Business Management Handbook

By

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Management Accounting
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Introduction

Ever since the early 1980s a growing number of researchers have started to assume various critical viewpoints to investigate the roles of accounting practices in society. These critical viewpoints in accounting study are noticeable by a great deal of intellectual ferment evident in the different theoretical approaches and methodologies arranged and the broad range of subjects and issues addressed (Covaleski, Dirsmith & Samuel, 1996).

1.0 History of Management Accounting

1.1 Cognitive Distinctiveness

Previous accounting researches have revealed that cognitive distinctiveness affects individuals’ decision making. Such distinctiveness consists of cognitive styles and cognitive abilities. Cognitive styles are defined by Chang, Ho & Lin, (2001) as distinctive ways of acquiring, storing, retrieving, and transforming information; they are constant and infrequently change. “However, cognitive abilities relate to knowledge encoding and retrieval, and they are concerned with skill level. Managers’ resource allocations may be influenced by cognitive style and cognitive ability, since the former affects how they perceive opportunity and sunk costs, and the latter influences how they code, store, and retrieve knowledge” (Chang, Ho & Lin, 2001).
1.2 Knowledge

Many studies have confirmed that knowledge of an event’s outcome holds back the ability to form neutral unconditional judgments as if the outcome were unknown. The general form of this occurrence has been named the “curse of knowledge.” However, “Hindsight bias is a form of the curse of knowledge that involves prediction of an event” (Haynes, Kachelmeier, 1998).

The majority of historians recognize Garcke and Fells (1887) as the first text to incorporate cost accounts in a journal entry system. By 1970, the established knowledge was that cost accounting developed in the late 1800’s to present information to the managers of large firms. “Large investments in fixed assets created problems that simplistic 18th century accounting systems could not solve” (MacDonald & Richardson, 2002).

1.3 Wage Contracts

By 1820, wage contracts substituted piece rates in industrial units such as the Boston Manufacturing Company, but this decreased the motivation for employees to perform. To conquer the motivation problem, managers used the cost information to observe “employee performance by comparing productivity rates across workers and time; thus, cost accounting information was used for evaluation and control” (MacDonald & Richardson, 2002).

1.4 Key Events

Traditional history probably concentrates on responsibility by providing a narrative of key events based upon archival documents. Traditional history may be only descriptive or suggest a uncomplicated,
evolutionary model where change is associated with progress. “In many cases, traditional histories have a informative purpose, seeking to demonstrate the “lessons” of history that the author considers important” (MacDonald & Richardson, 2002).

1.5 Traditional History

Building upon this traditional history approach, neo-traditional (also known as neo-classical) accounting history research provides a narrative of evolutionary progress of accounting change. (MacDonald & Richardson, 2002). Conversely, neo-traditional accounting history goes beyond the simple narrative to offer insight from economic-rationalist theory to make clear the reason as well as the consequences of management accounting change. However, the neo-traditional approach attempts to fulfill both roles by detailing events (facts) as well as offering an economic-- rationalist clarification of why events happened (MacDonald & Richardson, 2002).

2.0 Accountants and the Expectation

2.1 The Strategic Role of Accountants

Accountants would also be expected to work directly with other functional areas to attain company objectives and view lower and middle level management as their major clients whose information needs to which they need to cater. The role of the accountants also involves helping other organizational associates to comprehend the strategic implications of their decisions. The roles of accountants as in house consultants is “strategic” in the sense of being more related to the needs of the organization in addition to being potentially more influential (Nyamori, Perara & Lawrence, 2001).
2.2 Change the Role of Accountants

The professional accounting literature appears to advocate that accountants should change their role from that of bookkeepers to being in house consultants or service providers. Accountants need to be concerned in the search for value-adding opportunities. As a result, accountants are being urged to change their perspective from a pure financial focus to larger business issues, which entail a detailed understanding of the business and its environment (Nyamori, Perara & Lawrence, 2001).

Strategic accountants should focus not only on financial but non-financial information, the future and both the internal and external environments of the company. They are also expected to go beyond simple provision of “related” information and actually take part in the decision making process itself (Nyamori, Perara & Lawrence, 2001).

2.3 The Strategy

Strategic accountants is merely a strategy in which is viewed as a way of identifying and shaping the goals and objectives of the firm, defining the most important action programs to reach those goals and then allocating necessary resources to achieve those goals. A main idea here is strategic effectiveness, which is achieved when there is a fit between the objectives and action programs including the allocation of the firm’s resources. This broad outlook of strategy is called a plan, because it represents a conscious attempt to describe where the organization is going and how it should get there (Nyamori, Perara & Lawrence, 2001).
3.0 Managers and Managing

3.1 Short-Term Demand

“Cross-cultural studies in management accounting suggest that national culture affects the use, as well as the design, of management control systems, and the values, risk propensity, and knowledge sharing of managers” (Chang, Ho & Lin, 2001). Authors, on the other hand, stress the significance of financial accountability in the growing irrelevance of management accounting. They suggest that since firms are assessed on financial accounting numbers, managers and top executives manage the firms by these numbers to satisfy the short-term demands of the market. These authors argue that “managing by the numbers” is the fundamental element of accountability and the demonstration of the power of the new knowledge; and is not a falsification of the original purpose of management accounting, but is the ultimate fruition of this control system (MacDonald & Richardson, 2002).

3.2 Factors Affecting Managers

“The important factors affecting managers’ resource allocation are job mobility and job security. High job mobility is considered a major cause of the short-term orientation of decision-makers” (Chang, Ho & Lin, 2001). High job mobility not only may decrease managers’ dedication to their company, but may also support the allocation of resources to projects likely to yield high, short-term returns during their tenure. In addition, managers may also be influenced by other factors such as the ethical standards that are required by the company (Chang, Ho & Lin, 2001).
4.0 Contingency theory

Contingency theory means “tight” control systems should be used in centralized organizations faced with simple technology and stable task environments; “loose” control systems should be used in decentralized organizations, most probably faced with dynamic, complex task environments. However, in situations where the processes or product lines are less routine, less standardized and less predictable, the budgets may be generated but are subject to much revision and are of little use as a control benchmark. Contingency theory is fundamentally a theoretical perspective of organizational behavior that emphasizes how contingent factors such as technology and the task environment affected the design and functioning of organizations (Covaleski, Dirsmith & Samuel, 1996).

Conclusion

The search for effectiveness motivated management accounting change. The loss of relevance after the 1920’s suggests that this account of change cannot explain the historical record. The ambiguity of the evidence presented in Relevance Lost opened the door to alternative explanations and has moved accounting history center-stage (MacDonald & Richardson, 2002). “New” or interpretational history openly embraces the past to develop a theoretical understanding of change. By increasing the focus beyond events to contexts, new history adopts an interdisciplinary approach to provide multiple perspectives on events, focusing on both what was, and what might have been. These histories are concerned with the social, political, economic and institutional situation of change and its affect on a wide diversity of stakeholders. As a result, the “new history” considers a wider choice of source material and provides insights into a broader range of phenomenon in which management accounting is rooted. (MacDonald & Richardson, 2002).
References


Earnings, Usefulness of Accounting Information, and Other Issues
Earnings, Usefulness of Accounting Information, and Other Issues

Introduction

This paper integrates the research findings in stock prices performance and the compensation of the CEO, earnings and growth, creditors’ decision to waive violations of debt covenants, the usefulness of earnings, events accounting and relationship between the earnings persistence and stock returns, the implication of earnings announcements, and the regulatory accounting events.

Literature Review

Researchers find that unexpectedly good accounting performance is initially associated with increase in CEO pay. However, this initial effect soon reverses, and is followed by lower CEO pay in later years. Overall, the CEO’s long run cumulative financial gain from unexpectedly good accounting performance is not significantly different from zero. In contrast, unexpectedly good stock price performance is associated with increases in CEO pay for several years. Thus, The CEO’s long run cumulative financial gain from unexpectedly good stock price performance is positive and significant (Boschen et al., 2003). This trend predicts that there are many variables associated with accounting performance; for example, controlling for current profitability, both components of growth in net operating assets—accruals and growth in long-term net operating assets—have equivalent negative associations
with one-year-ahead return on assets. This result is consistent with conservative accounting and diminishing marginal returns on investment (Fairfield, Whisenant, & Yohn, 2003).

However, event violation will affect indirectly the earnings and the CEO pay as well. A present study focuses on the event of violation, but from the perspective of creditors. It explains two aspects of creditors’ decision process following covenant violations. First, creditors react to actual violations in two distinct ways: they could either waive the violations or could demand certain conditions such early payment, increase of interest rate, reduction of borrowing base, and so forth (Chen & Wei, 1993). From the CEO pay point of view the event violation may be another reason for reversing the CEO pay. On the other hand, if the correlation between earnings and stock returns is very low (Lev, 1989) then the correlation between the CEO performance and the CEO pay predictably low.

While ambiguity of the return/earnings relationship in the existence of investor irrationality may contribute to the observed weak association between earnings and stock returns, the possibility that the fault lies with the low quality of reported earnings looms large (Lev, 1989). A message (e.g., financial report or news broadcast) is said to convey information if it causes a change in the receiver’s probability distribution of the concerned random variable. Such a change in the probability distribution (beliefs) will trigger an action; hence, if an action (reflected by, say, a change in stock price or volume) can be attributed to specific information, such information is considered useful. This is the logic underlying the returns/earnings association studies (Lev, 1989). On the other hand, no evidence that stock returns are excessively sensitive to the earning innovations (unexpectedness) (Kormendi & Lipe, 1987). The existence pattern of positive abnormal returns around earnings announcements could indicate market inefficiency; risk changes that are
not captured by the research design; tax effects; and trading-mechanism bias due to trading behavior around earnings announcements; in addition, more good news than bad news was released via earnings announcements for firms in general and for small firms in particular (Ball, Ray & Kothari, 1991). Accounting performance is measured as earnings before extraordinary items and stock price performance as the ex post annual rate of return to stockholders (Boschen et al., 2003).

The market appears to consistently overvalue accruals and growth in long-term net operating assets relative to their association with one-year-ahead ROA (Fairfield, Whisenant, & Yohn, 2003). Earnings expectation reflected in stock prices deviate from rational expectations as if investors are naively preoccupied by the aggregate earnings, and fail to appreciate the differential persistence of different components of earnings. Investors may similarly misinterpret the implication for future profitability of growth in long term net operating assets because this growth has a weaker association with future profitability than does current aggregate earnings (Fairfield, Whisenant, & Yohn, 2003). Even the notes to the financial statements are somehow misleading; as an example, current accounting regulations do not mandate the disclosure of all covenant violations (Chen & Wei, 1993). Although, Financial Accounting Standard No. 78 (FASB 1983) requires that the debt with covenant violations be classified as current liability unless a waiver has been granted for more than one year. Thus, management has the option of not reporting violations that were permanently waived (Chen & Wei, 1993). The option granted to the management doesn’t help the investor to draw the true picture of the firm’s financial position. There is a good reason for this confusion, which is, public debt covenants are less restrictive than private ones perhaps because the cost of renegotiating a public debt agreement is higher (Chen & Wei, 1993).

While current research mainly takes reported financial variables at
face value and focuses on methodological issues, a departure in the direction of emphasizing accounting issues and in particular the quality of reported information appears promising (Lev, 1989). But researchers are not only concerned about methodology but they also are concerned about testing and observing the accounting events; for example, an observed revision of stock prices associated with the release of the income report would thus provide evidence that the information reflected in income numbers is useful (Lev, 1989) and the compensation, of the CEO, response to unexpected stock price performance; for example, is positive and persistent over time, but the compensation response to unexpected accounting performance is positive in the early years, and negative in later years (Boschen et al., 2003).

If the overvaluation of accruals relative to cash flows is attributable to the market’s misunderstanding of the incremental effect on future return on assets (ROA) of growth in net operating assets, then overvaluation of the second component of growth is expected in net operating assets–growth in long term net operating assets (Fairfield, Whisenant, & Yohn, 2003) Prior research finds differential persistence of the cash flows and accruals components of earnings for one-year-ahead ROA, that is, future profitability defined as one-year-ahead ROA (Fairfield, Whisenant, & Yohn, 2003).. However accruals is a component of both ROA and growth in net operating assets. We find that, after controlling for current ROA, both components of the growth in net operating assets–accruals and growth in long term operating assets–have equivalent negative associations with one-year-ahead ROA (Fairfield, Whisenant, & Yohn, 2003). The lower persistence of accruals relative to cash flows is a specific manifestation of a more general negative incremental relation between future ROA and growth in net operating assets (Fairfield, Whisenant, & Yohn, 2003).

An interesting article measures the earning announcements and
stock prices is a reminder of the CEO pay. Not only the earnings before extraordinary items is observed to be affecting the CEO pay but the announcements of earning are also affecting the stock prices which are affecting the CEO pay. Two measures of change are typically correlated: The change in the stock price (return) around the earnings announcement and the change in the firm’s equity (earnings). Given that stock prices reflect expectations about future earnings before such earnings are announced, it seems reasonable to correlate the change in price (return) with unexpected earnings (new information) rather than with reported earnings. This can be expected to increase the power of the return/earnings analysis (Lev, 1989). However, unexpected earnings, at the time of announcement, might convey only a small part of the total information in earnings. Restricting the analysis to price revision over a narrow window around earnings announcement dates might, therefore, underestimate the usefulness of earnings to investors (Lev, 1989) or earnings to the CEO.

Researchers have examined and tested the market reaction to regulatory accounting events. The reported findings of the Market Based Accounting Research (MBAR) have been inconsistent and conflicting among various studies examining the same events because the confounding of events and confounding of results. The problem of confounding events exists when the period selected to test for the event’s effect includes date(s) when the market received information concerning other events. The problem of confounding of results exists when the period selected to test for an event effect does not include the date(s) when the stock market actually received information concerning the event Risk (Haddad et al., 1993). Accounting events sometimes are confounding and probably the different researches conclude different results for the same event. For example, earnings persistence is defined as the extent to which an innovation (unexpectedness) in the earnings series causes
investors to revise their expectations about future earnings (Lev, 1989) but that doesn’t mean the unexpectedness in the earnings is the only reason for the investors to revise their expectations about future earnings.

Of course, the investors might be accused by their irrationality, that is, a possible reason for the observed low explanatory power of earnings is investor irrationality (market inefficiency). The relationship between stock returns and value related information, such as earnings, will obviously be low if investors systematically err in information interpretation or if they overreact to or ignore relevant information (Lev, 1989). Earnings also should not be the only reason for the investors to revise their expectations for future earning but they might have other reasons such as the amount of debt which the firm owes and it is possible that creditors might grant waivers initially, then demand certain additional conditions due to either the original or a subsequent violation (Chen & Wei, 1993). In this case the investors might be looking for information about the company’s relationship with its creditors. Also, investors are aware of earnings which maneuver the market signals and can sometimes be used to distinguish between manipulation and economically induced activities, since preliminary evidence suggests that investors are aware of some earnings manipulation and adjust for it (Lev, 1989).

**Conclusion**

It is unclear that the earnings performance is the only factor for an increase or decrease in the CEO pay. Actually, not only the earnings before extraordinary items are affecting the CEO pay but the announcements of earnings are also causing a change in the stock prices which in turn affect the CEO pay. The stock prices influence both earnings and investors’ behavior and the reaction of the investors to the firm’s cash
flows, debt, and the way the creditors are responding to the firm’s debt. The usefulness of the financial information serves the investors, creditors, and the users of the financial reports in general. Accounting events play a role in the stock market and the announcements of earnings are the best evidence.
References


The Effect of the Analyst Forecast Revisions
The Effect of the Analyst Forecast Revisions

Introduction

Some value-relevant events may affect future projected earnings as opposed to current earnings; that is, accounting measurements incorporate some value-relevant events only after a time delay. The feature is of interest because the analysis demonstrates that while the accounting data will be incomplete indicators of value, the weighted average of capitalized earnings and book value still provides the core of the valuation function (Ohlson, 1995). Studies provide insight into the question of why managers issue earnings forecasts. A recent article by Ajinkay and Gift (1984, p. 426) proposes an “expectations adjustment” hypothesis which posits that management forecasts are intended to adjust prevailing market expectations towards management’s beliefs about future earnings. They find stock price reactions to the release of management forecasts that are consistent with this conjecture (Hassell & Jennings, 1986).

Literature Review

Many studies are suggesting that investors under-rely on analysts’ earnings forecasts, but others provide evidence consistent with investors’ over-reliance on analysts’ forecasts (Elgers, Lo & Pfeiffer, 2001). Prior research indicates that financial analysts’ annual earnings forecasts are more predictors of realized earnings than are time-series or security-price based forecast (Elgers, Lo & Pfeiffer, 2001). In contrast, the roles of managers are important because discretionary accruals help manag-
ers produce a reliable and timelier measure of firm performance (e.g., earnings) than using nondiscretionary accruals. Also, the opportunistic accrual management is the discretionary accruals which are employed to hide poor performance or postpone a portion of unusually good current earnings to future years (Guay, Rothari & Watts, 1996).

Management has discretion over the number of shares outstanding. They may choose to split their firm’s stock dividends and/or to undertake a reverse stock split. These splits could conceivably be used change the price of shares without changing the economic characteristics of the organization. Arguably, therefore, the magnitude or scale of the dependent variable in price-levels regression reflects no more than the choice by management of the number of shares outstanding (Easton, 1998). Empirical research also finds an association between forecast accuracy and several forecast and analyst characteristics: forecast timeliness, analyst experiences, broker size, and the number of firms and industries the analyst follows (Clement & Tse, 2003).

