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Organizational Experiences, Satisfactions and Psychological Wellbeing among Managerial and Professional Women in Turkey⁴

Abstract: This research, building on previous work of others, examines the association of four work experiences with work and extra-work satisfactions and psychological wellbeing of a sample of managerial and professional women in Turkey. The four work experiences : Use of male standards, Career barriers, Negative perceptions of family responsibilities, and Workplace supports. Data were collected from 209 women using anonymously completed questionnaires. Women worked in the private, public, and voluntary sectors. Work outcomes included job and career satisfaction, work engagement, intent to quit, work-family conflict and perceptions of male bias in their workplaces; psychological wellbeing included levels of emotional exhaustion, life satisfaction and health complaints. Women reporting more negative perceptions of Family responsibilities also indicated higher levels of Male standards and Career barriers in their workplaces;

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women reporting a greater prevalence of Male standards also indicated more Career barriers in their workplaces. One or more organizational experiences had significant relationships with all work and well-being outcomes, controlling for the effects of both personal demographic characteristics and work situation factors. Career supports were associated with more positive outcomes; career barriers and more negative perceptions of family responsibilities were associated with more negative outcomes

Key words: organizational experiences, women's advancement, Turkey.

Introduction

More organizations have undertaken initiatives to support the career advancement of qualified managerial and professional women realizing that they now need the best available talent to remain competitive. Human resource managers, academic writers and researchers, and women's advocacy organizations have put forward both suggestions of desirable policies and practices as well as describing the efforts of best practice organizations [Wittenberg-Cox, 2010; Giscombe 2005; Catalyst 1998; Spinks & Tombari 2002; McCracken 2002; Mattis 2005, 2002; Mays, Graham Vinnicombe 2005]. Yet progress remains slow [Davidson & Burke 2011] some writers even suggesting no progress at all has been made [Carter & Silva 2010].

Initiatives identified as important to the advancement of women include gender awareness training, flexible work hours, mentoring and sponsorship opportunities, access to training and development, the use of gender in increasing women's career opportunities in hiring, training, promotions and international assignments decisions, among others. Wittenberg Cox [2013] moves the emphasis away from "fixing the women" to "fixing the workplace culture". Changing the workplace culture, she argues, must start with the full commitment of the CEO and the top management team.

Several researchers have examined work experiences found to be associated with women's career advancement [Morrison, White & Van Velsor 1987; Morrison 1992; Ragins, Townsend & Mattis 1998; MaCall, Lombardo & Morrison 1988]. These experiences include help from above via mentoring and sponsorship, taking career risks [Sandberg 2013], skill in managing one's staff, access to training and development, being given challenging and visible assignments, having financial bottom-line accountabilities, and receiving support. Obstacles to women's career progress include the attitudes and biases of their male colleagues, adapting to the male-dominated and male-gendered workplace, and fewer developmental job opportunities [McCall, Lombardo & Morrison 1998; Horgan 1999].

The present research examined the relationship of a range of organizational experiences and managerial and professional women's work and career satisfactions, work engagement and psychological wellbeing. It hopes to contribute to our understanding of factors associated with women's advancement. In addition, the research was carried out in Turkey, a country having societal and cultural values

that may not be conducive to women's career success [Burke & Koyuncu 2012; Kabasakal, Aycan, Karakas & Maden 2011; Kabasakal, Aycan & Karakas 2004; Guney, Gohar, Lilie & Akinci 2006].

Method

Procedure

The Turkish member of our team solicited female participants through Facebook, Linked in and Research Gate. Interested women were then sent an electronic survey in English. Data were collected over a two month period. Completed surveys were obtained from 209 women. This sample is best described as a convenience sample.

Sample

Table 1 presents the personal demographic and work situation characteristics of our respondents (n=209). Most respondents worked full-time (86%), were married (68%), had children (66%), almost all had university degrees at various levels (97%), the majority having Bachelor's degrees (46%), worked between 31 and 50 hours per week (63%), were in middle management positions (34%), had taken no career breaks (74%), had less than 5 years of organizational and job tenures (47% and 65%, respectively), worked in organizations having between 101 to 500 employees (35%), and earned between 20,000 and 30,00 Turkish liras in annual salary (41%).

