphas appear on the diagonal in parentheses.

\*\* p < .01; \*\*\* p < .001

Before running the HLM model, it is important to determine the amount of variance in the outcome variable due to the level-2 variable (i.e., bank branch; Davison, Kwak, Seo, & Choi, 2002) by calculating the intraclass correlation coefficient (ICC). The ICC for this sample indicated that 27.33% of subordinate turnover intentions is explained by a variable at level-2, supporting the multi-level nature of the data.

## Hypothesis Testing

Table 2 presents the results of the hypotheses tests. The hypotheses were tested by entering the study variables in a sequential manner that allows the observation of any changes in variance attributed to the introduction of new variables in the model. In Step 1, the control variables were entered as fixed effects and previous bank affiliation (1= absorbed company, 0 = acquiring company) was found to reduce turnover intentions in subordinates. The fact that employees had lower turnover intentions from the absorbed company than from the acquiring company may seem unusual, but in this case the culture of the absorbed company, a more aggressive and outcome-focused culture, was adopted by the acquiring company, whose culture was characterized as more customer-focused (i.e., spending more time developing existing business than acquiring new accounts; Harris & Gresch, 2010). Thus, the employees of the acquiring company were the ones making the greatest change, possibly increasing their turnover intentions accordingly.

Table 2. HLM Results for Study Hypotheses with Subordinate Turnover Intentions as Outcome

	Step 1		Step 2		Step 3	
	Coeff.	SE	Coeff.	SE	Coeff.	SE
Intercept, $\beta_0$						
Intercept, $\delta_{00}$	2.80***	0.17	2.79***	0.16	2.64***	0.15
MJS, $\delta_{01}$					-0.28	0.18
MTI, $\delta_{02}$					0.12	0.16
For Bank Affiliation slope, $\beta_1$						
Intercept, $\delta_{10}$	-.48*	0.2	-.47*	0.19	-0.22	0.2
For Position slope, $\beta_2$						
Intercept, $\delta_{20}$	-0.03	0.14	-0.12	0.1	-0.13	0.09
For SJS slope, $\beta_{30}$						
Intercept, $\delta_{30}$			-.93***	0.08	-.89***	0.07
MJS, $\delta_{31}$					-.34*	0.14
MTI, $\delta_{32}$					-0.1	0.16
Level-2 variance $\beta_0$	.30***		.42***		.34***	
SJS slope variance	--		.08*		.05	
Level-1 variance	0.91		0.44		0.44	

Note. Coeff. = Coefficient; SE = standard error; MJS = Manager Job Satisfaction; MTI = Manager Turnover Intentions; SJS = Subordinate Job Satisfaction

\*  $p < .05$ ; \*\*\*  $p < .001$

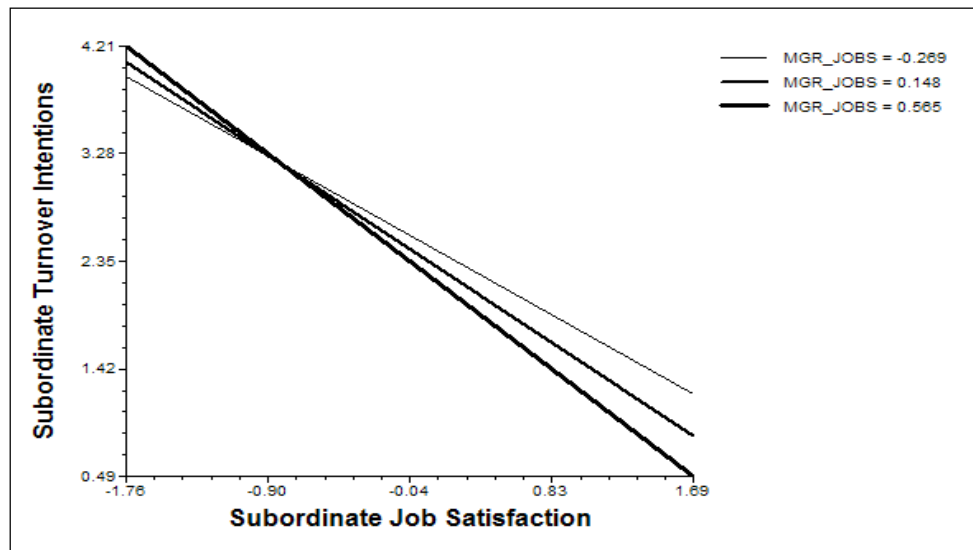
Before entering the level-2 variables to formally test the hypotheses, it was necessary to ensure that variance existed between bank branches. This is accomplished by modeling the slope between subordinate job satisfaction and turnover intentions (level-1); a significant slope coefficient indicates variance between branches. Therefore, in Step 2 subordinate job satisfaction was entered as a random effect. The test was significant ( $\chi^2(54) = 75.57, p < .05$ ), indicating that the slope of the subordinate job satisfaction - turnover intentions relationship differs by branch.