Individual analysts’ forecast revisions play an important role in the distribution of information about corporate earnings. Unlike quarterly earnings announcements, individual analyst forecast revisions take place throughout the quarter. Because of their frequency and timeliness, these revisions have become an essential source of information for many users of corporate financial reports (Gleason & Lee, 2003). An increase in dividends at any given date reduces the subsequent period’s expected earnings. Because risk neutrality obtains, the marginal effect of a dollar of dividends on next period’s foregone expected earnings equals the risk-free rate. More generally, an increase in dividends reduces the subsequent two periods’ aggregate earnings. The two-period compound interest rate determines this effect (Ohlson, 1995).

Characteristically, it is posited that management is in a superior position to forecast earnings relative to analysts at any given point in
time because the managers are in possession of inside information (e.g., future plans an unaudited, non-public financial statements) that provide them an advantage. Furthermore, an analyst may believe he/she has a comparative advantage at gathering and/or interpreting economic and industry data (Hassell & Jennings, 1986). The weighting of analysts’ early-in-the-year annually earnings forecasts implicit in security prices is significantly lower than the weighting from historical relations between financial analysts’ forecasts and realized earnings. Furthermore, hedge portfolios, based on the cross-sectional distribution of price-scaled analysts’ earnings forecasts that are publicly available early the year, generate significant trading profits (before transaction costs) over the earnings year (Elgers, Lo & Pfeiffer, 2001).

Managers manage accruals generally to hide poor performance or postpone a portion of unusually good current earnings to future years. For example, consider a decline in the market price of a firm’s products in the middle of one year. Further assume that this permanently lowers the firm the firm’s profitability. The firm’s current-period earnings reflect only 50% of the permanent decline in earnings. If the firm’s manager is acting opportunistically, he might generate a positive discretionary accrual that would at least temporarily offset the negative shock to nondiscretionary earnings experienced currently (Guay, Rothari & Watts, 1996). Implicitly, investors would use all relevant analyst characteristics to predict forecast accuracy, and then would respond to each forecast revision according to the analyst’s expected forecast accuracy. Analyst characteristics that are associated with increased forecast accuracy would therefore also be associated with greater return responses to forecast revisions (Clement & Tse, 2003).

An analyst’s reputation, and not merely his forecasting ability, affects market price discovery. The price drill is lower for firms followed by more analysis, suggesting that coverage by multiple analysts helps
to facilitate the price discovery process (Gleason & Lee, 2003). On the other hand, actual dividends have effects on future accounting data as well as on current accounting data. All of these constructs effectively relate to the idea that earnings in the future partially depend on today’s book value. This dependence becomes explicit if one transforms the abnormal earnings dynamics to express next-period expected earnings as a function of current book value, as well as current earnings and dividends (Ohlson, 1995).

An unreasonably large part of the delayed security price response is concentrated in the months of the subsequent quarterly earnings announcements, suggesting that the delayed security price adjustments reflect the market’s failure to incorporate information in analysts’ forecasts about future earnings, rather than omitted risk factors or other deficiencies in the conditional expectation of security returns (Elgers, Lo & Pfeiffer, 2001). In addition, in the case of a bad news current shock, unless underlying earnings exhibit reversal in future earnings, the manager potentially face “accrual bankruptcy” and low future earnings. This outcome is likely because the current period’s opportunistic accruals must reverse and there are limited opportunities for the manager to prevent a reversal, particularly if earnings are forecasted to exhibit a further decline (Guay, Rothari & Watts, 1996).

Investors may respond more strongly to forecast issued early in the fiscal year (timely forecast) even though those early forecasts are generally less accurate than later forecasts (Clement & Tse, 2003). In contrast, a simple trading strategy based on the ratio of price to one-year-ahead earnings forecasts yields significant positive abnormal returns (Gleason & Lee, 2003). Consequently, the accuracy of analysts’ earnings forecasts as an alternative for investors’ earnings expectations is likely to depend on both the extremity of the analysts’ earnings forecasts and the level of analyst coverage (Elgers, Lo & Pfeiffer, 2001).
Prior research shows that investors do not always weigh information rationally in relation to its ability to predict future earnings. For instance, previous studies show that investors seem to undervalue cash flows, and to overvalue accruals and abnormal accruals relative to their ability to predict earnings. Investors appear to undervalue the information in analysts’ annual earnings forecasts for predicting future earnings (Clement & Tse, 2003). Interestingly, foreknowledge of analyst revisions is more value-relevant than foreknowledge of the reported earnings themselves. Collectively, these findings show that individual analyst forecast revisions convey new information to the market (Gleason & Lee, 2003).

An important positive association between analysts’ forecast revisions and abnormal returns around subsequent earnings announcements is interpreted as evidence that the security market under-reacts to the revision signal (Elgers, Lo & Pfeiffer, 2001). Accordingly, security return responses are greater for timely (early) forecasts than later forecasts, even though timely forecasts are generally less accurate than later forecasts. Sensitivity analysis incorporating a proxy for the level of uncertainty suggests that return responses to timely forecasts are stronger because there is greater uncertainty about earnings early in the year. Return responses to forecast revisions also increase with days elapsed since the prior forecast, even though these forecasts are, on average, less accurate than forecasts issued shortly after the prior forecast (Clement & Tse, 2003).

Conclusion

Organizations whose consensus forecast has been recently revised upward tend to earn higher abnormal returns over the next 3 to 12 months than firms whose consensus forecast has been recently revised
downward (Gleason & Lee, 2003). Investors’ earnings expectations do not directly track analysts’ quarterly earnings forecasts, and that their degree of reliance on analysts’ forecasts relative to time-series predictions appears to increase with analyst coverage, institutional holdings, and firm size (Elgers, Lo & Pfeiffer, 2001). The market seems to overlook certain qualitative aspects of earnings revisions. After controlling for the sign and magnitude of the forecast revision itself, as well as various firm characteristics known to be associated with expected returns, the market still seems to under-appreciate more subtle features of the revision, such as the level of innovation in the revision signal, and whether the analyst is a superior forecaster from a smaller brokerage firm (Gleason & Lee, 2003).

Generally, the above studies suggest that financial analyst coverage is associated with institutional and environmental factors that influence the information efficiency of the security market, such as the level of financial intermediation or investor sophistication, or other institutional features that hinder complete arbitrage in security pricing. Taken as a whole, existing literature suggest that investors’ misweighting of financial analysts’ earnings forecasts may lead to expected abnormal security returns, and that the magnitudes of the misweighting (and security-pricing inefficiencies) are likely to be greater for firms with relatively low analyst coverage (Elgers, Lo & Pfeiffer, 2001).
References


Control, Budgeting, Pricing, and Performance Evaluation
Control, Budgeting, Pricing, and Performance Evaluation

Introduction

The optimal prices are based on product costs that are adjusted each period to reflect changes in expected variable costs as well as utilization of fixed activity resources. The charge for each fixed resource is increasing in the expected demand for that resource in each state given the optimal capacity choice (Banker, Hwang & Mishra, 2002). The argument over whether to include capacity (fixed cost) charges into product costs is one of the longest running debates in management accounting. The classic exchange of views is that if managers set prices using only variable costs, a proxy for marginal costs, then they will generate low prices and high sales. However, if the price is too low, then the firm will not recover its fixed costs and it will lose money in the long run. On the contrary, if the managers set prices using full costs (variable plus unit fixed costs), then every order will cover its portion of fixed costs. However, the higher prices may reduce orders to the point where the firm again loses money in the long run. This discussion suggests that a manager would be able to choose between direct and full-costing methods if s/he understood how product prices interact with customer demand and the firm’s capacity (Banker & Hansen, 2002).

Literature Review

The managerial accounting literature offers several reasons for al-
locating fixed costs. These include opportunity costs, managerial incentives. Banker and Hughes (1994) study how the committed activity resource costs affect optimal capacity and pricing decisions, as well as what information decentralized decision makers need to implement those decisions in a single-period model. They show that the optimal pricing rule integrates activity based product costs that include charges for committed resources (Banker, Hwang & Mishra, 2002). Here, budgets will come into play to determine the optimal prices. Budget slack, for example, creates a bias in budgets and can reduce firm profits due to costly planning errors and greater compensation or perquisite consumption for subordinate managers. To tone down budget slack, researchers developed “truth-inducing” compensation schemes that explicitly reward subordinates for the truthful revelation of their private information (Fisher, Maines, Peffer & Spinkle, 2002).

The relationship between the full cost of a product and the subordinate performance apparently is investigated separately and it probably is a potential new research. The average of the expected optimal prices when prices fluctuate with new information equals benchmark price based on full costs. This result may rationalize the empirical finding that firms use activity-based full costs in their pricing decisions. We speculate that rather than simply basing prices on full costs, firms may first compute benchmark prices based on full costs, and then adjust these prices heuristically to reflect updated information on demand and cost conditions (Banker, Hwang & Mishra, 2002). On the other hand, subordinate (firm) performance will increase when superiors use the budget to allocate resources. This is because superiors can allocate more resources to more productive subordinates, and because subordinates will exceed their higher budget levels and to signal high productivity in an effort to attract higher resources allocations in the future (Fisher, et al, 2002). However, prices and performance are well related.
Using budgets to allocate resources as well as to evaluate performance provides complementary incentives that lead subordinates to reveal their private information more truthfully and increase their effort and task performance. The mutual discipline imposed by this dual use of budgets may help explain why firms often use a single budget for both planning and performance evaluation and seldom use truth-inducing compensation schemes (Fisher, et al, 2002). In contrast, the professional and academic strategy literatures claim that many organizations have found traditional performance measures (e.g., ex post costs, profits, and return on investment) to be inadequate guides for decision making in today’s rapidly changing, hyper-competitive environment. Sole reliance on current, financial measures of performance does not possibly reflect the importance of current resource decisions for future financial performance (Malina & Selto, 2001). Under traditional budget-based methods, subordinates’ incentives to overstate their productivity when budgets are used for resource allocation purposes will lessen their incentives to understate their productivity when budgets are used for performance evaluation purposes (Fisher, et al, 2002). Prior experimental studies have tested agency predictions regarding the effects of risk aversion, information asymmetry, and pay scheme on budgetary slack. While these experiments have provided general support for agency predictions, a fundamental difference remains. Inconsistent with opportunistic self-interest, subjects have created much less than the maximum amount of slack under slack-inducing pay schemes. By restraining their slack, subjects have drastically reduced the amount of money they earned for the same level of productive effort (which as a result it might influence the full cost of the product (Stevens, 2002) And the usefulness of the result for the determination of prices.

Subordinates likely will be motivated to increase their effort and produce more output to exceed the higher budget levels when superi-
ors allocate resources. This motivation arises from subordinates’ desire to increase both their current compensation and future resource allocations, which are likely to depend on past performance (Fisher, et al, 2002). Allowing subordinates to participate in budget setting can potentially bring forth the subordinates’ private information regarding their productive capability. However, when superiors use budgets to evaluate performance, subordinates have incentive to build slack into their budget to increase the likelihood of achieving the budget. Budgetary slack creates a problem for the firm to the extent that it inflates costs and reduces profits (Stevens, 2002).

For many lower-level employees, most financial performance measures are too aggregated and too far removed from their actions to provide useful guidance or feedback on their decisions. They might need to measure more directly and accurately outcomes that they can influence (Malina & Selto, 2001). Using budgets, to determine prices and performance, both as a basis for allocating scarce productive resources among subordinates and as a basis for evaluating subordinates significantly increases subordinates’ initial budget proposals, deceases slack in the final budget, and increases subordinate performance. Particularly, when superiors used budget to assign scarce resources, subordinates had no slack in their budgets, and their task performance increased by 25 percent (Fisher, et al, 2002). At the same time, communication failure is an important cause of poor organizational performance (and poor prices decisions). Because no organization’s knowledge or strategy exists apart from or succeeds without its key human actors, the ability to effectively communicate may be itself a source of competitive advantage (Malina & Selto, 2001).

Changes in product market conditions tend to disrupt control in organizations (and perhaps the poor performance and lack of the proper pricing are another contributing disruption of control). Strategic man-
agement consists of continual monitoring and anticipation of market conditions, and redesign, negotiation, and implementation of contracts to restore and maintain the expectation equilibrium. Control is a core concept in management (and in well enfored communications) (Sunder, 2002). Individuals use and rely on communication if its processes and messages are perceived as understandable and trustworthy. Other characteristics of effective organizational communication processes are routineness, predictability, reliability, and completeness. Communication also is more effective if it uses concise messages and clearly defined terms (Malina & Selto, 2001). Also, Communicating prices to the public should be a priority.

By entering into contracts, agents make promises to deliver resources and are promised delivery of resources in return for their performance. Agents enter into these contracts when they believe that what they expect to receive from participation in the organization is worth the sacrifice they expect to make. For an organization to succeed, its production technology and set of contracts must satisfy each one of its participants by delivering enough resources to them. When this crucial condition cannot be satisfied, displeased agents discard the alliance; the alliance collapses unless an alternative set of contracts that fulfills this condition can be assembled (Sunder, 2002). Certainly, the performance of an agent and her/his communication skill is crucial for the success of determining the price of the product which should be investigated further. The traditional view of effective organizational communication is that it supports organizational culture and individual interest by reinforcing desired patterns of behavior, shared values, and beliefs. Effective communication demonstrates that the organization does what it says and that individual or group rewards are predicated on their actions. Communication by leaders that consistently articulates shared goals, values, and beliefs is also effective in reinforcing culture and directing
behavior (and performance and prices.) Furthermore, effective communication must encourage behavior consistent with organizational goals, values, and beliefs (Malina & Selto, 2001).

Planning and budgeting, divisional and managerial performance evaluation and compensation, decentralization, transfer pricing, capital budgeting, and various forms of variable and absorption costing including activity-based costing (and effective communication), are all concerned with the problem of control in organizations with managerial hierarchy. Stewardship or managerial accounting includes bookkeeping as its foundation. But the accounting needs of hierarchical organizations include the above-mentioned additional features absent in Paciolo's description of the accounting practices prevailing in fifteenth-century Europe (Sunder, 2002). However, knowledge, which may be objective or implicit, is the basis of strategy formulation and implementation. Therefore, an effective communication system supports an organization's strategy by nurturing both objective and implied knowledge. The effective communication system exchanges objective (observable) knowledge among key individuals so that all are aware of the organization's current status. Organizations create objective knowledge from the development and integration of new knowledge by individual specialists. Objective knowledge usually derives from the refining and sharing of individuals’ tacit knowledge, which is understood but not yet articulated or usable by the organization (Malina & Selto, 2001).

**Conclusion**

Therefore, an effective communication system encourages and enables the sharing of individuals’ experiences, effective pricing planning, and collects those shared experiences. This may be best accomplished by intense and frequent sharing, and by dialogue rather than one-direc-
tional reporting (Malina & Selto, 2001). In the broader frame of communication, a common criticism of managing organizations based on financial measures of performance is that these measures bring managers to make intolerant and short-run decisions. Financial measures tend to focus on the current impacts of decisions without a clear link between short-run actions and long-run strategy, or between communication and performance, or performance and prices.
References


Product Costing, Pricing and Allocation Issues
Product Costing, Pricing and Allocation Issues

Introduction

In a dynamic setting, payoffs and chances of cash flow often change through the course of an ongoing project. The degree and expected speed of a change in cash flow may also affect managers’ resource allocation. This is because changes in payoff value may affect managers’ subjectivity in evaluating the projects and, subsequently, their resource allocation among different projects (Chang, Ho & Lin, 2002). In evaluating a project and the manager’s resource allocation, it is possible to add capacity temporarily but it is not economical to do so (e.g., scheduling a larger aircraft to accommodate a few extra passengers). Researchers have typically examined projects that consider two extreme situations—either it is always economically viable to temporarily augment available capacity to meet realized demand, or it is never worthwhile to augment capacity (Balaktishnan & Sivaramakrishnan, 2002).

Literature Review

Classical valuation theory describes share values as the present value of all expected future dividends to investors from the results of the firm’s operating and investing decisions, price to reflect non-diversifiable risk. Research in finance and accounting commonly uses proxies for expected future dividends in assessing risk and estimating share values. For example, researchers typically use returns as proxies for changes in market expectation of future dividends in the assessment of non-diversifiable risk, and earnings and cash flows as proxies for dividends as the relevant
payoffs to shares (Baginski & Wahlen, 2003). On the other hand, accrual accounting may have certain information advantages for measuring risk. The accounting system aggregates the effects of transactions over time into periodic measures of quarterly or annual performance, which capture the extent to which the effects of risk are (or are not) diversified over time within each accounting period. Earnings numbers measure the aggregate results of the firm’s operating and investing activities each period, so the time series of earnings should reflect the fundamental, long-run risk and volatility inherent in the firm’s operations and investments (Baginski & Wahlen, 2003).

Major resource allocation decisions are often made by groups of managers rather than by an individual. Collaboration by group members may help identify non-optimal commitments, since group members may feel that responsibilities have been diffused and shared. In other words, individuals may have less need to justify or defend the group decision. Conversely, individual group members may increase their commitments to a failing project because their belief is reinforced by other group members or group decisions, thus they may fall victim to groupthink. Therefore, findings at the individual level may not apply to group decision settings (Chang, et al., 2002). Groupthink, in most organizations, routinely allocates fixed costs to products to determine their full cost. A product’s full cost is typically computed as its variable production cost plus an allocated amount of the firm’s fixed overhead (Balaktishnan & Sivaramakrishnan, 2002).

Other important factors affecting managers’ resource allocation are job mobility and job security. High job mobility is considered a major cause of the short-term orientation of decision-makers. High job mobility not only may reduce managers’ devotion to their firm, but may also encourage the allocation of resources to projects likely to yield high, short-term returns during their tenure. Thus, if a manager does not in-
tend to stay with the organization long and if a project’s future returns will not affect his/her reputation or compensation, the manager may act in his/her own best interest at the expense of the firm’s value (Chang, et al., 2002). In order to examine the manager’s resource allocation, it is useful to view a firm’s capacity-planning and product-pricing problem as an exercise in managing opportunity cost. Also, it is not always economical to acquire resources as and when needed. Managers obtain certain resources in lump sums for use over several years. At the time of acquiring capacity, opportunity cost is the cash spent to acquire the resource (Balaktishnan & Sivaramakrishnan, 2002).