Table 1. Demographic Characteristics of Sample

<u>Age</u>	<u>N</u>	<u>%</u>	<u>Work status</u>	<u>N</u>	<u>%</u>
25 or less	23	11.0	Full time	179	85.6
26-30	36	17.2	Part time	30	14.4
31-35	37	17.7	<u>Marital status</u>		
36-40	27	13.0	Single/divorced	67	32.1
41-45	25	11.9	Married	142	67.9
46-50	25	12.0	<u>Parental status</u>		
51-55	16	7.6	Children	138	66.5
56 and over	20	9.6	No children	70	33.5
<u>Education</u>			<u>Hours worked</u>		
High school	6	2.9	20 or less	31	14.8
Bachelors	88	43.1	21-30	37	17.7
Masters	61	30.5	31-40	67	32.1
Doctorate	50	24.4	41-50	65	31.1
<u>Organizational level</u>			51 or more	9	4.3
Non-mgmt.	52	25.5	<u>Career breaks</u>		
Lower mgmt.	56	27.4	None	145	70.7
Middle mgmt.	68	33.5	2 years or less	35	17.1
Senior mgmt.	28	13.6	3 years or more	25	12.2

<u>Sector</u>	<u>Organizational size</u>				
Academic	108	51.7	50 or less	66	31.6
Business	101	48.3	51-100	32	14.3
		101 -500	72	35.4	
		500 or more	39	18.7	
<u>Job tenure</u>	<u>Organizational tenure</u>				
1-5 years	131	64.6	1-5 years	98	46.9
6-10 years	20	9.6	6-10 years	40	19.1
11-15 years	28	13.4	11-15	23	11.0
15-20 years	26	12.4	16-20	18	8.6
		21 or more	30	14.4	
<u>Salary (Turkish Lira)</u>					
20,000 or less	33	15.8			
20,000 – 30,000	83	41.1			
31,000 – 40,000	38	18.2			
41,000 – 50,000	27	12.9			
51,000 or more	25	12.0			

Source: own work.

Measures

Personal demographic and work situation characteristics

These were measured by single items. The former included age, marital status, parental status, level of education, work status, hours worked per week, and whether respondents had ever taken career breaks. The latter included organizational level, organizational tenure, job tenure, organizational size, and income.

Responses to the remaining variables in the research were made on five point Likert scales.

Organizational experiences

Organizational experiences were assessed using items from an earlier study of managerial and professional women undertaken by Burke, Koyuncu and Fiksenbaum [2006] in Turkey. Four organizational experiences were included. Workplace support was measured by four items ($\alpha=.63$). One item was "There are strong female role models in my organization". Career barriers were assessed by ten items ($\alpha=.85$). One item was "Women who are perceived as dominant and in control are negatively perceived by men". Use of male standards was assessed by four items ($\alpha=.75$). A sample item was "Women need to be aggressive to be taken seriously.". Negative perceptions of having family responsibilities was measured by three items ($\alpha=.75$). One item was "If a woman takes a break from her career to have a child, her chances for advancement will suffer". Three of the six correlations among the four organizational experiences were positive

and statistically significant ($p < .001$). Women reporting more negative perceptions of having family responsibilities also reported higher levels of Male Standards and Barriers in their workplace ($r_s = .39$ and $.57$, respectively). In addition, women reporting a higher presence of Male Standards also indicated more Barriers in their workplace ($r = .70$).

Work outcomes

Job satisfaction

Job satisfaction was assessed by a seven item scale ($\alpha = .84$) developed by Kofodimos [1993]. One item was “I feel challenged by my work”.

Career satisfaction

Career satisfaction was assessed by a five item scale ($\alpha = .76$) developed by Greenhaus, Parasuraman and Wormley [1990]. An item was “I feel satisfied with the progress I have made in my career to

Work engagement

Three facets of work engagement were assessed using scales developed by Schaufeli, Salanova, Gonzalez-Roma and Bakker [2002]. Vigor was measured by six items ($\alpha = .83$). One item was “At my work, I feel that I am bursting with energy”. Dedication was assessed by five items ($\alpha = .87$). An item was “My job inspires me”. Absorption was measured by six items ($\alpha = .86$). An item was “I get carried away when I’m working”.

Perceptions of bias

Seven items used previously by Burke, Koynucu and Fiksenbaum [2008] measured the extent to which our women respondents saw their organizations favoring men ($\alpha = .87$). The opening stated “In my organization the general perception is that”. One item was “Men are better suited for upper level management positions.

Intent to quit

Intent to quit was measured by two items ($\alpha = .78$) developed by Burke [1991]. An item was “Are you currently looking for a different job in a different organization?” (yes/no).

Psychological well-being

Emotional Exhaustion

Emotional exhaustion was assessed by a nine item scale ($\alpha = .86$), part of the Maslach Burnout Inventory, created by Maslach, Jackson and Leiter [1996]. One item was “I feel emotionally drained from my work”.