In the final step, manager job satisfaction and manager turnover intentions were entered as predictors of the relationship between subordinate job satisfaction and turnover intentions. Though not hypothesized, manager job satisfaction and manager turnover intentions as predictors of the mean differences of subordinate turnover intentions was also entered.

Hypothesis 1 posits that manager job satisfaction will increase the strength of the subordinate job satisfaction - turnover intentions negative relationship when it is high and decrease the strength when it is low. This hypothesis was supported ( $\beta = -.34, SE = .14, p < .05$ ), suggesting that management job satisfaction does influence the subordinate job satisfaction/turnover intentions relationship. Hypothesis 2 posited a similar interaction effect for manager turnover intentions but was not supported ( $\beta = -.10, SE = .16, p > .10$ ).

Figure 1 provides an interaction plot between subordinate and management job satisfaction on subordinate turnover intent. Plots were generated based on the 25<sup>th</sup> (low), 50<sup>th</sup> (mid), and 75<sup>th</sup> (high) percentile ranks of manager job satisfaction. When manager job satisfaction is high (75<sup>th</sup> percentile = .565) the slope between subordinate job satisfaction and subordinate intentions to quit is more steeply negative. When manager job satisfaction is low (25<sup>th</sup> percentile = -.269), the slope of the subordinate job satisfaction-turnover relationship is less steeply negative. The level-1 slope variance was also no longer significant after manager job satisfaction and manager turnover intentions were introduced into the model, suggesting that management job satisfaction can play a significant role in reducing employee turnover intent.

Figure 1. The Moderating Effect of Manager Job Satisfaction on the Relationship between Subordinate Job Satisfaction and Turnover Intentions.



## DISCUSSION

Turnover intent continues to be a topic in need of additional study. As the results of the study suggest, while the micro-level relationship between job satisfaction and turnover intentions is still relevant, it appears that meso-level factors such as manager job attitudes can influence the strength of this negative relationship. Specifically, manager job satisfaction was found to moderate the negative relationship between subordinate job satisfaction and turnover intentions. In essence, when manager job satisfaction goes up, the negative relationship between subordinate job satisfaction and subordinate intentions to quit is stronger. When manager job satisfaction goes down, the negative relationship between subordinate job satisfaction and subordinate turnover intentions weakens. This study provides new evidence that it is important to consider work-unit-level factors as well as individual-level job attitudes when examining the relationship between subordinate level attitudes (e.g., job satisfaction and turnover intentions).

The signaling framework utilized in this study suggests that manager job attitudes may create behavioral cues witnessed by subordinates, which in turn affects subordinate job attitude relationships. That is, employees' reactions to these behavioral cues may result in changes in how their own attitudes (such as job satisfaction and intent to leave) relate to one another, whether

consciously or subconsciously. In sum, given the myriad of factors that can potentially influence subordinate job satisfaction, the results appear to warrant additional research that considers the meso-level variable of manager attitudes in an effort to better understand employee's intent to leave.

The moderate influence of manager job satisfaction and the failure to detect effects from manager turnover intentions, however, suggests that other factors may be operative in influencing the relationship between subordinate job satisfaction and turnover intent. One such factor may be the difficulty subordinates have in determining manager job satisfaction levels. There are two probable explanations for this. A first consideration involves social norms in the workplace. It is generally not considered appropriate to openly discuss one's current job dissatisfaction or intentions to leave. This is particularly true in the manager/subordinate relationship. A manager is an organizational representative and is expected to maintain a certain disposition when interacting with subordinates and customers. To openly display job dissatisfaction with one's subordinates is not typically considered socially acceptable. A second consideration involves the issue of interpretation. Even if a manager is signaling to employees regarding their attitudes or intentions, these signals are often open to misinterpretation and inferences (Rosenbaum, Kariya, Settersten, & Maier, 1990). Thus, a manager's cues may either be missed or misinterpreted if received.