In general, managers’ performance evaluation could be outcome or process-based. Outcome-based contracts, the most widely used system in business, can mitigate goal conflicts by providing managers with an incentive to maximize their bonus and the firm’s value. Procedural justice literature, however, argues that a good decision cannot guarantee a good outcome, because most real decisions are made under uncertainty. That is, a firm should focus attention on the decision process and not simply on its outcome. Accordingly, to motivate managers to work in the firm’s best interest, central management should use process-based performance evaluation systems or a combination of process and outcome, rather than decision outcome alone, to evaluate managers’ performance (Chang, et al., 2002).

Opportunity costs are the forgone benefits of alternative projects. Textbooks on management accounting and capital budgeting emphasize that managers should incorporate opportunity costs into resource allocation decisions, along with the payoffs and likelihoods of the project, in all stages of resource allocation. However, prior studies have shown that managers under certain circumstances fail to consider opportunity costs when evaluating projects. One factor that has been examined extensively is how opportunity costs are presented (i.e., explicitly versus
implicitly) to the decision maker. Implicit presentation of opportunity costs refers to a general statement of returns earned on similar projects or on short-term investments; explicit presentation contains a clear statement of specific opportunity costs related to the current project (Chang, et al., 2002). However, pricing flexibility which is based on the opportunity costs should be restricted by not permitting the firm to change its price when demand is higher or lower than expected. While such stickiness in prices is a reasonable assumption in many settings (e.g., a restaurant cannot change its menu price based on the line at the door), prices are less sticky in other settings (e.g., airlines change their prices continually to maximize yield) (Balaktishnan & Sivaramakrishnan, 2002).

The solution to the performance planning problem depends crucially on what is known about demand at the time of the capacity decision as well as the pricing decision. Historical acquisition costs of capacity are relevant for pricing whenever the same information is available for capacity planning and pricing. However, when the firm receives additional demand information before making the pricing decision, only marginal cost is relevant for pricing. Different types of capacity constraints, i.e., soft vs. hard, affect how much capacity the firm obtains, but not how the firm sets prices (Gox, 2002). On the other hand, there is empirical evidence that the adoption of activity-based costing (ABC) significantly improves a firm's relative performance in terms of both market- and accounting-based measures. (Kennedy and Graves, 2001).

Therefore, more laboratory and field studies should examine how performance evaluation systems could effectively motivate managers to maximize the firm's value and not merely their own interests. Such research approaches could also provide more insight into what the behavioral considerations and cost consequences are that concern managers facing different evaluation systems (Chang, et al., 2002). Although,
managers’ performance is important when firms set prices according to what the market will bear; there is little evidence provided on how firms determine the appropriate price (Balaktishnan & Sivaramakrishnan, 2002). In contrast, while organizations acquire some resources in lump sums up front and obtain other resources as needed the “capacity” resources and investments in these resources constitute the fixed costs of the running the business; however, costs related to prices are identified. On the contrary, the costs of resources acquired when needed constitute the variable costs of production. The linkages among the above related costs are best understood in terms of opportunity costs. The opportunity cost of capacity at the time of purchase is its acquisition cost (Balaktishnan & Sivaramakrishnan, 2002).

Prior accounting studies have shown that cognitive characteristics affect individuals’ decision making. Such characteristics include cognitive styles and cognitive abilities. Cognitive styles are defined as distinctive ways of acquiring, storing, retrieving, and transforming information; they are consistent and rarely change. However, cognitive abilities relate to knowledge encoding and retrieval, and they are concerned with skill level. Managers’ resource allocations may be influenced by cognitive style and cognitive ability, since the former affects how they perceive opportunity and sunk costs, and the latter influences how they code, store, and retrieve knowledge (Chang, et al., 2002). Cognitive capacity is useful to define “capacity” and “full cost” precisely. Capacity is infinitely divisible and its sole use is to make products. Assuming that capacity is used in a linear fashion—there is no consideration of time lost to setups, maintenance, etc. The production process is also certain—there is no variability in the production process and no allowance for spoilage or waste. Capacity either contributes to good products or is idle. This view of capacity is consistent with “theoretical capacity” being available for production. On the other hand, “Full cost” is determined as the sum
of the number of units of each resource a product consumes times the resource's acquisition cost (Balaktishnan & Sivaramakrishnan, 2002).

**Conclusion**

There are relatively few studies examining the effects of decision makers, cognitive styles, cognitive abilities, and risk propensities on their resource allocations. Clearly, more laboratory and field studies should examine how performance evaluation systems could effectively motivate managers to maximize the firm's value and not merely their own interests. Also, more studies in these areas could provide additional insight into the effects of cognitive style and performance on managers’ resource allocation behaviors. Finally, additional studies are needed to examine how cognitive ability affects information coding, retrieval and organization, and thus their impacts on managers’ allocation judgments and decisions (Chang, et al., 2002).
References


Organizational Change
Organizational Change

This paper discusses the articles of Andrew Van de Ven and Marshall Poole’s Explaining Development and Change in Organizations and Ed Rosch’s Lewin’s Field Theory as Situated Action in Organizational Change. Rosch’s article is defending Lewin’s theory. Lewin is the creator of the organizational change theory, the Field Theory, or the unfreeze-change-refreeze concept. Lewin’s Field theory is interesting and inspired the next generation to introduce other organizational change theories.

According to Van de Ven and Poole, motors are the generative mechanisms which are life cycle, teleology, dialectics, and evolution. Each theory is determined by its conceptual motor and maneuvers at every particular organizational level. Each theory corresponds to a different sequence of change events. (Van de Ven and Poole, 1995).

Rosch’s argument supports Lewin’s Field Theory but the article is not perceptible of handling the logic behind the ‘unfreeze-change-refreeze’ concept which is authored by Kurt Lewin. As stated by Rosch Lewin’s assumptions, motors, are 1) forces that focus on goals and are called driven forces, 2) forces which are called restrained forces, 3) field forces that change behavior in a unit of time, 4) life space that is a cumulative of field forces, and 5) a region that doesn’t affect the life space and the boundary zone which is the transition from no influence to influence upon the life space. (Rosch, 2002)

Rosch doesn’t explain the direct relationships between the concept, ‘unfreeze-change-refreeze,’ and the assumptions. If Rosch’s assumptions are the generative mechanisms of his explanation then the idea of organizational change probably is complex because it involves everyone
in the organization in regard to the person’s unique psychological experiences.

The critics assume that the Lewin’s theory is failed to account for feedback, not accounting for situated nature of actions, assumed that change is discrete events to be managed over a limited time, and appeared that the force field analysis derives from the three-step change model and illustrates it as a non-situated straight-line model incorporating no feedback. It seems that the critics have the upper hand in criticizing Lewin’s theory. Although, the critics are winning in this debate, Rosch’s assumptions are concerned with the inner feeling or the psychology of the members of the group.

The generative mechanisms based on Van de Ven and Poole’s article might be a step toward understanding Rosch’s assumptions. The main concern is that the assumptions of Rosch are based on Lewin’s theory and are about positive, negative, and restrain forces. Rosch analyzes the members of the group but he doesn’t state a plan for implementing the concept of ‘unfreeze-change-refreeze.’ Even if the analyses are a part of implementing a plan, the connection between the Rosch’s assumptions and the Lewin’s concept is not precise.

The following are analyses of Rosch’s assumptions and the motors of Van de Ven and Poole:

Life-Cycle Theory

The comparison of theories between Van de Ven and Poole and Rosch is a difficult task because Van de Ven and Poole are studying general and common elements among theories; on the other hand, Rosch is studying one theory and its generative mechanisms. The question would be: Do Rosch’s assumptions fit any of the motors authored by Van de Ven and Poole? The first motor is the life-cycle theory. As an observa-
tion, every life-cycle includes life space! Van de Ven and Poole’s Life-cycle is a general theory which implies the forces and field forces which are mentioned by Rosch.

In every stage of the life-cycle, such as, start-up births, adolescent, growth, maturity, decline there is forces that focus on goals and are called “driven forces.” The stage, growth, for example, utilizes field forces that change behavior in a unit of time and perhaps receives feedback unlike what the critics suggest.

**Teleological theory**

The concept, ‘unfreeze-change-refreeze,’ implies there is a goal which should be accomplished. Rosch assumes that a plan will be changed according to the situation and thus impossible to keep the details of that plan and those details probably will be changed by the unfolding situation. It seems Rosch tries to undermine planning and goals. If Rosch is correct in his analysis, the goal set by an organization, group, or individual will never be achieved and likely the unforeseen and unplanned goal will be achieved!

**Dialectical Theory**

Colliding events are the norm of an organization and the change occurs when the opposite forces or values gain power to confront the status quo. Rosch realizes the force’s valence which produces negative or positive characteristics, but the force’s valence described by Rosch doesn’t confront or not confront the status quo. Also, Rosch indicates by the force’s valence the deterioration of the goal and finally it will not be desirable assuming that the goal has been accomplished! In a personal note, the fulfillment of achieving a goal doesn’t stop at the moment the goal is accomplished.
Evolutionary Theory

Blind and random chance is a part of ‘the forces that change behavior in a unit of time’ as mentioned by Rosch. If Rosch believes that locomotion is the energy behind our behavior he probably believes in randomness and the unexplained and unplanned behavior.

Rosch’s article is a great effort to defend the work of Kurt Lewin. Rosch’s analyses are in line with the current trend and the school of thoughts mentioned previously by Van de Ven and Poole. Rosch left the door opened for further studies. The strength of Rosch is his analysis of the inner thinking and feelings of human beings and the weakness of Rosch is his relying on the unexplained behavior and undermining planning to reach a goal.
References


Appreciative Inquiry and Beyond
Appreciative Inquiry and Beyond

Introduction

This case is about Appreciative Inquiry. The article, Appreciative Inquiry in Organizational Life, is authored by David L. Cooperrider and Suresh Srivastva. Appreciative inquiry evolved from action-research. The article is published in 1987 by JAI Press, Inc. The article is technically difficult to read not because the ideas presented by the authors but because of the unusual format of the article. The paragraphs are too long, sentences are run-on sentences, and there are no subtitles. Having to read the article twice to understand it was due to the reasons I stated above and also was due to the scattered thoughts. The readers are not always to blame for their lack of knowledge or understanding but the authors also sometimes are also to blame for un unclear presentation.

Discussion

Q-1: According to Cooperrider and Srivastva what does AI provide that action research was lacking?

A-1: a) AI is an instrument for advancing social knowledge of consequence.
   b) AI achieved its potential as a vehicle for human development and social-organizational transformation.
   c) The barrier limiting the potential of action-research has been its romance with action at the expense of the theory. On the other hand, AI reunites theory and practice.
   d) AI produces innovative theory capable of inspiring the imagi-
nation, commitment, and passionate dialogue required for the consensual reordering of social conduct.

e) AI directs the social existence as such as a miracle that can never be fully comprehended.

f) AI is a way of living with the varieties of social organization we are compelled to study.

g) AI is a theory-building unlike action-research which did not include the theory-building as an integral and necessary component of the research/diagnostic process.

h) AI doesn’t have certain natural conflicts that are likely to lead either to action or research.

i) AI uncovers a universe of knowledge unlike action research the universe of knowledge remains sealed.

j) AI is concerned about miracles claiming that a miracle is something that is beyond all possible verification, yet is experienced as real. (Cooperrider and Srivastva, 1987)

Q-2: Do they convince you that this is an important improvement? Why or why not?

A-2: The article and other literatures build a strong argument and support that is that AI brings out “the best in people, awakening a higher set of common values, unleashing freedom and local initiative, and simultaneously maximizing process and results” (Mantel and Ludema, 2000). AI is an important improvement but it is in the frame of the qualitative research. The improvements are interesting because it is associated with human progress and achievement.

The action-research is adopting dialectic approach which AI substitutes it by the imagination, commitment, and the passionate dialogue from the consensual reordering social conduct.
The contrast between AI and the traditional research is that the traditional research is based on hypotheses and research questions, and AI is associated with observation of organizational and global changes. The hypothesis or the research questions concentrate the problem to a manageable puzzle but AI is based on pre-prepared questions to investigate the best behavior, attitude, and successes. AI leans toward social research rather than scientific research. The best of AI is that it brings out the best in people and organizations, awakens a set of common higher values, unleashes freedom and local initiative, and simultaneously maximizes process and results (Mantel and Ludema, 2000). The interesting assumptions of AI are that organizations are responsive to positive thought and positive knowledge, engaging employees in dialogue about what works, create the energy to drive change through the organization, and a belief in the power of affirmation and the envision of what we want (Johnson and Leavitt, 2001).

Q-3: In your opinion, is AI more of a tool for organization development practitioners or a tool for organizational research scholars?
A-3: My opinion, AI is more of a tool for organizational research scholars and tangled by the organizational development practitioner. AI is a tool for the organizational development practitioner because its theories are embedded in everyday life. On the other hand, AI is a tool for organizational research scholars because it is more scientific and integrating research and practice, although, logical positivist denied metaphysics and traditional philosophy (Murzi, 2001). AI was, in essence, based on truth, reality, and knowledge. AI studies an undeveloped and mysterious science of miracles. The study of the positive behavior, thoughts, and experiences are elements of a science. If Freud was the father of the psychoanalysis of the negative and the dark side of human beings the
AI is a science of studying the bright side of human beings. The AI is the beginning and the foundation of the positive science. According to Mauro Murzi, "A scientific theory is an axiomatic system that obtains an empirical interpretation through appropriate statements called rules of correspondence, which established a correlation between real objects (or real process) and the abstract concepts of the theory“ (Murzi, 2001).

Conclusion

Unfortunately Freud’s psychoanalysis of the dark side of human beings is being challenged by the effects of advanced medicines and drugs for the treatment of mentally ill. The AI will be a fad which will probably last for many years ahead. AI is a qualitative approach and that's all about it. AI should be developed to be more than a research of miracles, a research for empirical facts!!
References


The Psychology of the Crowd
The Psychology of the Crowd

Introduction

Lewin’s Field theory, unfreeze-change-refreeze concept, is a dominant theory in the organizational change literature. As a result of this theory, managers and change agents always are wondering about the resistance they encounter when they apply this theory. They don’t think that the theory is not practical but they believe human nature should be changed to be able to apply Lewin’s Field theory. Pondering of this theory leads to believe readiness and change in the workplace should be done in a chaotic environment!!

The unfreeze stage allows the change agents to compare between the way of doing something and the better way of doing the same thing or other thing. Of course, the employee using the current way perfects the work. In this stage, the change agent is trying in this stage to convince the employee that the current way of working is outdated and the change agent has the superior goodies to make the work more efficient. From a personal experience, the unfreeze stage will turn ugly in many situations.

The unfreeze stage shouldn’t be done; instead, the new way should be introduced without unfreezing the current system. The suggested first stage should be called upgrade/advance. In the upgrade/advance stage, the employee should not be asked to abandon the current system but to advance to a new system. The second stage should be guidance/mentorship. The third stage should be celebration. The summary of the
three stages suggested should be upgrade/advance-guidance/mentorship-celebration.

There is no doubt the old theories of change are the reasons there is no empirical research. When Lewin’s Field theory is mentioned the impression is that the workplace will evolve in chaotic stages!! No one will test a theory that will create frustration on the part of employees and disappointment on the part of the change agents or managers. It is not possible to unfreeze a typist who types on a manual typewriter but you can upgrade/advance the system and the skills of the typist. The typist has already perfected and acquired her skills on the manual typewriter long before s/he is introduced to the computers and her/his skills are impossible to unfreeze and her/his beliefs and attitude will gradually be enhanced in the absence of the Lewin’s Field theory. An organization change is a matter of a continuation from point A to point B.

**Literatures**

The article Workplace Readiness for communicating Diversity claims that Armenakis, et al, (1993) said that “Many change programs run into resistance and outright failure because they do not provide for an effective ‘unfreezing’ process before attempting to induce change” (Muir, 2003). From my personal experience, an insurance company was adopting Lewin’s Field theory. The company was attempting to sell term life insurance in a very aggressive manners. The company looked for people who currently own universal life insurance.

The strategy of the insurance company is to make the people who are promised a job to understand the universal life insurance was inferior to the term life insurance. I was one of those people who were promised jobs if only we switch to term life insurance. The pressure was escalating and the frustration of let go the universal life insurance was
unbearable. The story has something to do with Lewin’s Field theory. The company tried to introduce its product through change agents. The change agents knew the address where I worked and they were in my place of work daily to make me change my mind about the universal life insurance but I insisted I preferred the universal life insurance and I lost the opportunity for an imaginary job.

I do not think the resistance comes from the ineffective unfreeze but the resistance comes from applying an unpractical theory which is against our nature. If the issue was about upgrade/advance I might think the term life insurance was superior life insurance. But the change agents were not able to convince me because, in my opinion, the universal was superior life insurance because it allows me to save cash value which is available for me anytime I need money. In contrast, term life insurance is cheaper but there is no automatic savings (4 to 7% interest).

In the article Symbolism Use by Business Turnaround Change Agents, the authors claim that “a second way to transmit meaning is through managerial conduct, ranging from terminating a high visibility employee (i.e., the sacrificial lamb) to centralizing approvals for equipment purchases” (Armenakis, et al., 1996). Probably, it is a strange theory because why should a company terminate a high visibility employee? The theory doesn’t give explanation of such behavior. Was the visibility good for the business but the management had to sacrifice an employee to show control?