Work-family conflict

Work-family conflict was measured by a six item scale ($\alpha=.73$) created by Carlson, Kacmar and Williams [2000]. An item was “My work keeps me from family activities more than I would like”.

Life satisfaction

Life satisfaction was measured by a four item scale ($\alpha=.8$) developed by Diener, Emmons, Larsen and Griffin [1985]. One item was “I am satisfied with my life”.

Psychosomatic symptoms

Psychosomatic symptoms or complaints were assessed by a nineteen item scale ($\alpha=.87$) created by Quinn and Shepard [1974]. Respondents indicated how frequently they experienced each physical symptom or complaint (e.g. headaches, difficulty sleeping) in the past year.

Results*Analysis plan*

Hierarchical regression analyses were undertaken in which predictor variables were entered in a specified order. The first block of predictors ($n=6$) were personal demographics which included age, marital status, parental status, level of education, career breaks and work status. The second block of predictors consisted of work situation characteristics ($n=5$) and included job and organizational tenure, organizational level, hours worked, and organizational size. The third block of predictors ($n=4$) were the measures of organizational experiences. When a block of predictors accounted for a significant amount or increment of explained variance on a work outcome or psychological wellbeing measure ($p<.05$), individual items or measures within such blocks having a significant and independent relationship with an outcome variable were identified ($p<.05$). This method of analysis indicates the relationship of measures of the four organizational experiences with outcome variables controlling for the effects of both personal demographic characteristics and work situation factors.

Predictors of work outcomes

Table 2 shows the results of an examination of predictors of eight work outcomes. The following comments are offered in summary. First, women working full-time and women having longer organizational tenures were more job satisfied ($Bs=.28$ and $.24$, respectively); women reporting fewer workplace Barriers, women

indicating higher levels of workplace Supports, and women reporting more negative perceptions of having family responsibilities were more job satisfied ($B_s = -.35, .27$ and $.17$, respectively). Second women reporting fewer workplace Barriers, and women indicating a higher presence of Male Standards, reported higher levels of career satisfaction ($B_s = -.35$ and $.38$, respectively). Third, women reporting more career breaks, and married women, reported more Work Family Conflict ($B_s = -.30$ and $-.18$, respectively); women indicating more negative perceptions of having family responsibilities also indicated more Work Family Conflict ($B = .26$). Fourth, younger women, single women, women working full-time and women with children indicated higher intentions to quit ($B_s = -.25, .22, .14$ and $.14$, respectively). Women having less organizational tenure were also more likely to intend to quit ($B = -.22$), and women indicating more workplace Barriers and fewer negative perceptions of having family responsibilities were more likely to intend to quit ($B_s = -.38$ and $-.32$, respectively).

Let us now consider the three work engagement measures. Fifth, older women, and women with less organization tenure indicated higher levels of Vigor ($B_s = .42$ and $-.25$, respectively); women reporting higher levels of workplace support, more Career Barriers, fewer negative perceptions of having family responsibilities, and a smaller presence of Male Standards also indicated higher levels of BVigor ($B_s = .50, .32, -.24$ and $-.18$, respectively), Sixth, Women who were married indicated higher levels of Dedication ($B = .14$); women reporting higher levels of workplace support, more workplace barriers, and fewer negative perceptions of having family responsibilities also indicated higher levels of dedication ($B_s = .42, .22$ and $-.28$, respectively). Seventh, women working full time, those receiving higher levels of workplace support, and those indicated fewer negative perceptions from having family responsibilities also indicated higher levels of Absorption ($B_s = .23, .29$ and $-.25$, respectively) Eighth, and finally, women reporting fewer workplace barriers, fewer negative perceptions from having family responsibilities, and higher levels of workplace supports indicated a lower Perception of Male Bias ($B_s = .37, .28$ and $-.26$, respectively).