Given the potential difficulty a subordinate might have with recognizing and interpreting a manager's signals, the relationship a subordinate has with their manager and its influence on the signaling function may be an area of future research. For example, the length of time a subordinate has known their manager might influence how the subordinate recognizes and interprets the signals. Trust in the manager and the quality of the relationship with the manager may also influence the signaling process. Research on these topics may prove fruitful in helping to understand the recognition and interpretation of manager signals by subordinates.

### **Limitations**

As is the case for all studies, this study is not without limitations. All of the data was self-report data collected in a single survey and is thus subject to common method bias. These biases were unavoidable due to the study variables being self-report attitudes that could not be adequately assessed by any other source. However, given the voluntary nature and anonymity of study participation, there is no reason to believe that respondents were untruthful or biased in their responses, and as such that common method bias is not likely to be unduly influential (Conway & Lance, 2010). Although the data are cross-sectional, there does not appear to be a potential for reverse causality as job satisfaction has been well established as a predictor of turnover intentions and there is no theoretical reason to argue reverse causality.

A second potential limitation involves the fact that data were collected in the midst of a merger. Human Resource issues, such as lower job satisfaction and turnover, are often high in a merger environment. This presents the possibility that the results may not replicate in a more stable organizational environment. The merger provided, however, the ideal context for testing the hypotheses. It is possible that employees may have been especially attentive to managerial cues and signals due to the uncertainties and ambiguities associated with the merger. Subordinate attentiveness to these signals may have been a lurking variable establishing the results produced

in this study. If future research were to examine subordinate environmental awareness as a potential moderator to consider when examining the cross-level influence of manager job satisfaction on the subordinate job satisfaction - turnover intentions relationship (such as in a lab experiment), it is possible that managerial influence on employee turnover intent may be common but exhibited on a much smaller scale in more stable organizations.

### **Implications for Practice**

The findings provide empirical support that manager job satisfaction may influence the strength of the relationship between subordinate job satisfaction and turnover intent. Oftentimes, managers may send subtle cues through expressions or behaviors regarding their attitudes and intentions that may interact with a subordinate's own job satisfaction in a way that causes the subordinate to react adversely, as evidenced through relational changes of subordinate job satisfaction with turnover intent. Thus, organizational leaders should consider the following suggestions to help mitigate the possibility that managers might inadvertently influence increased turnover among employees.

First, employers should foster a communication environment that is safe for both managers and employees to express themselves genuinely without fear of retaliation. When situations or circumstances are positive personal expressions are not usually problematic, but employees should feel capable of expressing themselves openly under negative circumstances as well. Allowing genuine expression in the workplace reduces faking behavior, cognitive dissonance, and mitigates the opportunity for misinterpretation. When managers feel free to express themselves genuinely, employees are more likely to get the correct signal.

Second, managers and employees should receive training in communication, both verbal and nonverbal. Signaling theory suggests that employees take cues from the signals they receive from each other, therefore, employees need to be aware of the importance of their "signals" and how those signals might be interpreted. Raising awareness among managers as to how they send signals and how those signals may be interpreted will further increase more accurate and genuine expression, and decrease the possibility for misinterpretation by employees.

Third, while job satisfaction for all employees is important, job satisfaction among managers may be particularly important, because it may influence both manager turnover and employee turnover. Employers should actively monitor manager job satisfaction in all of its facets (i.e., work loads, work environment, pay, access to information, etc.) and work to ensure that satisfactory job satisfaction levels of their managers is sustained. This is particularly relevant in today's organizations where managers shoulder heavy loads due to the increased demand to maintain organizational performance while doing so with fewer resources.

### **CONCLUSION**

Turnover will continue to occur, and turnover intent will continue to be an important predictor of turnover. While much work has been done on the micro- and macro-level influences of turnover intent, more emphasis may be warranted on detecting and altering turnover intentions at the meso-level in order to prevent the possible loss of valuable employees that may inhibit competitive advantage. As one part of this process, the effects of manager job attitudes should be considered

when attempting to understand the relationship between subordinate job satisfaction and turnover intent. This study is a first step in that direction, and provides support that managers can influence subordinate-level job attitudes. Future research should continue to work towards identifying other work-unit level factors that influence the relationship between subordinate job satisfaction and turnover intent. One potential avenue may be to examine actual manager behaviors. In conclusion, this study represents a new avenue for future research to deepen the understanding of the relationship between job satisfaction and turnover intent by examining the multi-level nature of this relationship. It is hoped that other researchers interested in turnover will further examine this potentially fruitful area of study.

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