In the article, Readiness for Organizational Change: A Longitudinal Study of Workplace, Psychological and Behavioral Correlates, the authors measure the success of the readiness of an individual in the organization on the risk the individual fears (Cunningham et al., 2002). The psychological ups-and-down and from depression to the fear of loosing jobs is contributing elements for the success or failure of the re-engineering. It is hard to imagine that emotional exhaustion and de-
pression would reduce readiness because it is not imaginable that the majority of individuals in an organization do not suffer from one psychological illnesses or physical illnesses in any given time. It seems that the change or the re-engineering will never take place unless everyone in the organization fits psychologically and physically!!

“Through the dynamics of social information processing, an organization's collective readiness is constantly being influenced by the readiness of the individuals comprising it. System members look to one another for clues regarding the meaning of events and circumstances facing the organization” (Armenakis, Harris and Mossholder, 1993). The previous quote is not a new concept. Gustave Le Bon was the father of the psychology of the crowd. Britannica encyclopedia mentions his accomplishment saying that Le Bon was a “French social psychologist best known for his study of the psychological characteristics of crowds” (Britannica, 2003). Actually, he studies the collective thoughts of the group.

Le Bon states that our thoughts as individual will be driven by the group. If you were in a group of people and you make a decision you will probably regret this decision when you are by yourself and away from the group. The group collective thoughts influence the decision of the individual. Le Bon was born in 1841 and died 1931. If readiness was influenced by the group; probably, the members of the group will have a different point of view individually. The temporary success for the change might face resistance in the future after the change is implemented (2003).

Conclusion

Lewin's Field theory, unfreeze-change-refreeze concept is a dominant theory in the organizational change literature. Pondering of this
theory leads to believe readiness and change in the workplace should be done in a chaotic environment. The unfreeze stage shouldn't be done; instead, the new system should be introduced without unfreezing the current system. The suggested first stage should be called upgrade/advance. In the upgrade/advance stage, the employee should not be asked to abandon the current system but to advance to a new system. The second stage should be guidance/mentorship. The third stage should be celebration.
Reference

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The Preventive Approaches
The Preventive Approaches

Summary of the Article

Challenging “Resistance to Change” is authored by Eric Dent and Susan Goldberg. The article challenges the modern interpretation of Kurt Lewin’s resistance to change, which Lewin introduced as a system concept. The article criticizes the researchers who insist the resistance to change is the obstacle for implementing new technologies or systems. The authors believe that subordinates are not necessarily to blame for the resistance. They went further trying to prove the concept of resistance to change is only in the mind of the researchers, managers, and executives (Dent & Goldberg, 1999).

Commentary

The authors expressed my thoughts when they stated that “Everyone from Kurt Lewin’s mindset to the arrogance of management has played a role in the popularization of resistance to change” (Dent and Goldberg, 1999). The unfreeze-change-refreeze is not a concept which is immune to criticism. A person cannot imagine the implementation of this concept without imagining chaos in the workplace. Changing people's beliefs and attitudes will include changing the confidence and the self-esteem of the employee.

There is no excuse to undermine the skills and beliefs of someone in the name of progress. Lewin’s Field Theory is questionable. For example, the confidence for what the employee believes should be an asset to the business. If a typist types 100 words per minute on a manual
typewriter, and the computer was introduced to her/him the attitude, beliefs, and skills of the typist should be valuable assets in implementing the new technology.

Of course, the typist needs a period of training to acquire the new feature. The typist might express resistance if the supervisor has not provided the proper training and an adequate time to learn about the new technology. The typist will not show resistance without a good cause. The new technology, in itself, is not a cause for resistance but causes of resistance are the lack of guidance, the feeling of uncertainty, and unclear direction. If the change happens frequently the worker will not have enough time to master the new system or technology. In this case, the training will be costly and probably ineffective. The resistance will surface as a result of mismanagement and unnatural sequences.

Five preventive approaches, to prevent side effects, are important in implementing the new system or technology. The first approach is to support the typist psychologically. When the new technology is introduced to the typist the doubt will play a part of the fear that is resulting from the uncertainty and the test of confidence in which the new technology brings to the person. The typist is eager to learn the new technology but her/his confidence is put to the test. Clear directions and instructions to learn the new technology will lessen the anxiety the typist is suffering as a consequence of the new technology.

The second approach to prevent side effects is to draw mental images of the after-change. The typist asks her/himself, what’s in it for me to accept the change? The ideal mental images would be better social rank described in color. The typist is looking for two future images, status and money which are the bargaining tools for a smooth transition. The typist should see her/himself in a new mini-world which signifies security and peace.

The third approach to prevent side effects is to establish a new
identity by creating a new identification card for each employee who is affected by the change to create the illusion of the after-change. The typist will receive her/his new identity describing the new rank. “Word Processor” will replace “Typist” to denote how the new identity, after-change, enhances the existence of the employee.

The forth preventive approach is to create a user friendly system. This is about the employees themselves. If the typist learned to deal with a manual typewriter, with all the difficulty of that machine, then s/he will need an easier way to erase, add paragraphs, and adjust margins.

The fifth approach to prevent side effects is to introduce an advanced system which simplifies the old way of doing business and lessens the complication of the old system. If the typist has to learn another manual typewriter using her/his feet then the typist will use two more body parts to do the same job which was done with two body parts (hands), as a result, the new technology that allows the typist to use four body parts will cause resistance to the change. In other words, the system should be efficient and produce a logical improvement.

Conclusion

The resistance to change doesn't have to happen. The mindset of managers and supervisors creates the illusion that the managers, supervisors, and executives are superior to the subordinates (Piderit, 2000). Understanding the employees and creating prevention programs are instruments to implementing new technologies and systems. Lewin's Field Theory is the best theory to deal with changes during the first half of the last century. The time has changed and now the Field Theory is only read in the history books.
References


Institutionalization
Institutionalization

Introduction

Cummings and Worley introduce their model of changes in 1993 in their book which is titled Organizational Development and change, 1st edition. Paul Buller and Glenn McEvoy had an empirical work dated 1989 and titled Determinants of the Institutionalization of Planned Organizational Change. Buller and McEvory probably are pioneers in their empirical work and the model of change.

Organizations should build the changes on the existent culture. Challenge to the current culture will undermine the organization mission statement. Cummings and Worley should add the culture persistence which was suggested by Sims and the unjust outcomes which is the result of the management decisions as it was suggested by Shapiro and Kirman.

Literature Review

Socialization: It is unclear if Buller and McEvoy copied the model from Cummings and Worley or vice versa. The important factor is that socialization, for example, is described by Cummings and Worley on one hand, and Buller and McEvoy on the other hand in detail, that is, an organization’s beliefs, values, norms, and preferences are transmitted to members during and following a change. Probably Buller and McEvoy took their observation from the same sources which Cummings and Worley used in their research.

The source of both researches is Goodman and Dean (1982). Buller
and McEvoy described their model as follows, “The authors conclude that high degrees of institutionalization in their studies were associated primarily with (1) training new members in behaviors required by the change (socialization), (2) providing opportunities for commitment (e.g., allowing for employee involvement in the change process) and (3) the use of extrinsic rewards to reinforce new behavior” (Buller and McEvoy, 1989). Definitely the model of Cummings and Worley is similar to Buller and McEvoy’s model.

Petter Holm’s nested system is very similar to the socialization of Cummings and Worley. Holm stated that “Replacing one institution with another means that income, power, and status will be redistributed” (Holm, 1995). On the other hand, Holm stated “that those affected by an institution will be committed to it by the resources they have invested in its reproduction” (1995). The previous quote is a reminder of the commitment described in the model of Cummings and Worley.

It is obvious, as Cummings and Worley stated, that the more the individual, group or organization is committed to the change, the more people are bound to the behaviors required to make the change successful (Connelley, 2003). Also, Holm believed that because the Norwegian fishermen came from the same social background and operated the same type of technology such factors created favorable conditions for collective identification and mobilization among fishermen (Holm, 1995).

Ronald Sims is a very interesting researcher because he was able to demonstrate different points of view. He said that “Changing individual and group behavior is both difficult and time consuming. The human tendency to want to conserve the existing culture is referred to as ‘culture persistence’ or inertia” (Sims, 2000). This view is probably a huge change in the mentality of researchers toward Cummings and Worley’s model on one hand, and Lewin’s unfreeze-change-refreeze model on the
second hand because they consider the tendency to conserve the organizational culture is resistance to change not a culture persistence.

Sims went further and he explained his point of view clearly when he quoted Uttal, 1983, and said, "Culture has an additive quality, perhaps because culture members are aware that culture components can not be altered without affecting other cherished values and institutions" (Sims, 2000). If Cummings and Worley add the culture persistence to their model the concept would improve the model's ability to help scholars study the topic and aid managers attempting to maintain change. Other than that, Sims was consistent with Cummings and Worley's model especially in the reward and punishment to change behavior.

Debra Shapiro and Bradley Kirman were very interesting because they weren't "parrots" but offer a whole new light to organizational change and the institutionalization stage. Shapiro and Bradley referred resistance to injustice or the receipt of unfair outcomes. They said, "Resistance-like behavior (e.g., reduced work commitment and OCB) are (is) influenced by the anticipation of distributive injustice or the receipt of unfair outcomes, such as, undesirable job assignments and added responsibilities rather than actual distributive justice" (Shapiro and Kirman, 1999).

If the distributive injustice philosophy was added to Cummings and Worley's model that would point out that the resistance is not natural as it was explained by Lewin's physical illustration of the freezing water-melting water-and again refreezing the water. Human beings are not water and are not that simple according to Shapiro and Kirman. There are negative causes which are the reasons for resistance. Employees are smart and they have their humble judgment and accurate world view.
Conclusion

The water illustration by Lewin doesn't give credit for human intelligence whether the human was an employee or a manager. The four articles which are mentioned in this paper prove that the unfreeze stage of Lewin's model is not properly explained by Lewin and other researchers. Organizations should build the changes on the existent culture. Challenge to the current culture will undermine the organization mission statement. Cummings and Worley should add the culture persistence which was suggested by Sims and the unjust outcomes which are the result of the management decisions. If the water (ice) resists being transformed and shaped from cubic container to cylinder, in its ice form, that is because someone froze the water in the first place. What if we mix the water with dough and the texture should be flexible and to be transformed at all times to the desired shape.
References


Group Conflicts
Group Conflicts

Introduction

Dick Cheney, the Vice President and the second most powerful person in America, was speechless. When John Edwards, the Vice President Candidate, spoke about the Cheney’s daughter as a lesbian on the air and in the front of audience and TV viewers around the world Dick Cheney was speechless. The reaction of Dick Cheney was one reflecting a deep concern and probably confusion. Whatever was the intention of John Edwards the impact of his statement was the most disturbing attack which Dick Cheney had experienced during the vice presidential debate.

The Problem

If the person is straight or not the problem is there. How we perceive each other is a part of the problem among the members of a group. In the military, sexual orientation is a sensitive issue and is kept secret and confidential. The degree of acceptance of people who are different is complicated. The military shows conservatism when it comes to sexual orientation.

Why Is This Problem Significant?

The problem is significant because it is an old problem and people have dealt with this issue throughout the history of Mankind and re-
cently it has become a military problem and extended to the functioning of the groups in a combat situation.

Research Question

Does the sexual orientation in a group affect the outcomes and its intragroup conflicts?

Studying the effect of sexual orientation on the outcomes of the group and the intergroup conflict.

Variables:

- **Independent Variables are**: Straight male, straight female, gay man, lesbian woman, bisexual man, and bisexual woman.
- **Dependent Variables are**: Aggressiveness, productivity, competition, cooperation, consistency, inconsistency, motivation, reasonableness, attraction, obedience, and acceptance.
References

These are references which will be used in MOD 2 SLP along with the Literature Review.


Sexual Orientation and Intragroup Conflicts (1)
Sexual Orientation and Intragroup Conflicts

Literature Review

Introduction

Organizational demographers have suggested that people who have demographic similarities presume that their attitudes are also similar and are, therefore, likely to be more attracted to one another than to people who are demographically different from them (Chatman & O’Reilly, 2004). Research findings indicate that the anxiety produced by interpersonal animosity may inhibit cognitive functioning and also distract team members from the task, causing them to work less effectively and produce suboptimal (Jehn & Mannix, 2001). Men were perceived as more effective than were women in roles that were defined in more masculine terms and in leader and subordinate roles that were male-dominated numerically. Women were perceived as more effective in roles defined in feminine terms (Looney, Kurpius & Lucart, 2004). In general, the effects of within-group diversity on group performance have been found to be ambiguous. Some researchers suggested that group diversity might increase creativity. Other studies showed that diversity might increase employee withdrawal and lead to negative affective reactions (Orlitzky & Benjamin, 2003).

I. Relationship Conflict and Interpersonal Incompatibilities

Researchers have argued that women expressed a greater likelihood
of leaving homogeneous groups than did men, even though women expressed greater commitment, positive affect, and perceptions of cooperation when they worked in all-female groups (Chatman & O’Reilly, 2004). Relationship conflict, an awareness of interpersonal incompatibilities, includes affective components such as feeling tension and friction. Relationship conflict involves personal issues such as dislike among group members and feelings such as annoyance, frustration, and irritation. This definition is consistent with past categorizations of conflict that distinguish between affective and cognitive conflict (Jehn & Mannix, 2001). One explanation for the phenomenon that keeps women from reaching the highest leadership levels has been labeled the “glass ceiling,” described as a “transparent barrier that [keeps] women from rising above a certain level in corporations.” A possible explanation for this glass ceiling and for the resulting lack of female representation at the highest levels of leadership is bias in performance evaluations—biases introduced by personal characteristics of both the evaluator and ratee (Looney, Kurpius & Lucart, 2004).

Research study argues that women were more likely than men to differentiate their networks, choosing women as friends but choosing men to gain access to instrumental rewards. Men evidenced no such distinction in their relationships, preferring relationships with men for both their instrumental and social support needs (Chatman & O’Reilly, 2004). It is unlikely that relationship conflict is beneficial at any point in the life of a group. In the early stages of group interaction, high-performing groups often operate under politeness norms (low levels of relationship conflict) that permit group members to become more familiar with one. Theorists have argued that such norms may reduce the social uncertainty and concern with acceptance that can distract from task performance in newly formed groups (Jehn & Mannix, 2001). Another research study argues that one evaluator characteristic is sex. Few stud-
ies have specifically examined the interaction of rater/evaluator sex and the performance evaluations of male and female leaders. Male evaluators tended to evaluate male leaders higher than did female evaluators. Male evaluators had more negative views of female leaders than did female evaluators (Looney, Kurpius & Lucart, 2004).

II. Members of Mixed-Sex Groups

However, members of mixed-sex groups were less satisfied than were members of either predominantly male or female groups, again suggesting that people have more positive attitudes in more homogeneous work groups in which their sex is numerically dominant (Chatman & O’Reilly, 2004). Groups, like organizations, have specific, identifiable cultures. One defining aspect of group culture is similarity among the work values of the members who enter a group. Researchers defined group value consensus as the extent to which the potential members have similar values regarding work, examples of which include valuing (and demonstrating) innovativeness, carefulness, autonomy, adaptability, and informality. When group members have similar work values, they tend to agree on norms regarding work, and this agreement in turn promotes harmony and decreases interpersonal tension. In contrast, when members’ core values and beliefs about their everyday work differ, friction and emotional upset may occur (Jehn & Mannix, 2001). Consistent with this interpretation, relational demography research has shown that sex diversity may enhance group effectiveness (Chatman & O’Reilly, 2004).

III. Identity of the Group Members

On the other hand, relationship conflict is based on perceptions of
uneasiness that may be aroused by an awareness of differences among group members (Pellet, 1996a; Jehn et al., 1999), but group members may not always be aware of their differences because the gender diversity of the group is not salient to them. When an identity is salient, group members are aware of the differences among group members and relationship conflict based on those differences is prone to occur (Randel, 2002).

Research study argues that gender salience was found to be sensitive to group composition, which suggests that varying the context of mixed-gender groups will reduce the negative effect of group outcomes such as relationship conflict. When relationship conflict does occur, an avoidance response to such conflict is most conducive to group effectiveness and functioning (Randel, 2002). Men in groups numerically dominated by women reported more positive perceptions of performance appraisals, advancement opportunities, and recognition. Thus, men in all-male groups may recognize the benefits of some diversity (Chatman & O’Reilly, 2004). In contrast, female employees with masculine characteristics were evaluated as most promote regardless of the gender stereotype of the job or the sex of the evaluator (Looney, Kurpius & Lucart, 2004). Biological sex, with its resulting gendered behavior, is one of the dimensions of diversity that may have an impact on group performance, by way of mediating group interaction processes (Orlitzky & Benjamin, 2003). The acknowledgment of sex differences in cognitive or behavioral tendencies does not explain why mixed teams may outperform same-sex teams (Orlitzky & Benjamin, 2003).

IV. Sex Bias

Many organizations are recognized as minority-friendly employers, the organizational culture may simply have signaled the importance of
diverse groups, leading respondents in all-male groups to express a preference for somewhat diverse settings (Chatman & O'Reilly, 2004). Researchers found a strong, negative bias in attributions about the causes of performance in female-led groups among those followers holding very traditional attitudes toward the roles of women. In contrast, cadets, in the military, with liberal views toward women's roles often showed a strong sex bias favoring female leaders with regard to these attributing judgments (Looney, Kurpius & Lucart, 2004). Sex composition may be one way of ensuring a better balance of the team skills required for relatively complex tasks, such as case analyses. In other words, as with other forms of demographic diversity, gender dissimilarity within a team may be positively related to informational diversity and thus, result in greater decision-making vigilance (Orlitzky & Benjamin, 2003).