Table 2. Predictors of work Outcomes

<u>Work Outcomes</u>				
<u>Job satisfaction (n= 197)</u>	R	R ²	Change R ²	P
<u>Personal demographics</u>	.36	.13	.13	.001
Employment status (.28)				
<u>Work situation factors</u>	.39	.15	.02	NS
<u>Organizational experiences</u>	.57	.33	.18	.001
Barriers (-.35)				
Support (.22)				
Family Responsibilities (.17)				

<u>Career Satisfaction (n=198)</u>				
<u>Personal demographics</u>	.20	.04	.04	NS
<u>Work situation factors</u>	.20	.04	.00	NS
<u>Organizational experiences</u>	.35	.12	.08	.05
Male standards (.35)				
Barriers (-.35)				
<u>Work-Family conflict (n=198)</u>				
<u>Personal demographics</u>	.42	.18	.18	.001
Marital status (-.16)				
Career breaks (-.30)				
<u>Work situation factors</u>	.46	.21	.03	NS
<u>Organizational experiences</u>	.55	.30	.09	.001
Family Responsibilities (.26)				
<u>Intent to quit (n=198)</u>				
<u>Personal demographics</u>	.49	.24	.24	.001
Age (.35)				
Work status (.14)				
Marital status (.22)				
Parental status (.14)				
<u>Work situation factors</u>	.53	.28	.04	.01
Organizational tenure (.22)				
<u>Organizational experiences</u>	.62	.39	.11	.001
Barriers (-.38)				
Family responsibilities (.32)				
<u>Vigor (n=198)</u>				
<u>Personal demographics</u>	.38	.14	.14	.001
Age (.42)				
<u>Work situation factors</u>	.47	.22	.08	.01
Organizational tenure (-.25)				
<u>Organizational experiences</u>	.67	.45	.23	.001
Support (.50)				
Barriers (.32)				
Family Responsibilities (-.24)				
Male standards (-.18)				
<u>Dedication (n=198)</u>				
<u>Personal demographics</u>	.33	.11	.11	.001
Marital status (.14)				
<u>Work situation factors</u>	.37	.13	.02	NS
<u>Organizational experiences</u>	.57	.33	.20	.001
Support (.44)				
Family Responsibilities (-.28)				
Barriers (.22)				
<u>Absorption (n=198)</u>	.37	.14	.14	.001
<u>Personal demographics</u>				
Work status (.23)				

<u>Work situation factors</u>	.40	.16	.03	NS
<u>Organizational experiences</u>	.52	.27	.10	.001
Support (.29)				
Family Responsibilities (-.25)				
Perceptions of bias (n=198)				
<u>Personal demographics</u>	.18	.03	.03	NS
<u>Work situation factors</u>	.22	.05	.02	NS
<u>Organizational experiences</u>	.62	.38	.37	.001
Barriers (.37)				
Support (-.26)				
Family Responsibilities (.26)				

Source: own work.

A few more general observations of these findings are worth highlighting. First the presence of workplace Barriers, negative perceptions of having family Responsibilities, and levels of workplace support has six, seven and five significant relationships with the eight work outcomes. The presence of Male Standards had only two significant associations with these eight outcomes. Workplace supports had always had positive relationships with desired work outcomes; stronger negative perceptions of having family responsibilities generally had negative relationships with desired work outcomes, and the presence of workplace Barriers had mixed relationships, sometimes positive with desired work outcomes and sometimes negative with desired work outcomes. The presence of workplace Barriers seemed to operate as challenges with particular work outcomes (e.g., Vigor, Dedication).

Predictors of psychological wellbeing outcomes

Table 3 presents the results of predictors of the three measures of psychological wellbeing. The following comments are offered in summary. First, considering emotional exhaustion, women with shorter career breaks and single women reported higher levels of emotion exhaustion ($B_s=.19$ and $.15$, respectively). Women at higher organizational levels also reported more exhaustion ($B=.15$). None of the our organizational experiences had significant and independent relationship with level of emotional exhaustion. Second, considering health complaints, older women and women working full time reported more health complaints ($B_s=.21$ and $-.27$, respectively). Women reporting higher levels of support indicated fewer health complaints ($B=-.19$). Finally, no personal demographic or work situation factors had significant and independent relationships with life satisfaction. However women indicating more workplace barriers, more negative workplace perceptions of having family responsibilities, and less workplace support indicated lower levels of life satisfaction ($B_s=-.31$, $-.18$, and $.15$, respectively).

Table 3. Predictors of Psychological Wellbeing

<u>Psychological Wellbeing</u>				
<u>Emotional Exhaustion (n=198)</u>	R	R ²	Change R ²	P
<u>Personal demographics</u>	.40	.16	.16	.001
Career breaks (-.19)				
Marital status (-.15)				
<u>Work situation factors</u>	.48	.23	.07	.01
Organizational level (.15)				
<u>Organizational experiences</u>	.52	.28	.05	.05
<u>Health complaints (n=185)</u>				
<u>Personal demographics</u>	.34	.16	.16	.001
Age (.21)				
Work status (-.27)				
Work situation factors	.43	.19	.03	NS
<u>Organizational experiences</u>	.57	.33	.14	.001
Support (-.19)				
<u>Life satisfaction (n=198)</u>				
<u>Personal demographics</u>	.25	.06	.06	NS
<u>Work situation factors</u>	.28	.08	.03	NS
<u>Organizational experiences</u>	.45	.21	.15	.001
Barriers (-.31)				
Family Responsibilities (-.18)				
Support (.15)				

Source: own work.

Again a few more general observations are worth noting. First, organizational experiences had significant relationships with two of the three measures of psychological wellbeing. Second, workplace support was associated with higher levels of psychological wellbeing whereas the other organizational experiences diminished psychological wellbeing.

Discussion

The results of this investigation, consistent with previous conclusions, showed relationships between managerial and professional women's organizational experiences and various work and psychological wellbeing outcomes (see Tables 2 and 3). Three organizational experiences had relationships across a number of these outcomes: levels of workplace or organizational support, negative workplace perceptions of having family responsibilities, and the presence of workplace barriers. It is sensible then that interventions be designed and implemented to address these areas; increasing levels of support, reducing concerns about the costs of family responsibilities, and understanding those Barriers that enhance women's contributions and those that interfere with women's contributions. While each of

these three organizational experiences can be addressed in various and differing ways, they are also tied together by a common workplace culture. Changing the workplace culture requires a complete commitment by the chief executive officer and the senior team to foster the advancement of qualified managerial and professional women. Without this investment, efforts will fall short [Wittenberg-Cox 2010]. Men have to become allies instead of adversaries to women's career advancement [Burke & Major 2014]. Prime, Otterman and Salib [2014], based on their work with organizations in changing workplace cultures illustrate how fostering inclusive leadership increases men's commitment.

Let us now consider ways in which each of the three common workplace experiences noted above can be addressed. Increasing levels of support involves a full commitment to supporting women's advancement as the context, collecting data on the experiences of women currently in the organization and, their jobs and levels, and their past development; the use of gender in hiring, promotion salary and career planning and employee development discussions to ensure equal access; the creation of policies that support both women's and men's advancement, the setting of targets for increasing women's presence and progress, and measuring the results of these initiatives over time.

Concerns of women about the ways that both the perceptions and the realities of having family responsibilities are seen to have negative career consequences in the wider workplace culture can be addressed by again having full commitment of the senior executive team to change this aspect of the culture, the use of flexible work hours, compressed workweeks, telecommuting, and reduced workload arrangements for a short period of time under particular circumstances. Hill and Morrison [2013] highlight the role of workplace flexibility in work-life integration. They define workplace flexibility as "the ability of workers to make choices influencing when, where and for how long they engage in work-related tasks" [p.270]. They see workplace flexibility as having three aspects: schedule flexibility, location flexibility and reduced workload. Examples of each include: schedule flexibility – flextime, a compressed work week; location flexibility – telecommuting, work at home; and Reduced workload - part time work, job sharing. Several workplace efforts to support work-family integration have been undertaken to change workplace cultures, providing examples of best practice [Bailyn, Fletcher & Kolb 1997; Rapaport, Bailyn, Kolb & Fletcher 1998].

Hammer, Van Dyck and Ellis [2013] review organizational policies supportive of work-life integration. These include flexible work arrangements, child and elder care supports, and informal supervisor support. Shockley, Thompson and Andreassi [2013] advocate changes to organizational cultures. They propose addressing organizational time demands, reducing the negative career images of taking part in work-family programs, and increasing levels of supervisor support.

Finally, workplace barriers need first be identified, then addressed. Barriers in the present study included the absence of female role models, higher performance standards for women, negative perceptions of dominant women held by both men and other women, and penalties attached to women having family responsibilities. Burke [2014] identified ways in which masculine organizational cultures disadvantage women in terms of valuing long working hours, viewing women's contributions differently than men's, and male chief executives and managerial women having different views on the barriers women face.

Let us now consider ways in which organizations can address these barriers. Streets and Major [2014] identified gendered career obstacles and opportunities for interventions to address these. These included: self-perceptions and career aspirations - addressed by having role models of successful women and career counseling; workplace culture - sexism, perceptions of bias - addressed by having successful women; workplace obstacles such as wage gaps, work family conflicts, and the glass ceiling - addressed by increasing support for work-family integration, successful women; advancement concerns, gendered leadership, and promotional barriers - addressed by decreasing the masculine culture, women use their leadership advantage strengths to succeed.