Group members could more effectively focus on their common objectives rather than on demographic differences that are potentially irrelevant to accomplishing those (Chatman & O'Reilly, 2004). Research study has shown sex composition, by itself, explains a significant proportion of the variance of team performance in a student case competition. Past research established how social category diversity (i.e., diversity with respect to age, sex, or ethnicity) might aggravate relationship conflicts in groups, which in turn might undermine group (Orlitzky & Benjamin, 2003). On the other hand, the greater participation of women in the workplace in recent years has increased the relevance of gender as an identity used to define one's work colleagues. Identities, which are psychological manifestations of demographic categories, provide information through observation or inference about how individuals may be defined. People seek information about the identities of those with whom they interact so that they can determine what behavior is appropriate. Thus, the salience of identities has broad-reaching effects on employee behavior in organizations. Identity salience becomes even
more pertinent when one considers the growing emphasis on interdependence among employees through teamwork, which has increased the extent of contact among employees with differing identities as well as the occasions when certain identities become more salient than others (Randel, 2002).

Chatman and O'Reilly, 2004, argue that diversity is sometimes beneficial and sometimes detrimental because people from different social categories, such as men and women, experience various levels of diversity differently (Chatman & O'Reilly, 2004). There are several reasons that individuals who are demographically different from others in a work group may perceive greater emotional conflict in the group. The first reason has to do with categorization and social identification. Categorization is a natural tendency for individuals to structure their perceptions of themselves and others by means of abstract social categories. According to social identity theory, once categorization takes place, a motivational factor enters the picture. The individual strives for self-esteem by seeking a positive social identity, i.e., “those aspects of an individual's self-image that derive from the social categories to which he perceives himself as belonging” (Pelled, 1996).

Gender will be salient when there are few women (and thus many men) in a work group. By contrast, researchers suggest that when social minorities (e.g., women) are represented in large numbers, they pose a competitive threat to social majority members (e.g., men). Men as social majority members fear that the probability that they will be able to attain their goals or acquire the resources they desire decreases when women outnumber them. As a result, this perspective suggests that gender will be salient to men as a result of competitive threat when they are represented in small rather than large numbers (Randel, 2002).
V. Demographic Dissimilarity

A research study has shown that demographic dissimilarity was indirectly (via conflict perceptions) related to individual ratings of group performance. Controlling for dissimilarity variables, there was a negative link between perceived intragroup emotional conflict and perceived group productivity. This finding supports the argument that group members see antagonistic intragroup interactions as impeding group functioning. On the one hand, this perception may stem from preconceived notions about emotional conflict and its destructiveness. It is also possible, however, that group members’ perceptions reflected reality: Emotional conflict was present, was distracting group members from their tasks, and was reducing the productivity of the group (Pelled, 1996). Alternatively, if the conflict that individuals perceived does indeed exist, then such conflict may truly impair group performance. Empirical research has consistently shown that emotional conflict diminishes group performance. Pelled (in press) has offered several explanations for this effect. First, since anxiety and threat (emotions that characterize emotional conflict) often lead to cognitive interference, group members may not take relevant information into consideration when performing tasks. Even when a group’s tasks consist largely of psychomotor activities, rather than problem solving or idea generation, emotional conflict can be an impediment. Research has shown that anxiety interferes with visual discrimination and motor performance. A second reason that emotional conflict may detract from group performance is that it may consume group members’ time and energy, leaving less time for more critical, task-related matters. In sum, if intragroup emotional conflict is indeed present, it is apt to reduce group performance; thus, simply by making accurate observations, individuals may perceive that groups
with higher levels of emotional conflict have lower levels of performance (Pelled, 1996).

Conclusion

The numerical distinctiveness of gender group composition was found to trigger the importance of group members’ gender identities for men in the group (Randel, 2002). Both gender dissimilarity and tenure dissimilarity had positive relationships with perceived intragroup emotional conflict. These findings have several possible explanations. On the one hand, being different from other group members may shape a person’s perspective on group interactions; s/he may experience the group as more conflict-ridden regardless of the actual level of intragroup conflict. On the other hand, it is possible that having a demographically distinct group member makes all (or most) group members more uncomfortable and irritable, truly fostering emotional conflict. That is, the perceptions of the “distinct” group member may be accurate (Pelled, 1996).

Work group conflict has been found to improve the quality of team decision-making and team performance when conflict results in debate and an understanding of different viewpoints. Since diverse work group members often hold different perspectives as a result of their varied backgrounds and also experience discomfort resulting from working with people who are different, work group diversity often results in work group conflict (Pelled, 1996a). However, gender diversity specifically has not been found consistently to relate to work group conflict (Randel, 2002). Researchers found that men in mixed-gender work settings report lower job satisfaction than those in all-male settings, which the authors argue to be evidence that there is something that occurs in how men and women interact within mixed-gender settings that ad-
versely affects job satisfaction for men above and beyond explanations concerning pay or prestige associated with particular types of work. An awareness of gender (gender salience) moderated the relationship between numerical distinctiveness and relationship conflict. Through its effect as a moderating variable, gender salience offers an explanation for when mixed-gender work settings impact affective outcomes such as relationship conflict (Randel, 2002).

**Hypotheses**

H₁: The sexual orientation in a group will affect the outcomes and its intragroup conflicts.

H₂: The sexual dissimilarities in a group setting will cause aggressiveness among the members of the group.

H₃: The sexual dissimilarities will decrease the acceptance among the group members.

H₄: The identity of the group members will increase the intragroup conflicts.
References


Methodology and the Research Design
Methodology and Research Design

I. True Experiment: The sample size is 16 participants, between the ages of 18 and 30 years old, who are selected randomly. The age range is important to reflect the age range for admission into the military. An ad will be placed in a newspaper announcing a new reality show which is being considered to be shown on television. It is a known fact that in the past the true experiment methodology is rarely used in the study of group conflict. Recently, the true experiments in intragroup organization are being documented by the reality shows on television. The number of respondents is expected to be very large.

The ad will specify that responses should include the sexual orientation of the respondent. Monetary award will be rewarded to the participant who wins the contest. The contest will be about watching movies which promote sexuality. Participants will continue discussion after the movie. Striptease artists will be another alternative for encouraging sexuality. Books and magazines about all types of sexual preferences will be available for the participants to read.

Immediately after the sexual stimulation and discussion, the participants will be asked to perform intellectual games, war video games, or computer simulation regarding flying an airplane. The participant who scores the lowest score will be asked to leave the experiment’s premises at once. The lowest score in the game will denote the severe impact of the sexual environment on that individual and the higher score will denote reliable concentration and quick adaptation to change. Only one participant will be left and s/he will win the game prize.
II. **Observation**: The researcher will observe the participants in action to test the observation hypotheses.

III. **Surveys**: Online surveys will be available on the TV station to determine a broader observation of the general viewers about the behavior of the participants.

**The Purpose of This Research**

The purpose of the research is to conduct an experiment to test hypotheses and to develop conclusion and findings.

**The Choice of Research Methodology**

Choosing the methodology of this research is based on the new trend of the group organization to use the TV as another instrument to collect, observe, and test human behavior. This research is mixed of research methodologies except for Simulations and/or Role Playing, Archival Data and Focus groups. The participants are not pretending to play the roles but to be themselves. The Archival Data methodology will not fit this research because the researcher prefers to see the result of the experiment without the influence of biased data that were conducted in the past to prove certain ideology and stereotyping. Focus Groups methodology will not fit this research because the researcher is not seeking problem-solving methods to solve a problem but to state a fact. The True Experiment, Observation, and Survey methodologies serve different steps in the project and they fit the TV reality show which is the intentional method of this research.

**Hypotheses**

H₁: Sexual orientation will produce negative intragroup conflicts.
H₂: The sexual dissimilarities in a group setting will cause aggressiveness among the members of the group.

H₃: The sexual orientation in a group will affect the task.

H₄: The identity awareness of the group members will increase the intragroup conflicts.

H₅: Sexual preference will increase tension among members of a group.

H₆: Sexual orientation will increase the emotional conflict among group members.

H₇: The sexual dissimilarities will decrease the acceptance among the group members.

H₈: Sexual preference will affect negatively concentration of the group members.
Sexual Orientation and Intragroup Conflicts (2)
Sexual Orientation and Intragroup Conflicts

Abstract

In the military, sexual orientation is a sensitive issue and is kept secret. The degree of acceptance of people who are different is complicated. The military shows conservatism when it comes to sexual orientation. People have dealt with this issue throughout the history of Mankind and recently it has become a military problem and extended to the functioning of the groups in a combat situation. This paper proposes an experiment to examine sex diversities in the military and their effect on intragroup conflicts.

Introduction

Dick Cheney, the Vice President and the second most powerful person in America, was speechless. When John Edwards, the Vice President Candidate, spoke about the Cheney’s daughter sexual orientation as a lesbian on the air and in the front of audience and TV viewers around the world, Dick Cheney was profoundly ashamed of his daughter’s homosexuality. The reaction of Dick Cheney was one reflecting a deep concern and probably confusion. Whatever was the intention of John Edwards the impact of his statement was the most disturbing attack which Dick Cheney had experienced during the vice presidential debate.
**The Problem**

If the person is straight or not the problem is there. How we perceive each other is a part of the problem among the members of a group. In the military, sexual orientation is a sensitive issue and is kept secret and confidential. The degree of acceptance of people who are different is complicated. The military shows conservatism when it comes to sexual orientation.

**Why Is This Problem Significant?**

The problem is significant because it is an old problem and people have dealt with this issue throughout the history of Mankind and recently it has become a military problem and extended to the functioning of the groups in a combat situation.

**Research Question**

Does the sexual orientation in a group affect the outcomes and its intragroup conflicts?

I want to study the effect of sexual orientation on the outcomes of the group and the intragroup conflict.

**Variables:**

- **Independent Variables are:** Straight male, straight female, gay man, lesbian woman, bisexual man, and bisexual woman.
- **Control Variables:** Identity awareness.
- **Dependent Variables are:** Aggressiveness, task outcomes, tension, emotion, acceptance, and concentration.
Sexual Orientation and Intragroup Conflicts

Literature Review and Hypotheses

Organizational demographers have suggested that people who have demographic similarities presume that their attitudes are also similar and are, therefore, likely to be more attracted to one another than to people who are demographically different from them (Chatman & O’Reilly, 2004). Research findings indicate that the anxiety produced by interpersonal animosity may inhibit cognitive functioning and also distract team members from the task, causing them to work less effectively and produce suboptimal (Jehn & Mannix, 2001). Men were perceived as more effective than were women in roles that were defined in more masculine terms and in leader and subordinate roles that were male-dominated numerically. Women were perceived as more effective in roles defined in feminine terms (Looney, Kurpius & Lucart, 2004). In general, the effects of within-group diversity on group performance have been found to be ambiguous. Some researchers suggested that group diversity might increase creativity. Other studies showed that diversity might increase employee withdrawal and lead to negative affective reactions (Orlitzky & Benjamin, 2003).

H₁: Sexual orientation will produce negative intragroup conflicts.

I. Relationship Conflict and Interpersonal Incompatibilities

Researchers have argued that women expressed a greater likelihood of leaving homogeneous groups than did men, even though women expressed greater commitment, positive affect, and perceptions of cooperation when they worked in all-female groups (Chatman & O’Reilly, 2004). Relationship conflict, an awareness of interpersonal incompati-
ibilities, includes affective components such as feeling tension and friction. Relationship conflict involves personal issues such as dislike among group members and feelings such as annoyance, frustration, and irritation. This definition is consistent with past categorizations of conflict that distinguish between affective and cognitive conflict (Jehn & Mannix, 2001). One explanation for the phenomenon that keeps women from reaching the highest leadership levels has been labeled the “glass ceiling,” described as a “transparent barrier that [keeps] women from rising above a certain level in corporations.” A possible explanation for this glass ceiling and for the resulting lack of female representation at the highest levels of leadership is bias in performance evaluations—biases introduced by personal characteristics of both the evaluator and ratee (Looney, Kurpius & Lucart, 2004). The glass ceiling is the evidence that the other different individuals can face in a group.

Research study argues that women were more likely than men to differentiate their networks, choosing women as friends but choosing men to gain access to instrumental rewards. Men evidenced no such distinction in their relationships, preferring relationships with men for both their instrumental and social support needs (Chatman & O’Reilly, 2004). It is unlikely that relationship conflict is beneficial at any point in the life of a group. In the early stages of group interaction, high-performing groups often operate under politeness norms (low levels of relationship conflict) that permit group members to become more familiar with one. Theorists have argued that such norms may reduce the social uncertainty and concern with acceptance that can distract from task performance in newly formed groups (Jehn & Mannix, 2001). Another research study argues that one evaluator characteristic is sex. Few studies have specifically examined the interaction of rater/evaluator sex and the performance evaluations of male and female leaders. Male evaluators tended to evaluate male leaders higher than did female evaluators.
Male evaluators had more negative views of female leaders than did female evaluators (Looney, Kurpius & Lucart, 2004). As a result, the psychological effect on the individuals other than males will be devastating during the interaction of the members of a group.

$H_2$: The sexual dissimilarities in a group setting will cause aggressiveness among the members of the group.

II. Members of Mixed-Sex Groups

However, members of mixed-sex groups were less satisfied than were members of either predominantly male or female groups, again suggesting that people have more positive attitudes in more homogeneous work groups in which their sex is numerically dominant (Chatman & O’Reilly, 2004). Groups, like organizations, have specific, identifiable cultures. One defining aspect of group culture is similarity among the work values of the members who enter a group. Researchers defined group value consensus as the extent to which the potential members have similar values regarding work, examples of which include valuing (and demonstrating) innovativeness, carefulness, autonomy, adaptability, and informality. When group members have similar work values, they tend to agree on norms regarding work, and this agreement in turn promotes harmony and decreases interpersonal tension. Consistent with this interpretation, relational demography research has shown that sex diversity may enhance group effectiveness (Chatman & O’Reilly, 2004). In contrast, when members’ core values and beliefs about their everyday work differ, friction and emotional upset may occur (Jehn & Mannix, 2001).

$H_3$: The sexual orientation in a group will affect the task outcomes.
III. Identity of the Group Members

On the other hand, relationship conflict is based on perceptions of uneasiness that may be aroused by an awareness of differences among group members (Pelled, 1996a; Jehn et al., 1999), but group members may not always be aware of their differences because the gender diversity of the group is not salient to them. When an identity is salient, group members are aware of the differences among group members and relationship conflict based on those differences is prone to occur (Randel, 2002).

Research study argues that gender awareness was found to be sensitive to group composition, which suggests that varying the context of mixed-gender groups will reduce the negative effect of group outcomes such as relationship conflict. When relationship conflict does occur, an avoidance response to such conflict is most conducive to group effectiveness and functioning (Randel, 2002). In contrast, mixed-gender groups is not always resulting in positive outcomes, for example, men in groups numerically dominated by women reported more positive perceptions of performance appraisals, advancement opportunities, and recognition. Thus, men in all-male groups may recognize the benefits of some diversity (Chatman & O'Reilly, 2004). Furthermore, female employees with masculine characteristics were evaluated as most promote regardless of the gender stereotype of the job or the sex of the evaluator (Looney, Kurpius & Lucart, 2004). Biological sex, with its resulting gendered behavior, is one of the dimensions of diversity that may have an impact on group performance, by way of mediating group interaction processes (Orlitzky & Benjamin, 2003). Other researchers found that the acknowledgment of sex differences in cognitive or behavioral tendencies does not explain why mixed teams may outperform same-sex teams (Orlitzky & Benjamin, 2003).
$H_4$: The identity awareness of the group members will increase the intragroup conflicts.

IV. Sex Bias

Many organizations are recognized as minority-friendly employers, the organizational culture may simply have signaled the importance of diverse groups, leading respondents in all-male groups to express a preference for somewhat diverse settings (Chatman & O’Reilly, 2004). However, in spite of the organizational culture, researchers found a strong, negative bias in attributions about the causes of performance in female-led groups among those followers holding very traditional attitudes toward the roles of women. In contrast, cadets, in the military, with liberal views toward women’s roles often showed a strong sex bias favoring female leaders with regard to these attributing judgments (Looney, Kurpius & Lucart, 2004). On the other hand, sex composition may be one way of ensuring a better balance of the team skills required for relatively complex tasks, such as case analyses. In other words, as with other forms of demographic diversity, gender dissimilarity within a team may be positively related to informational diversity and thus, result in greater decision-making vigilance (Orlitzky & Benjamin, 2003).

Group members could more effectively focus on their common objectives rather than on demographic differences that are potentially irrelevant to accomplishing those (Chatman & O’Reilly, 2004). Research study has shown sex composition, by itself, explains a significant proportion of the variance of team performance in a student case competition. Past research established how social category diversity (i.e., diversity with respect to age, sex, or ethnicity) might aggravate relationship conflicts in groups, which in turn might undermine group (Orlitzky & Benjamin, 2003). On the other hand, the greater participation of
women in the workplace in recent years has increased the relevance of
gender as an identity used to define one’s work colleagues. Identities,
which are psychological manifestations of demographic categories, pro-
vide information through observation or inference about how individu-
als may be defined. People seek information about the identities of those
with whom they interact so that they can determine what behavior is
appropriate. Thus, the salience of identities has broad-reaching effects
on employee behavior in organizations. Identity salience becomes even
more pertinent when one considers the growing emphasis on interde-
pendence among employees through teamwork, which has increased the
extent of contact among employees with differing identities as well as
the occasions when certain identities become more salient than others
(Randel, 2002).

$H_5$: Sexual preference will increase tension among members of a group.