Vinnicombe, Moore and Anderson [2013] identify value in offering training and development sessions for women only. Metz and Kulik [2014] review old barriers to women's advancement (e.g., women lack the right stuff, lack line experience), persistent barriers (e.g., gender discrimination, gender roles), and new versions of old barriers (e.g. covert instead of overt discrimination). They offer a number of suggestions, grounded in research evidence, to reduce these barriers including compulsory workshops to examine gender issues in their workplace, allowing and welcoming women back from maternity and other leaves, holding managers accountable for women's progress, changing the long work hours norm allowing greater workplace schedule and place flexibility, and sponsoring women as well as mentoring them. Nugent, Dinolfo and Giscombe [2013] show how mentoring and sponsorship were integrated along with other strategies in formal leadership development programs, and employee support and networking groups. Brook and Graham [2013], using case studies, describe various initiatives developed to support the advancement of women including, quantitative and qualitative analyses of the status and experiences of women in a workplace reciprocal mentoring arrangements, career development support for women in the pipeline, and ensuring that systems, policies and processes essential for supporting women's advancement are in place.

Practical implications

It is particularly critical to create a workplace culture supportive of women's advancement immediately upon women's joining an organization. Such efforts

will counter the decline in their aspirations in their early careers stages as they experience biases, limited support, and lack of career counseling from mentors and sponsors.

Limitations of the research

This research, like most research has potential limitations which must be noted to place the results in a larger context. First, the sample, while relatively large, was a convenience sample. It may not reflect the experiences of managerial and professional women in Turkey. Second, all data involved self-reports with the slight possibility of response set tendencies. Third, all data were collected at one point in time making it difficult to consider causality.

Future research directions

Several future research directions seem promising. First, replicating the study using a more representative sample of Turkish managerial and professional women would add benefit. Second, including indicators of job performance, including the evaluations of supervisors would extend and strengthen our conclusions. Third, focusing more specifically on the experiences of women, and men, having different numbers of children would also be instructive. Miner, Pesonen, Smittick, Seigel and Clark [2014] in a large sample of male and female faculty of law schools found that being a mother, particularly if one had three children was associated with higher levels of workplace incivility; men who were fathers also experienced higher levels of workplace incivility than did non-fathers.

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Weyerhaeuser: A Good Reputation Instilled in Culture

Abstract: The paper addresses the concept of Weyerhaeuser's culture which was transformed as the result of mergers and implemented policies against recession. The culture, particularly their long-term vision and values played a crucial role in Weyerhaeuser's company. Frederick Weyerhaeuser, founder of the firm, realized that a firm's reputation was the most important asset. Significant increases in housing demand over 1997-2005 had led to an enormous pressure for faster deliveries and innovations in the construction industry. Weyerhaeuser decided to become global leader by transforming its culture and launching the iLevel concept⁷.

Key words: corporate culture, family firm, Weyerhaeuser.

This is not for us, nor for our children – but for our grandchildren
Frederick Weyerhaeuser, 1900

Introduction

The story of Weyerhaeuser begins with Frederick Weyerhaeuser who came to America from Germany in 1852. Although he was working as a simple laborer, he succeeded in each job he undertook. Asked whether he is a lucky in all these successes he simply replied (Robertson 2011): "The secret lay simply in my will to work. I never watched the clock and never stopped before I had finished what I was working on". Frederick Weyerhaeuser teamed up with 15 partners with whom

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he decided to purchase 900,000 acres of timberland from the Northern Pacific Railway in 1900 (Company information). This was the largest private transaction in USA at that time. Frederick Weyerhaeuser proposed to name the partnership as “The Universal Timber Company” but the partners opposed and suggested to name it after his name. Frederick Weyerhaeuser kept his profile very low and only three years before his death America discovered him and his achievements.

Today Weyerhaeuser is headquartered in Federal Way, away from the downtown of Seattle. The firm’s brand may not be as well recognized as Seattle’s megastars Microsoft or Amazon, although its revenues put it in the similar ranking of Fortune 500. In addition, Weyerhaeuser is also a public company as its Seattle’s peers (it went public in 1963). Dan Fulton, CEO of Weyerhaeuser rephrases it as follows [*Working Together to Release Our Potential* 2008]: “...Many young people are surprised to know that we’re a Fortune 150 company — or that, based on revenues, we rank right behind Costco and Microsoft on Fortune’s list of leading companies headquartered in Washington. Yes, our sales put us ahead of Amazon, Starbucks or Nordstrom — all household names in Seattle”. In 2012, Weyerhaeuser reported \$7.1 billion in net sales with the employment of 13,200. The firm operates in four segments: timberlands, wood products, cellulose fibers and real estate.