Chatman and O’Reilly, 2004, argue that diversity is sometimes
beneficial and sometimes detrimental because people from different
social categories, such as men and women, experience various levels
of diversity differently (Chatman & O’Reilly, 2004). There are several
reasons that individuals who are demographically different from others
in a work group may perceive greater emotional conflict in the group.
The first reason has to do with categorization and social identification.
Categorization is a natural tendency for individuals to structure their
perceptions of themselves and others by means of abstract social cat-
egories. According to social identity theory, once categorization takes
place, a motivational factor enters the picture. The individual strives for
self-esteem by seeking a positive social identity, i.e., “those aspects of an
individual’s self-image that derive from the social categories to which he
perceives himself as belonging” (Pelled, 1996).
Gender will be salient when there are few women (and thus many men) in a work group. By contrast, researchers suggest that when social minorities (e.g., women) are represented in large numbers, they pose a competitive threat to social majority members (e.g., men). Men as social majority members fear that the probability that they will be able to attain their goals or acquire the resources their desire decreases when women outnumber them. As a result, this perspective suggests that gender will be salient to men as a result of competitive threat when they are represented in small rather than large numbers (Randel, 2002).

V. Demographic Dissimilarity

A research study has shown that demographic dissimilarity was indirectly (via conflict perceptions) related to individual ratings of group performance. Controlling for dissimilarity variables, there was a negative link between perceived intragroup emotional conflict and perceived group productivity. This finding supports the argument that group members see antagonistic intragroup interactions as impeding group functioning. On the one hand, this perception may stem from preconceived notions about emotional conflict and its destructiveness. It is also possible, however, that group members’ perceptions reflected reality: Emotional conflict was present, was distracting group members from their tasks, and was reducing the productivity of the group (Pelled, 1996). Alternatively, if the conflict that individuals perceived does indeed exist, then such conflict may truly impair group performance. Empirical research has consistently shown that emotional conflict diminishes group performance. Pelled (1996) has offered several explanations for this effect. First, since anxiety and threat (emotions that characterize
emotional conflict) often lead to cognitive interference, group members may not take relevant information into consideration when performing tasks. Even when a group’s tasks consist largely of psychomotor activities, rather than problem solving or idea generation, emotional conflict can be an impediment. Research has shown that anxiety interferes with visual discrimination and motor performance. A second reason that emotional conflict may detract from group performance is that it may consume group members’ time and energy, leaving less time for more critical, task-related matters. In sum, if intragroup emotional conflict is indeed present, it is apt to reduce group performance; thus, simply by making accurate observations, individuals may perceive that groups with higher levels of emotional conflict have lower levels of performance (Pelled, 1996).

\( H_7: \) The sexual dissimilarities will decrease the acceptance among the group members.

\( H_8: \) Sexual preference will affect negatively concentration of the group members.

**Discussion**

The numerical distinctiveness of gender group composition was found to trigger the importance of group members’ gender identities for men in the group (Randel, 2002). Both gender dissimilarity and tenure dissimilarity had positive relationships with perceived intragroup emotional conflict. These findings have several possible explanations. On the one hand, being different from other group members may shape a person’s perspective on group interactions; s/he may experience the group as more conflict-ridden regardless of the actual level of intragroup conflict. On the other hand, it is possible that having a demographi-
cally distinct group member makes all (or most) group members more uncomfortable and irritable, truly fostering emotional conflict. That is, the perceptions of the “distinct” group member may be accurate (Pelled, 1996).

Work group conflict has been found to improve the quality of team decision-making and team performance when conflict results in debate and an understanding of different viewpoints. Since diverse work group members often hold different perspectives as a result of their varied backgrounds and also experience discomfort resulting from working with people who are different, work group diversity often results in work group conflict (Pelled, 1996a). However, gender diversity specifically has not been found consistently to relate to work group conflict (Randel, 2002). Researchers found that men in mixed-gender work settings report lower job satisfaction than those in all-male settings, which the authors argue to be evidence that there is something that occurs in how men and women interact within mixed-gender settings that adversely affects job satisfaction for men above and beyond explanations concerning pay or prestige associated with particular types of work. An awareness of gender (gender salience) moderates the relationship between numerical distinctiveness and relationship conflict. Through its effect as a moderating variable, gender salience offers an explanation for when mixed-gender work settings impact affective outcomes such as relationship conflict (Randel, 2002).

Methodology and Research Design

I. True Experiment: The sample size is 16 participants, between the ages of 18 and 30 years old, who are selected randomly. The age range is important to reflect the age range for admission into the military. An ad will be placed in a newspaper announcing an experiment will be conduct-
ed to measure intragroup conflict among randomly selected individuals. It is a known fact that in the past the true experiment methodology is rarely used in the study of group conflict. The ad will specify that responses should include the sexual orientation of the respondent. The Experiment will be about performing tasks, discussing religious issues, and related historical events. The evaluation of the group members will be on Likert Scale to measure the agreement and disagreement among the group members. The identity awareness will be revealed after series of discussion and evaluation are conducted.

II. Observation: The researcher will observe the participants in action to test the hypotheses which directly related to observation.

The Purpose of This Research

The purpose of the research is to conduct an experiment to test hypotheses and to develop conclusion and findings.

The Choice of Research Methodology

This research is mixed of research methodologies except for Simulations and/or Role Playing, Archival Data and Focus groups. The participants are not pretending to play the roles but to be themselves. The Archival Data methodology will not fit this research because the researcher prefers to see the result of the experiment without the influence of biased data that were conducted in the past to prove certain ideology and stereotyping. Focus Groups methodology will not fit this research because the researcher is not seeking problem-solving methods to solve a problem but to state a fact. The True Experiment and Observation methodologies serve different steps in the project and they fit the experiment.
References


Environments Allow Groupthink to Thrive
Environments Allow Groupthink to Thrive

Abstract: This study offers additional insight into the role Groupthink plays in the decision-making process of both individuals and groups. The goal of this study is to conduct a quantitative study on effects of Groupthink within several specific disciplines. The result should be a better understanding of the impact of Groupthink on specific business disciplines, and the identification of catalysts that help aid the proliferation of Groupthink in specific environments.

Introduction

The Groupthink phenomenon was first identified by Irving Janus in 1972 (Janus, 1972). The thirty-two years since Janus’ introduction of Groupthink have been filled with articles and theories on the formation, reduction, and identification of Groupthink. However, none of these studies has provided researchers with an insight into the direct business catalysts that continue to allow Groupthink to prosper. Research has shown the contributing factors and similarities within groups that are typically represented in decisions affected by Groupthink, but there has not been a study conducted on the larger business elements in which these groups typically reside, business sectors (Ahlfinger, 2001). It is my contention that a comparison of data culled from targeted business sectors will provide the necessary information to identify drivers and catalysts that are specifically responsible for the proliferation of Groupthink. In doing so, I will be able to identify the business sectors that are most susceptible to Groupthink.
Literature Review

This literature review is organized as follows: First, the scope of the Groupthink problem is described. The second section expands on the knowledge currently in use in the organizational behavior field so that specific approaches to decision making, group dynamics and individual versus group pressures are clear. In the next section, theoretical aspects of Groupthink are outlined and compared to classic models of organizational behavior to identify their origins. The final section then follows which summarizes the many facets of Groupthink that have been explored or impacts that have been researched. These items include discussions of specific Groupthink problems, techniques to avoid Groupthink, and education on how to correct the Groupthink phenomenon. This section also summarizes research on specific Groupthink issues.

The Groupthink Problem

Groupthink is a concept that was identified by Irving Janis that refers to faulty decision-making within a group. Groups experiencing Groupthink do not consider all alternatives and they desire unanimity at the expense of quality decisions (Janis, 1972) Groupthink is most likely to occur when certain preconditions are met, such as when the group is highly cohesive, isolated from contrary opinions, and ruled by a directive leader who makes his or her wishes known. Negative outcomes may be: 1) the group limits its discussion to only a few alternatives. 2) The solution initially favored by most members is never restudied to seek out less obvious pitfalls 3) the group fails to reexamine those alternatives originally disfavored by the majority. 4) expert opinion is not sought 5) the group is highly selective in gathering and attending to available information 6) the group is so confident in its ideas that it does not consider contingency plans (Longley, 1980).
Examples of Groupthink fiascoes studied by Janis and other researchers include US failures to anticipate the attack on Pearl Harbor, the Bay of Pigs invasion, the escalation of Vietnam War, and the ill-fated hostage rescue in Iran. Current examples of Groupthink can be found in the decisions surrounding the Shuttle Columbia accident, and the Bush administration and Congress’ attempts to pursue an invasion of Iraq based on a policy of “preemptive use of military force against terrorists and rogue nations” (Schwartz, 2003).

**Groupthink Origins**

Janis originally defined Groupthink as “a mode of thinking that people engage in when they are deeply involved in a cohesive in-group, when the members’ strivings for unanimity override their motivation to realistically appraise alternative courses of action” (Janis, 1972) According to his definition, Groupthink occurs only when cohesiveness is high. It requires that members share a strong “we-feeling” of solidarity and desire to maintain relationships within the group at all costs. When colleagues operate in a Groupthink mode, they automatically apply the “preserve group harmony” test to every decision they face” (Janis, 1972). As Janis theorized, Groupthink is most prevalent when members of a decision-making group have developed into a cohesive unit. Cohesion refers to the attraction a group of people have to relate, maintain group membership, and be identified as a group (Janis, 1977). It is desirable for teams to build rapid cohesion because it tends to unify and align efforts, and increase team esprit. Cohesion is often enhanced by the following factors (Tuckman, 1965):

- **Membership Boundaries:** Having barriers to membership in which inclusion must be earned.
• Familiarity- Increasing the proximity and frequency of interaction among members.
• Shared goals- Having a common set of goals and direction.
• Homogeneity of styles- Having people who are all similar leads to rapid cohesion.
• Identity- Teams find ways of identifying themselves.
• Common enemy or competition.
• Team size- A small team usually becomes more cohesive than a large one.

Conformity is another measure of the group decision-making process that must be reviewed in conjunction with Groupthink (Fisher, 1970). Conformity is generally defined as the attraction or motivation of members to the group to remain in a group. It also refers to the parameters of behavior that are expected and considered as acceptable or unacceptable. Groups can have a strong effect on influencing conformity as shown in the following two research examples. The Tarrant County Sheriff’s office conducted experiments on the auto kinetic effect in which a small fixed light in a dark room is misperceived to move about. First individuals were asked how far the light moved; then groups were brought in to observe it and make estimates until their judgments converged in consensus. Later, when individuals re-estimated, their estimates were within the group standard (Park, 1990). In a similar study, Thomas Asch conducted a study of perceived line lengths in which a series of lines were presented on cards and matched with a stimulus line. Confederates of the researchers were used to state preplanned incorrect estimates. As many as 37% of people made incorrect judgments in the group setting even when participants did not know each other, there was no overt pressure to conform, each had solid information from their
senses, the situation was not ambiguous, there was no promise of reward, and no fear of punishment (Park, 1990).

Research on Groupthink

Most researchers of Groupthink choose high-profile cases of decision making where things went terribly wrong and then use Janis’ model as a cookie cutter template to analyze the disaster. This notion seems to take the existence of Groupthink for granted and employ the theory to warn against future folly or suggest ways to avoid it (Herek, 1987). This kind of retrospective analysis is great for theory construction, but provides no comparative basis for accepting or rejecting the theory. It is forward looking research that is necessary to create a viable link between Groupthink and future disasters. An experiment is needed that will allow researchers to monitor the group decision-making process and identify the symptoms of Groupthink as they arise and develop plans to combat the spread of Groupthink. There is little current research that directly addresses Groupthink from a proactive stance. The majority of Groupthink discussions focus on dissecting historical events. It is this need to proactively identify the elements of Groupthink as they form that is the basis of my research.

Hypothesis Development

What catalysts or business elements identified within select business environments allow Groupthink to impact the individual decision-making process of employees in group environments?

As a follow on to my initial research question, I would also like to further identify the business sectors with the greatest risk to the advent of Groupthink. Therefore, I propose a second question for this study:
Are workers from one specific business sector more susceptible to the effects of Groupthink than workers in other similar business sectors?

From these questions, I have proposed the following hypotheses which I intended to validate through the standard quantitative experimental process.

H1. There are specific business drivers that directly effect the proliferation of Groupthink.

H2. Based on these identified drivers, select business communities are more susceptible to Groupthink.

H3. The decision-making process is corrupted by groupthink more often in government business settings than in private sector businesses.

Methodology

The proposed methodology for validating the hypotheses outlined for this research project will include a two-pronged approach. The first approach is designed to address conformity and an individual’s need to make decisions inline with the majority. The second approach will test for the effect an outspoken group leader has on the decision-making process of individuals within a group. The results of this test will be used to provide validation for the second hypothesis. These two experiments will be conducted on candidates from two separate test pools, on containing government employees and the second containing private sector employees. By conducting experiments in isolated test groups, the results can be compared to validate the third hypothesis.

The first experiment for this study will provide the validation that Groupthink is still a problem in the business community. The ability to establish verifiable evidence of the Groupthink problem will allow future research to further define the problems and potential remedies for
Groupthink. In an effort to validate the first hypothesis the following experiment will be set up and executed:

- Groups of five to seven individuals will be placed into teams for this experiment. There will be 20 teams to ensure an adequate sampling ratio.
- Each team member will be individually shown a section of rope and be asked to approximate its length (10 or 20 feet). Rope length will vary among members of a group, with one particular length being shown to the majority of the group.
- After recording individual answers, groups will be reformed to attempt to determine the correct length of the rope. The goal being to determine if individual group members sway from their initial answers to fall more in line with the group line of thinking.

The second experiment will test an individual’s desire to conform to a majority decision backed by a group leader in spite of knowing the correct answer. The experiment to validate the second hypothesis will be set up as follows:

- Groups of five to seven individuals will be placed into teams for this experiment with one person being designated group leader. Actual working groups will be used, where available, to provide a better understanding of the group dynamic. There will be 20 teams to ensure an adequate sampling ratio.
- Each team member will be individually shown a section of rope and be asked to approximate its length (10 or 20 feet). The rope length will remain the same for the majority of group members, and will be changed for the group leader and one pre-selected group member.
• After recording individual answers, groups will be reformed to attempt to determine the correct length of the rope. The goal being to determine if individual group members sway from their initial answers to fall more in line with the thinking of the group leader.

In creating the groups for these experiments, individuals will be kept within their respective business communities. Private sector employees will only work with other private sector employees and vice versa for the government employees. The goal is to determine if Groupthink has a more profound effect on one business discipline over the other. The comparison of results from the two business disciplines should provide the evidence necessary to validate the third and final hypothesis.
References


Escalation of Commitment and For the Sake of Variety:

Two Critical Reviews
Escalation of Commitment and
for the sake of variety:
Two Critical Reviews

Escalation of Commitment

The objectives of Robert W. Rutledge in his article titled, *Escalation of Commitment in Group and the Moderating Effects of Information Framing*, are to study escalation effects in groups and the potential restraining effects of the negative or the positive structure of decision-relevant information. The research questions proposed by the author were: Facing of potential failure, do groups of managers, who are accountable for initial decisions to invest resources in a project, consequently have a tendency to invest excessive additional resources? The second research question is that does formulating information in a negative or positive framing have the potential of restraining the escalation effects?

The author divided participants into three-person groups to act as financial vice president of “Ace Research & Development Company.” The participants had eight years of business experience and had worked 5 years in their current positions. The participants were not randomly selected in which case the author might not be able to generalize the findings because the participants did not represent the population.

The other side of the experiment procedure is that participants learned about a case. The case indicates that a project, costing $4 million, was about to shut down because it was not producing any benefits. One option available was to spend an additional $2 million on the project and the other option was to discontinue the project. One third of the
probability is that the project will break even and will be sold for $6 million and 2/3 of the probability is that the project will not break even. In addition, groups learned that one half of the groups recommended the project and one half did not recommend the project. Decision-relevant information in two different framings, positive or negative information was presented to groups.

The potential difficulties ignored by the author in this research are as follows: 1) Neglecting the historical data of the project. 2) Ignoring the fact that the case does not list the circumstances surrounding the project. 3) The accounting information is not presented. 4) The future financial planning of the project was unknown. 5) It is unclear if positive framing led to better decisions. If the researcher intentionally does not reveal information pertaining to the research, the experiment will be limited to the variables used in the experiment. The author also acknowledged that the participants were not randomly selected and it is difficult to apply his experiment to the overall population of managers.

Linear Regression could have been done instead of ANOVA because Linear Regression approximates the coefficients of the linear equation, involving one or more independent variables (responsible or not responsible and positive or negative framing), that best predict the value of the dependent variable (groups’ preference). On the other hand, the researcher could use MANOVA because it is designed for multiple dependent variables and accommodates multiple independent variables.

The contribution of Rutledge research is that the group’s decision involves the framing of decision-relevant information which is important for decision makers to realize. The contribution of this research also is to bring forth the awareness that management groups that are responsible of the initial decision to invest resources in a failing project demonstrate a greater tendency to commit additional resources to the project; and the effect on management groups of responsibility for ini-
tial investment in escalation situations will be restrained by the manner in which information is framed.

For the Sake of Variety

The objectives of Rebecca K. Ratner and her coauthor in their article titled *Choosing less-preferred experiences for the sake of variety* are as follows: 1) To employ a concurrent ratings methodology to analyze whether individuals get more pleasure from switching to less preferred items than they would from replicate choices. 2) For why people might include less enjoyable experiences, two potential explanations are: a) Favorites of an individual benefit from the contrast of these less-enjoyable experiences b) Individuals remember the sequence more satisfactorily in general if it is varied.

The research question is asking: How does the variety of items play a role in individual preferences? The research questions are questioning the individual’s preference and how the individuals will react if s/he is exposed to unfavorable items such as unfavorable instrumental music or songs. The research seems to lean toward the need for variety to enforce the favorite items.

The experimental procedure is that a within-subjects design the researchers determined whether participants’ rating incorporated satisfaction. Participants rated their enjoyment while listening to music. The difficulty in this research is that experiments would be interpreted differently because of the human elements. For example, perhaps participants only chose the less preferred songs when they became satisfied with their favorites.