As the result of “housing bubble” construction companies in U.S. have faced a tremendous demand for building houses in 2005 – doubled since 1997. This boom has influenced the methods of building houses and also pushed suppliers for searching new materials. As a consequence, construction firms intended to construct more houses in fewer time to satisfy the increasing demand. Weyerhaeuser aimed at taking a leading role in satisfying this demand.

The quick response to the market challenges may be attributed to the change in the Weyerhaeuser’s culture. The firm’s culture model is termed as iLevel culture and proved to be effective during the economic downturn in 2007 which severely affected the housing market. Weyerhaeuser not only survived this tough time but has increased its market share as well.

Frederick Weyerhaeuser

Frederick Weyerhaeuser or according to his original German name – Friedrich Weyerhäuser – was born in 1834 in Nieder-Saulheim. Being poor, he decided to come to America to improve the wellbeing after his father’s death in 1852. He started working at brewery, then in construction industry and finally got job at a sawmill. His performance in the sawmill was extraordinary and soon he was promoted to a salesman position. Soon his new skills were noticed and appreciated and he was sent to manage a newly opened sawmill in Rock Island County (Illinois). The sawmill got into financial troubles and Frederick Weyerhaeuser decided to buy it for himself and his brother-in-law Frederick Denkmann. They were offered the

purchase of the sawmill due to their good reputation, honesty and trustworthiness. However Frederick was undisputable leader. They were running the joint business until 1900 when Frederick Weyerhaeuser founded the Weyerhaeuser company.

Frederick was a modest man, completely devoted to his work – spending long hours at his job. He had no addictions (drinking or smoking) and work was his only amusement as he used to say. Apart from work devotion, he had genial business instincts and appreciated trust. This may explain why most of his employees stayed with him over thirty years in the business. Asked about the business success he replied [New York Times 1914]: “I think I have succeeded because I care more for my credit than for my clothes”. Indeed, Weyerhaeuser’s success was built on fostering a good reputation since the beginning. Although a composition of different elements of his corporate culture had been changed many times, the good reputation remained the unchanged pillar of the firm. Frederick Weyerhaeuser stressed the importance of reputation as follows [Twining 1997, p. 85]:

Must be made – can not be inherited.

Is often times the best friend we have.

Is worth too much to be risked for the sake of money.

Will pay big dividends if we take an interest in it.

It the best antidote in the world for circumstantial evidence.

Must be earned – can not be bought.

Is soon lost among bad companies.

Weyerhaeuser was aware that a reputation may be a true asset in turbulent times. If once lost, a recovery of good reputation may take decades. It is especially important when a firm becomes branded by family’s name. Frederick Weyerhaeuser was very careful in raising his children. He knew, they could be easily spoiled because of his wealth thus he made efforts to equip them with industry and honesty. He also provided them with education, something that he was missing because of his family poor standing (when his father was dead he quit school at age of twelve). For that reason, his children went to the family business after they completed their education.

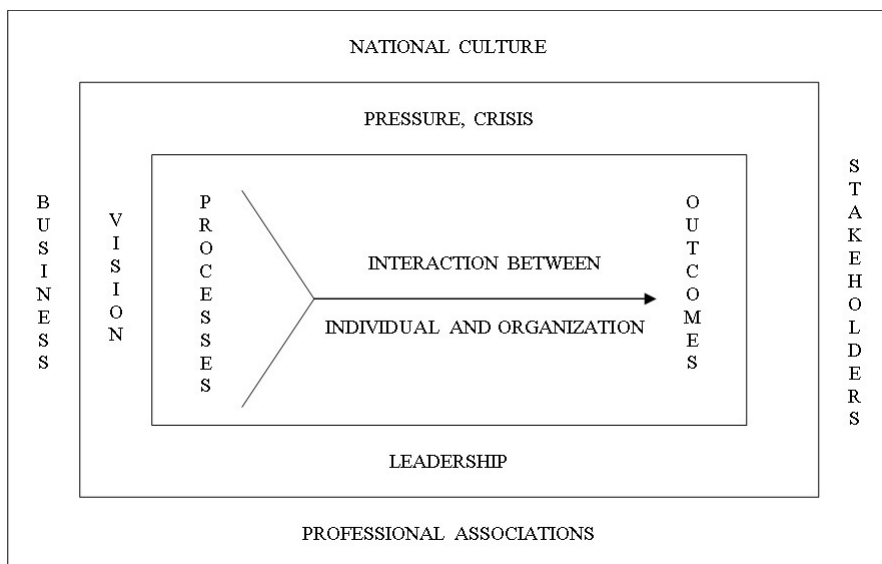
Weyerhaeuser’s Culture

A good reputation may result from using a family name as brand. A family would intend to perform as best as possible to keep its family brand respected. Kotler *et al.* [2009, p. 421] perceive this approach as preserving a strong brand and defines it as follows: „Vision, mission and success of a company in developing and offering purchasing experiences that deliver high levels of customer-perceived value”. As a consequence, a reputable name reinforces purchasing experiences of clients that

may bring profits even in turbulent times. In addition, vision is the key element in constructing a firm's culture.