The authors used the most appropriate techniques. The researchers used the experimental research because the researchers were investigating one or more actions. The researchers used statistical terms to
conduct their research. They used statistical indicators; such as, f for frequency, x-bar for mean of the value of the sample, and p for probability of each event and experiments.

The most valuable contribution made by this piece of research is the contribution to the general public and the media (TV, radio, movie theatre, e.g.,) because understanding people's behavior is very important for promoting new and old products. Watching television commercials which are repeated all day long and hate/liking a certain commercial probably will decide the fate of this product according to the broad dimensions of this article.

This research can be generalized to apply to other situations such as TV and radio commercials. Maybe this research should take into consideration when studying the local news on TV!! I suggest that this research should examine the psychological impact of repeating crime news on the TV to the young and the older generations.

The two articles definitely touched the problems of the modern society. They were interesting and easy to read.
Reference


Employee Turnover and the Dual Credibility Model
Employee Turnover and the Dual Credibility Model

Critical Review: Employee Turnover

The research method employed raises questions. A survey was used to collect data from managers, salespersons, and mechanics from a national automotive retail store chain. It raises questions because the survey was sent to only one chain store and only one industry; however the result probably will be difficult to be generalized to other chain stores or other industries. If the survey included other industries and grouped the result in clusters the generalization would be possible.

Integrating three constructs specifically inter-role conflict between work and non-work role demands, unemployment, and job avoidance clarified how dissatisfaction promoted turnover. The data collection was integrated with hypotheses because the researchers created eight scales to assess withdrawal’s expected utility that is job-seeking consequences—namely, stress, job interference, better jobs, personal costs, and impact on personal and work time. The researchers also measured expected outcomes of quitting: benefits, moving costs, and cost of joblessness (Hom, & Kinicki, 2001).

The survival analysis validated Hom and Griffeth’s finding that withdrawal cognitions and job comparisons have direct effects on terminations as well as mediate the influence of other antecedents. Further, this analysis broadened the validity of this model for forecasting, not only if, but also when quits occurs. Combining survival analyses and structural equations modeling is a powerful approach for testing turnover frameworks. By compensating for each other’s weaknesses, when
used jointly, the two approaches allowed firmer corroboration of Hom and Griffeth’s theory (Hom, & Kinicki, 2001). Apparently, the multi-trait-multi-method model was used to indicate multiple traits assessed by multiple measures, for example, participants’ satisfactions and participants’ stresses.

The researchers chose the structural equation modeling (SEM) and it is a good choice for the following reasons: The first reason is that they needed to use multiple observed variables to better understand the area they are researching and because the other statistical methods only utilize a limited number of variables. The second reason involves the greater recognition given to the validity and the reliability of observed scores from measurement instruments. The third reason pertains to how SEM has the ability to analyze group differences through multiple groups. The fourth reason is that the SEM software programs have become increasingly user friendly (Schumacker & Lomax, 2004, p. 7).

On the other hand, using Survival Analysis gives the researchers the opportunity to test partial information, censored observations such as involuntary departures of employees, which arise whenever the dependent variable of interest represent the time to terminal events and the duration of the study is limited in time, for example, Cox’s regression analysis was used to predict employment duration and to estimate the hazard of termination depended on the job duration (Hom, & Kinicki, 2001).

The SEM software especially enhances the research because it provides statistical analysis of raw data (means, correlations, missing data convention) and provides routines for handling missing data, detecting outliers, diagram the model, and provides for import and export of data and figures of the theoretical models (Schumacker & Lomax, 2004, p. 8).

The SEM is used in this research and it is difficult to use another ap-
proach to obtain the same result. Structural equation modeling (SEM) serves purposes similar to multiple regression, but in a more powerful way which takes into account the modeling of interactions, nonlinearities, correlated independents, measurement error, correlated error terms, multiple latent independents each measured by multiple indicators, and one or more latent dependents also each with multiple indicators. SEM may be used as a more powerful alternative to multiple regression, path analysis, factor analysis, time series analysis, and analysis of covariance. That is, these procedures may be seen as special cases of SEM, or, to put it another way, SEM is an extension of the general linear model (GLM) of which multiple regression is a part. (Garson, 2004).

Advantages of SEM compared to multiple regression include more flexible assumptions (particularly allowing interpretation even in the face of multi-collinearity), use of confirmatory factor analysis to reduce measurement error by having multiple indicators per latent variable, the attraction of SEM’s graphical modeling interface, the desirability of testing models overall rather than coefficients individually, the ability to test models with multiple dependents, the ability to model mediating variables, the ability to model error terms, the ability to test coefficients across multiple between-subjects groups, and ability to handle difficult data (time series with auto-correlated error, non-normal data, incomplete data) (Garson, 2004).

Future work should broaden job avoidance to include additional withdrawal acts; such as, tardiness and lengthy work breaks, and objective behavioral indicants, and to compare different forms of inter-role conflict-time-based versus strain-based conflict, for instance-as well as expanding family membership to include elderly dependents and unmarried partners. What is more, additional inquiry might refine assessment of experienced inter-role tension to accommodate anticipated tension to better approximate the non-work shocks depicted in the unfolding
Finally, future conceptual developments might integrate extra work-work conflict and family structure and document how inter-role conflict mediates the latter’s impact on quits (Hom, & Kinicki, 2001).

The research limitation includes recessions which weaken the control that withdrawal cognitions that have over withdrawal’s expected utility. During downturns, even employees thinking about quitting become pessimistic about their chances for other jobs or the benefits of leaving. Similarly, unemployment weakened the path from withdrawal’s expected utility to search so that even individuals foreseeing more advantages to leaving than to staying do not pursue alternatives when job markets are shrinking. Such moderation extends past findings that economic downturns attenuate the turnover effects of dissatisfaction and withdrawal cognitions. Shared method bias perhaps inflated parameter estimates because most determinants were assessed through self-reports. Still, a one-factor measurement model (with only survey indexes) fitted worse than our multifactor, indicating no pervasive method factor fully accounted for observed causal effects (Hom, & Kinicki, 2001).

The other issues and concerns which are noted in this article are the focus on the inter-role conflict, job satisfaction, withdrawal cognition, job avoidance, unemployment and withdrawal’s expected utility and turnover. Using SEM was not fully utilized because the findings will not be generalized because the limitation of the research sample and methodology. For example, job satisfaction may increase job avoidance because of latent variables such as illnesses or low paying job.

**Critical Review: The Dual Credibility Model**

Scholars have relied largely on methods for inferring causal relationships between measured variables to explain observations. These relationships are tested experimentally when possible and can be used as
guidance for further experimentation, and as building blocks for causal theories and models. Determining the true nature of these relationships can be difficult, time consuming, and expensive, particularly given the amount of data the scientific community collects on a daily basis. Thus the availability of systems able to cull through large datasets, extract functional relationships, and build causal models which reflect those relationships will greatly facilitate scientific discovery (Cohen, 2001).

The contribution of the causal modeling approach in this paper is that the Dual Credibility Model builds upon the latent variables in the DMH model, which specifies a direct causal sequence from an advertisement (Ad) to advertised brand (AB) to purchase-intend (PI). The Dual Mediation Hypothesis (DMH) specifies that ad cognitions represent a predecessor to Aad and have a direct effect on this variable. Within the context of ad cognitions, endorser credibility can be one of the variables consumers use to judge the advertisement and thus, its persuasiveness. This, in turn, can lead to attitude formations toward the advertisement. The Dual Mediation Hypothesis (DMH) has been shown to be robust in depicting the causal sequence of Aad, AB, and PI in an advertising context, thus providing marketers with a better understanding of the interrelationships among these variables. (Lafferty, Goldsmith & Newell, 2002).

The study could not have provided the same insights without the causal modeling approach because the causal model runs regressions successively on each variable in a data set, beginning with the dependent variable, then chooses the best predictors for each, and builds a multi-level model from these regressions. The resulting causal model is a directed acyclic graph with the dependent variable as the root. Unlike traditional multiple regression methods, predictors are not chosen solely on the basis of standardized regression coefficients; but on the use of several heuristics to guide the choice of predictors. It is a commonly
held belief that multiple regression techniques are ill-suited for causal
induction due to the effects of latent variables and common causes, but
preliminary results from FBD suggest otherwise. In fact, ordinary mul-
tiple regression techniques leads to astray (Cohen, 2001).

The Factor Analysis is used in this study because Factor Analysis
attempts to identify underlying variables, or factors, that explain the
pattern of correlations within a set of observed variables. Factor analy-
sis is often used in data reduction to identify a small number of factors
that explain most of the variance observed in a much larger number of
manifest variables. Factor analysis can also be used to generate hypoth-
eses regarding causal mechanisms or to screen variables for subsequent
analysis (SPSS, 2002).

Multiple methodological analytical methods are often beneficial in
a given study because each method is presenting a test for a different
claim. For example, a goodness-of-fit test is used to test the hypothe-
sis that an observed frequency distribution fits (or conforms to) some
claimed distribution; on the other hand, a multiple regression equation
expresses a linear relationship between a dependable variable (y) and
two or more independent variables (x1, x2 …) (Triola, 2001).

The reaction to the results and conclusions of this article is that I
agree with the findings of the article which is that consumers do not
perceive only a single communicator but may differentiate between
the presenters and the companies they represent. The data collection
was grouped in clusters. The two groups were exposed to experimental
treatments. The downside of these experiments was the sample which
did not reflect the diversity of the population. The study also neglected
the effect of the hateful behavior of the presenters as seen in the TV
commercial of CITI Bank concerning the identity theft. The presenters
are unknown and they behave with a repulsive behavior, so the consum-
ers understand the CITI Bank is marketing a new protection plan for
the credit cardholders. The effect of the commercial is that CITI Bank will do any repulsive commercial to squeeze the money from the consumers for its protection plan, which should be free of charge, and it doesn't matter if the consumers hated the endorsers and CITI Bank, other than that, the researchers were successful in operating and controlling the experiments.

Every effect is a result of a cause. The benefit in this article is that both methods (experimentation and causal modeling) should be used in tandem to provide a comprehensive explanation of marketing phenomena. Moreover, the results confirmed the reliability and validity of the measures of the endorser and the corporate credibility (Lafferty, Goldsmith & Newell, 2002).
References


Task-Technology Fit and Internet Paradox
Task-Technology Fit and Internet Paradox

Task-technology fit and individual performance

- Advantages and disadvantages of surveys:

  The choice of a survey as the data-gathering mechanism raises concern about the individual participants who fill out the questionnaires. Probably the advantages of the survey are that the ability to randomly send the questionnaires to participants to receive feedbacks which might answer critical questions of the researchers. The disadvantages of the questionnaires are that many people do not like to answer or bother with answering the surveys. Probably those people who answer the questionnaires have common characteristics which make them stand out from the population and motivate them to fill out the questionnaire. The alternative research methods such as observation or interviews will have more control over the participants and clearer pictures of the responses.

Sample and Methodology:

The sample included over 600 users, employing 25 different technologies, working in 26 different non-IS departments in two very different organizations. The sample spanned the organizational hierarchy from administrative/clerical staff to vice president and up. In company A (a transportation enterprise) questionnaires were sent out to approximately 1200 users (a random sample of a major fraction of the company’s non-union, non-IS employees, stratified by department). A total of 400 questionnaires were completed and returned to a company rep-
resentative, r a response rate of approximately 33 percent (Goodhur & Thompson, 1995).

For company B (an insurance company), the questionnaire was delivered to a majority of non-IS employees. Employees were given 30 minutes of company time to complete the survey. A total of 262 were returned, for a gross response rate of 93 percent. The total usable respondents from both companies were 662 (Goodhur & Thompson, 1995).

For the first organizations, approximately 1200 questionnaires were sent out and 400 questionnaires were completed. There is a doubt that the participants were interested in the views presented in the questionnaires. On the other hand, the responses of the participants of the first two organizations might reflect a less bias to the information presented than the employees of company B because of the attention which was given to the employees of company B (Goodhur & Thompson, 1995).

The observations of the managers and supervisors as an alternative probably is best suited for this type of research because technology-fit and performance will be explained by the managers and supervisors in a practical ways because of their capability to appraise the skill of the subordinates. Subordinates who have inadequate skills in technology might mislead the researchers with their frustration and incompetence.

**The operational definitions of the constructs:**

1. **Identifying the characteristic of interest:**
   The employees’ performance, the technology fit, and task are the characteristic of interest in this research.

2. **Selecting the measuring instrument:**
   The measures were adopted from previous research. Task-technology fit has been measured by Goodhue (1993; forthcoming) within the user task domain of IT-supported decision making. From Goodhue's
instrument the researchers borrowed multiple questions on each of 14 dimensions of TTF addressing the extent to which existing information systems support the identification, access, and interpretation of data for decision making (Goodhur & Thompson, 1995).

Based on an assessment of the reliability and discriminant validity of the questions, 14 questions (and 5 dimensions) were dropped as being unsuccessfully measured. Using a principal components factor analysis with pro-max rotation, the remaining 34 questions (including 16 of the 21 original dimensions) were collapsed into eight clearly distinct factors of TTF. For all questions, factor loadings were at least .50 on the primary factor, and no more than .45 on any secondary factor. For only one question was the difference between the primary and the secondary loading less than .20, and in this one case the difference was (Goodhur & Thompson, 1995).

3. Describing the test method.

The choice of analysis techniques was based primarily on the perceived stage of theory development. Although structural equation modeling (as embodied in the LISREL program) would enable testing the entire model simultaneously, it requires very strong, precise theory (Barclay, et al.) with well-established measures (Goodhur & Thompson, 1995).

Testing the significance of job title, system, and department was somewhat involved, since each of these was operationalized as a group of dummy variables. Researchers followed the approach suggested by Neter and Wasserman (1974, p. 274) and used a general linear test for the significance of each group of dummy variables in turn (Goodhur & Thompson, 1995).

4. Stating the decision criteria:

Even with some cautions, the TPC model represents an important evolution in our model. Researchers found moderately supportive
evidence that user evaluations of TTF are a function of both systems characteristics and task characteristics, and strong evidence that to predict performance both TTF and utilization must be included. Evidence of the causal link between TTF and utilization was more ambiguous, with the suggestion that, at least in these companies, utilization could cause beliefs about TTF through feedback from performance outcomes (Goodhur & Thompson, 1995).

5. **Test the operational definition:**

Effect of Task Characteristics on TTF: The strongest effect of task characteristics on TTF was from non-routine tasks. Researchers found that individuals engaged in more non-routine tasks rated their information systems lower on data quality, data compatibility, data locatability, training/ease of use, and difficulty of getting authorization to access data. This is consistent with the idea that because of the non-routine nature of their jobs, these people are constantly forced to use information systems to address new problems, such as seeking out new data and combining it in unfamiliar ways. Thus, they make more demands on systems and are more acutely aware of shortcomings. Interdependence of job tasks was observed to influence perceptions of the compatibility and reliability of systems (Goodhur & Thompson, 1995).

Two factors of TTF are clearly affected by job level: compatibility and ease of getting authorization for access. Lower and middle-level staff and managers found the data least compatible, while upper-level management found it most compatible. This is consistent with the proposition that upper-level management is often shielded from the hands-on difficulties of bringing together data from multiple sources and sees it only after the difficulties have been ironed out. It is lower and mid-level individuals who must pay with effort and frustration for data incompatibilities (Goodhur & Thompson, 1995).
The specific things measured within each construct:

Testing the significance of job title, system, and department was somewhat involved, since each of these was operationalized as a group of dummy variables. Researchers followed the approach suggested by Neter and Wasserman (1974, p. 274) and used a general linear test for the significance of each group of dummy variables in turn. Therefore, each line actually represents four separate regressions: a full regression with all dummy variables included and three additional regressions, dropping in turn the job dummy variables, the systems dummy variables, and the department dummy variables. Researchers show that the F-tests for the significance of groups of dummy variables (job title, systems, and department) obtained by comparing the full model to each of three restricted models. Researchers show the impact of non-routine tasks and interdependent tasks, directly obtainable from the full regression since these are not groups of dummy variables (Goodhur & Thompson, 1995).

Department is a significant predictor of user evaluations of production timeliness and of training/ease of use. If IS groups focus special emphasis on strategically important or powerful departments, we might expect that different levels of training and easier-to-use, more up-to-date systems would be provided to those departments. To the extent that IS groups have consistent standards for production turnaround, interface design, training policies, and so on, there are likely some departments for whom these standards are more appropriate than for others. A third area where we expected to see differences between departments, but did not, was the relationship with IS (Goodhur & Thompson, 1995).

The survey questions and Statements

1. Research Statement:
At the heart of the new model is the assertion that for an information technology to have a positive impact on individual performance, the technology: 1. must be utilized, and 2. must be a good fit with the tasks it supports.

1. **Research Question 1**: Do Task and Technology Characteristics Predict TTF?
   - **Proposition 1**: User evaluations of task-technology fit will be affected by both task characteristics and characteristics of the technology.

2. **Research Question 2**: Does TTF Predict Utilization?
   - **Proposition 2**: User evaluations of task-technology fit will influence the utilization of information systems by individuals.

3. **Research Question 3**: Does TTF Predict Performance Impact Better Than Utilization Alone?
   - **Proposition 3**: User evaluations of task-technology fit will have additional explanatory power in predicting perceived performance impacts beyond that from utilization alone.

**Other aspects of the study:**

1. **Implications for designing diagnostics for IS problems**:
   As the TPC model becomes more solidly supported, and the critical role of TTF in delivering performance impacts is clarified, it suggests that TTF is an excellent focus for developing a diagnostic tool for IS systems and services in a particular company. To be most useful, such a diagnostic must go beyond general constructs (such as user satisfaction, usefulness, or relative advantage) to more detailed constructs (such as data quality, locatability, systems reliability, etc.) that can more specifically identify gaps between systems capabilities and user needs. Based on an understanding of specific gaps, managers may decide to: (1) discontinue or redesign systems or policies, (2) embark on training or se-
lection programs to increase the ability of users, or (3) redesign tasks to take better advantage of IT potential (Goodhur & Thompson, 1995).

2. Implications for future research

Construct measurement continues to be a key concern in this research domain. Although researchers have added to the base of knowledge concerning the measurement of TTF components there is still ample room for improvement. The TTF measure now focuses on IT support for the user tasks of decision making, changing business processes, and executing routine transactions. Refining the existing TTF dimensions or expanding to focus on more user tasks is each a potential area for improvement. In addition, researchers’ measures of the characteristics of information systems and services were admittedly crude. It would seem appropriate to explore the development of some standard set of measurable dimensions for use in comparing the information technology base across companies. Similarly, it would be important to continue work on the issue of defining and measuring utilization to obtain a better understanding of the role of this construct. It is also important to go beyond perceived performance impacts, perhaps by constructing a laboratory environment in which the model can be tested with objective measures of performance (Goodhur & Thompson, 1995).

Internet Paradox: A Social Technology That Reduces Social Involvement and Psychological Well-Being?

On the choice of a survey as a study tool:

The survey as study tool is the best suitable tool for this research because it is longitudinal study which participants continue to participate for a long period of time. The survey might limit the research to the research questions and a limited time; although, the time of this research is about two years. If the researchers used the interview they might add
information that wasn't planned in the research and useful data. The constructs, the effect of the Internet on social involvement and psychological well being, also might be examined by an experimental research. In the experimental research the participants will be provided by computers and Internet access for a period of time and then computers will be taken from the participants. The experiment is to examine the effect of the Internet on social involvement and the psychological well being before providing the computers to participants, during interaction with computers and the Internet, and after the computers and the Internet are taken away.

The operational definitions:

1. **Identifying the characteristic of interest:**

   The characteristics to be measured are the effect of the Internet on social involvement and psychological well being

2. **The measures:**

   The following are the specific things measured within each construct (Social involvement and psychological wellbeing):
   - Demographic and control variables.
   - Internet usage.
   - Personal electronic mail use.
   - World Wide Web use.
   - Loneliness, stress, and depression.

3. **Selecting the measuring instrument:**

   Surveys are the measuring instruments. To measure the size of participants’ local social network, researchers asked them to estimate the “the number of people in the Pittsburgh area . . . whom you socialize with at least once a month.” The size of their distant social network was defined as “the number of people outside of the Pittsburgh area whom
you seek out to talk with or to visit at least once a year.” Because both measures had some outliers, they were truncated (at 60 for the local circle and 100 for the distant circle); because they were skewed, we took their log in the analyses that follow (Kraut et al, 1998).

Social support is a self-report measure of social resources that theoretically derive from the social network. To measure participants’ levels of social support, researchers asked them to complete 16 items. Interpersonal Support Evaluation List (Cronbach’s α = .80), which asks people to report how easy it is to get tangible help, advice, emotional support, and companionship, and how much they get a sense of belonging from people around them (e.g., “There is someone I could turn to for advice about changing my job or finding a new one”) (Kraut et al, 1998).

We used three measures of psychological well-being that have been associated with social involvement: loneliness, stress, and depression. Participants completed three items from the UCLA Loneliness Scale (Version 2), which asks people about their feelings of connection to others around them (e.g., “I can’t find companionship when I want it.” To measure stress researchers used Kanner, Coyne, Schaefer, and Lazarus’ (1981) Hassles Scale. Participants reported whether they experienced one or more of 49 possible daily life stressors in the preceding month; the stressors ranged from having one’s car break down, to not liking school, to illness in the family (Kraut et al, 1998).

4. Describing the Test Methodology, and Sample:

The HomeNet study consists of a sample of 93 families from eight diverse neighborhoods in Pittsburgh, Pennsylvania. People in these families began using a computer and the Internet at home either in March 1995 or March 1996. Within these 93 families, 256 members signed consent forms, were given email accounts on the Internet, and logged on at least once. Children younger than 10 and uninterested members of the households are not included in the sample (Kraut et al, 1998).
Families received a computer and software, a free telephone line, and free access to the Internet in exchange for permitting the researchers to automatically track their Internet usage and services, for answering periodic questionnaires, and for agreeing to an in-home interview. The families used Carnegie Mellon University’s proprietary software for electronic mail, MacMail II, Netscape Navigator 2 or 3 for web browsing, and ClarisWorks Office. At least two family members also received a morning’s training in the use of the computer, electronic mail, and the World Wide Web (Kraut et al, 1998).

None of the groups approached about the study declined the invitation, and over 90% of the families contacted within each group agreed to participate. Because the recruitment plan excluded households or individuals with active Internet connections, the data represent people’s first experiences with Internet use, and for all but a few of the households, their first experience with a powerful home computer (Kraut et al, 1998).

5. Stating the Decision Criteria and Findings:

Researchers present the means and standard deviations of the demographic variables, measures of Internet use, social involvement, and psychological well-being used in this study. Also, presents a correlation matrix showing the relationships among these variables (Kraut et al, 1998).

Family communication: The analysis of family communication showed that teenagers used the Internet more hours than did adults, but Whites did not differ from minorities, and female participants did not differ from male participants in their average hours of use. Different families varied in their use of the Internet (the family dummy variable), but the amount of communication that an individual family member had with other members of the family did not predict subsequent Internet use. Family communication was stable over the period from T1 to
T3. Whites increased their family communication more than minorities did. Adults increased their communication more than teens, and women/girls increased their communication in the family more than men/boys did. For our purposes, the most important finding is that greater use of the Internet was associated with subsequent declines in family communication (Kraut & Lundmark, 1998).

Size of participants’ social networks: Researchers present analyses involving the size of participants’ local and distant social circles, respectively. Because social extroversion may influence the number of friendships that an individual maintains and because preliminary analyses showed that more extroverted individuals subsequently used the Internet less, researchers included social extroversion as a control variable (Kraut & Lundmark, 1998).

Social support: The social-circle measures ask respondents to estimate the number of people with whom they can exchange social resources. However, the definition provided to participants may have focused their attention primarily on people with whom they had face-to-face contact, thus leading to a biased view of social resources if the Internet allowed for the substitution of on-line contacts for face-to-face ones. The social support and loneliness measures are more direct measures of the consequences of having social contact and are not inherently biased by the medium of communication (Kraut et al., 1998).

Loneliness: Note that initial loneliness did not predict subsequent Internet use. Loneliness was stable over time. People from richer households increased loneliness more than did those from poorer households, men increased loneliness more than did women, and minorities increased loneliness more than did Whites. Controlling for these personal characteristics and initial loneliness, people who used the Internet more subsequently reported larger increases in loneliness. The association of Internet use with subsequent loneliness was comparable to the associa-
tions of income, gender, and race with subsequent loneliness (Kraut et al, 1998).

Stress: The occurrence of these stressors was stable over the interval we studied. People who used the Internet more reported experiencing a greater number of daily life stressors in a subsequent period, an increase that is marginally significant ($p = .08$). Researchers tried to gain more insight into the detailed changes that were occurring in participants’ lives by conducting an exploratory, post hoc analysis to identify the particular stressors that increased with Internet use. (Kraut et al, 1998).

- The findings, with particular emphasis on the interpretations and the degree of support:

The findings of this research provide a surprisingly consistent picture of the consequences of using the Internet. Greater use of the Internet was associated with small, but statistically significant declines in social involvement as measured by communication within the family and the size of people’s local social networks, increases in loneliness, and a psychological state associated with social involvement. Greater use of the Internet was also associated with increases in depression. Other effects on the size of the distant social circle, social support, and stress did not reach standard significance levels but were consistently negative (Kraut et al, 1998).

**Alternative Explanations and Interpretations:**

I think the Internet is creating a new approach to earn living in our lives. Recently, the Internet is used for necessity and shouldn’t be compared to TV because the Internet is a powerful tool for earning a living and acquiring knowledge. Probably the inception of Internet was associated with entertainment but in the recent years the Internet is advanced and improved tremendously to include a better, easy, and fast
way of searching and finding information we need. The Internet is connecting business people around the world and connecting faculty with students. There is no doubt the Internet is a necessity for the most part and entertainment for the smallest part. Businesses and individuals are leaning toward the Internet because the wealth of knowledge that the Internet provides.
References


Secondary Data: An Essay
Secondary Data: An Essay

This essay is about two articles. The first article is entitled: Integrated and Decoupled Corporate Social Performance: Management Commitments, External Pressures, and Corporate Ethics Practices, authored by Gary R. Weaver of the University of Delaware and Linda Klebe Trevino and Philip L. Cochran of the Pennsylvania State University. The second article is entitled: The link Between Corporate Social and Financial Performance: Evidence from the Banking Industry, authored by W. Gary Simpson and Theodor Kohers. I will use “the first article” and “the second article” respectively to identify the above mentioned articles throughout this paper.
The underlying model for the first article is as follows:
The underlying model for the second article is as follows:

The assumptions of the first article are that the performance of the employees is enhanced by integrating the ethical programs and by decoupling them to fit the situations, the more the top management is aware of the regulation the formal ethics will incorporate easily decoupled practices, and the board ethics meeting will be positively associated with the use of easily decoupled practices.

The assumptions of the second article are that the link between corporate social and financial performance has been hypothesized to be positive, negative, and neutral.

In the first article data were obtained from (1) a survey of officers each company identified as responsible for any ethics practices and pro-
grams in the company, (2) a database of abstracts of articles from major American newspapers for 1989 through 1994, (3) and registration lists for the conference board’s ethics meeting. Apparently archival research was conducted besides the surveys. The second approach is a meta-analysis because the researchers of the article collected archival data from newspapers.

In the second article data were obtained from (1) all national banks examined for CRA compliance in 1993 and 1994, (2) reports filed with Comptroller of the Currency, (3) FDIC Statistics on Banking, Employment and Earnings of the Bureau of Labor Statistics, (4) Survey of Current Business of the Bureau of Economic Analysis, and (5) Statistical Abstract of the United States. It seems that the second article based its data collection on only the archival data.

My assessment of the adequacy of the description of the methods employed, particularly, as related to data collection and possible problems that might be present in either study is that the archival data are a snapshot in time, often based on a single location, geography of these data perhaps change daily, the terminology probably is changed, and probably the archival data fulfill other purposes rather than the purpose of the current research.

The level of analysis is mixed because the use of archival data signals the dependency on secondary data which were collected for other purposes and in a certain time frame; in addition, the use of statistical correlations and regressions reflect a quantitative approach but it leaves room for doubt about the reliability and validity of data.

The first article is well documented and hypothesized and the findings support the assumptions and hypotheses. The second article reflects some trouble connecting the findings with assumptions and the hypotheses.

The first article integrates surveys and archival data and it seems
that the article was interesting and organized. In contrast, the data of the second article are collected completely from archival data. The second article was easy to understand but it wasn’t interesting and its findings were forced to conclude the research.

The advice I might give to someone who’s about to undertake her/his first use of archival data is to say that make sure the subject which you are researching fits to the secondary data and the sources of these data are reputable and play a significant role in the field in which you are studying.
References


Grounded Theory and Action Research
Grounded Theory and Action Research

Why was grounded theory/action research used in this study? Grounded theory is used to explore internal conflicts in the formulation of business-government strategies by corporation with diversifies business units (Shaffer & Hillman, 2000). In contrast, action research is used as form of research that generates knowledge and to generate action leading to significant social change (Rudestam & Newton, 2001, p 49). The action theory is also used by Huxham and Vangen to contribute to the theory of collaboration in social settings and is based on data collected during the action research interventions (Huxham & Vangen, 2000).

In grounded theory, the researchers attempt to derive a general, abstract theory of a process, action and interaction grounded in the views of participants in a study. This process involves using multiple stages of data collection and refinement and interrelationships of categories of information. Two primary characteristics of this design are the constant comparison of data with emerging categories and theoretical sampling of different groups to maximize the similarities and the differences of information (Creswell, 2003, p14).

On the other hand, action research was applicable rather than mainstream research methods because the situation required responsiveness and flexibility and action. Action research may be more relevant for practitioners. The best reason for choosing it was that it fitted the research setting and was suited to the references. It was the method for yielding simultaneous action and research outcomes. It was adaptable to the situation (Dick, 2000, 32). Action research used in the study incorporated participant observation, sensitivity to participants' concerns,
focus on descriptive data in the initial phases, non-standardized instrumentation, a holistic perspective, and the research of underlying themes or patterns. In this collaboration action research researchers join closely with the participants from the outset. Researchers aim to transform the social environment through the process of critical inquiry (Miles & Huberman, 1994, p 9).

Was it justified according to the criteria given in the background material for this module? Both articles follow the guidelines for qualitative research. The common features in both articles are: 1) affixing codes to set field notes down from observations and interviews, 2) noting reflections 3) sorting and sifting through these materials to identify similar phases, relationships between variables, patterns, themes, distinct differences between subgroups, and common sequences, 4) isolating these patterns and processes, commonalities and differences, and taking them out to the field in the next wave of data collection, 5) gradually elaborating a small set of generalizations that cover the consistencies discerned in the database, and 6) confronting those generalizations with a formalized body of knowledge in the form of constructs or theories (Miles & Huberman, 1994, p 9).

Both articles also are concerned about people, objects and situations. Both articles are based on words which are based on observations, interviews, case studies or documents. Both articles display data, an organized and compressed assembly of information that permits drawing and action. Both articles from the start explained the data and if these data were patterns and, if possible, were configured, and the causal flow was in the data. The conclusions of both articles were verified (Miles & Huberman, 1994 p 9-11).

Describe the process used for analyzing the data. Was it appropriate? The process used for analyzing the data began when the researchers looked for involvement of their participants in data collection and
sought to build rapport and credibility with the individuals in the study. The actual methods of data collection are and should be based on open-ended observations (participants as observers and researchers as observers), interviews (face to face, by phone or, in a group), and documents (public documents private documents, or e-mail discussion), in addition to a vast array of materials, such as sounds, e-mails scrapbooks, and other emerging forms, such as, photographs, videotapes, art objects, computer software, and films (Creswell, 2003, p 179-195). It was appropriate for the researchers of the action theory, for example, to record the data and analyze the data by asking analytic questions and write memos and using open-ended data; in addition, the observational data formed the base for the analyses (Huxham & Vangen, 2000). Grounded theory, on the other hand, involved generating categories of information (open coding) and comparison of carefully selected case studies (Shaffer & Hillman, 2000).

What was the “output” from the study? Does it differ from the kind of output you have seen using other methods? In these two articles, the output is divided into words and diagrams; in contrast, the output forms a study in an empirical quantitative research and is usually divided into three sections: a description of the sample, the examination of research questions and/or testing the hypotheses, and the examination of additional questions generated by earlier analyses or further exploratory investigation. Tables and graphs are used in the quantitative research to present the outcome of multiple analyses of data. The text and wording to present the findings are important for both qualitative and the quantitative research (Rudestam & Newton 2001 p 104, 107).

Could another, more traditional methodology have been used to study this question? What, if any, modifications would have to be made to the research question in order for it to be studied quantitatively? The researchers of the two articles could change the research methodology
and design to quantitative research. The research methodology probably would be surveys to generate data that are suitable for statistical findings. The research questions in the articles should be answered by hypotheses which in turn should be tested, the sample should be determined, measuring variables should be decided, and the operational definition should be stated in order for a researcher to launch a quantitative research.

The researchers could begin a quantitative research by asking questions and developing hypotheses. The next step is to specify the characteristic of the population and the sampling process. They should design a survey and identify the purpose of the survey. The next step is to collect the data and to indicate the variables and relate the variables to specific research questions. Statistically researchers should analyze the data and identify the methodology of the population and the sample. The methodology will include the questionnaire scaled by the Likert scale items which is probably developed and tested by other institutions. Perhaps multiple regression and path analysis should be used to analyze the data (Creswell, 2003, p 153-162)
References


About the Author

I hope you enjoyed or you will enjoy this Business Management Handbook!! Besides teaching in higher education for more than 8 years, I also worked as an accountant and manager/owner in my practice for over 20 years. Helping small businesses achieve their objectives professionally, dealing with their struggles to survive, and interacting with the successes and failures they encounter are valuable life experiences I treasure because they add meaning to my work and give me the sense of accomplishment.

My philosophy is that Distance Learning helps adult learners to overcome the obstacles, which they might have, that inhibit them from pursuing their education through the educational systems of the past. Recently, students of all ages are able to pursue up-to-the-minute online courses. Online courses are dynamical because they facilitate a combination of knowledge, which is exchanged in the group setting, and the use of technologies which are the tools of communication in our time and in years to come.

I am interested in writing about different subjects, watching cable channels for entertainments and world affairs, and reading the newspapers on the Internet. And during the years, I wrote poetry, short stories, minute plays, thoughts in religion and philosophy, interpretations on accounting theories and methodologies, and I also wrote critical reviews in business management. I have published five books plus my dissertation in the United States and three other books have been published and distributed overseas.
EDUCATION

- **D.B.A. Financial Management**, Northcentral University, Prescott Valley, AZ
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- **S.C.P.M. Stanford Certified Project Manager**, Stanford University, Stanford, CA
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Other Publications By the Author


The Triune God: Philosophical Concepts and Facts. (AuthorHouse).

At the Intersections of Dundalk Avenue: A collection of Short Stories and Minute Plays. (AuthorHouse).


When the Sun Sets: A Collection of Poetry. (Boustany’s).

A Portrait from the Past: A Collection of Poetry. (Boustany’s).

Salwa: A Collection of Poetry. (Boustany’s).
About the Book

This book is an anthology of critical reviews in business management which is taught in both levels, the undergraduate and the graduate level courses. Throughout the book I intended to tackle the crucial concepts that my management students have touched. Additionally, I followed closely the APA formatting, but occasionally, I was not restricted by its rules.