The concept of corporate culture needs to be explained before digging into the Weyerhaeuser's culture. De Witte van Muijen [1999, p. 498] have presented their model of the organizational culture based on their vast consulting work. They argue the process of building the firm's culture begins with an interaction between individual and organization (see Figure 1). There are many forces which exert its power on the shape of the organizational culture. Firm's founders with their vision play key roles in this process. Weyerhaeuser's vision reads as follows (Firm source): "Our vision is to deliver superior sustainable solutions for the world. We do this through strong leadership, unwavering values, and a talented employee base". Based on this vision, the management sets the direction in which a firm follows. In particular, a way of performing tasks contributes influences the effectiveness of process. Leaders are responsible for this overall process because they are mandated by owners to follow their vision. As a consequence, this vision is translated into everyday firm's activities. Other factors which influence firm's culture come from stakeholders, associations. Even crises impact the culture. If fact, this is the crisis which forces a firm to change its routines because if a firm does not react to market turbulences then may disappear from the market. Lastly, the organizational culture impacts the national culture.

Figure 1. A conceptual model for understanding organizational culture



Source: De Witte K., van Muijen J.J. 1999, p. 498.

Weyerhaeuser's culture was shaped by many different factors. Clients and their changing needs were primary factor in shaping their culture. As mentioned earlier, the downturn in 2007 had a tremendous impact on the whole industry. However Weyerhaeuser has decided to use this unfavorable event as an opportunity to change the whole industry. In fact, this process of change has begun in Weyerhaeuser earlier in 2005 with the consolidation of five product-line businesses. This process was necessary as the firm acquired three companies. The responsibility for the change rested on the cross-functional teams. In particular, their primordial task was to define roles, responsibilities and relationships or "3Rs" as it was shortly termed.

In the conceptual model of organizational culture (see Figure 1) leadership exerts the important role in fostering firm's culture. The leadership team was recruited from the Weyerhaeuser's family. In particular the next generation family members were invited to this team. The selection process of the next gens candidates was run by the HR department while the final decision was made by CEO. Next the key leadership positions were filled out and 300 leaders in total were placed. The entire process of changing Weyerhaeuser's organization culture was termed "iLevel" (see Table 1).

Table 1. From Multiple Cultures to ONE iLevel Culture

Direction	Culture A	Culture B	Culture C	iLevel
Strategy	Sell First („highly specialized")	“Value added“ (slightly differentiated)	Manufacture First („low cost commodity producer")	Demand (sell) & Supply (make) in Balance Across Product Lines
Customers	Builders	Dealers	3rd Party	Market to Builders, Sell to Dealers
Expertise	Product Experts (build to exceed expectations)	Process Experts (meet everyone's expectations)	Project Experts (meet the minimum expectations)	Product Application Experts (apply products to solve customer problems)
Engineering	Innovators (new products, new equipment)	Shoppers (standard products, new equipment)	Creatures of habit (standard products, standard equipment)	Innovative product Reliable process Effective project

Dealing Internally	NO = „Back to the drawing board”	NO = „Maybe”	NO = „What part of no don't you understand?”	NO = Come back with a better idea!
Decision Making	“Entrepreneurial” (one leader decides)	Consensus (Everyone decides)	“Willamette Way” Every leader decides	Leaders Decide (balance speed with input)
Communications	Crafted (the leader's message)	Wide Open („confidential” meant everyone reads it!)	Guarded (chose not to communicate some items)	Open

Source: Bradsbaw A. 2007, p. 49.

The acronym iLevel was derived from construction terminology and values represented by Weyerhaeuser. “Level” refers to levels in buildings and paraphrases that all levels of a building have to be even to be stable. “I” stands for integrity and innovation as the key value drivers for the firm. Weyerhaeuser has also stressed the importance of time in the plan execution. The leadership has been allotted 90-day action plans to implement all activities.

The process of cultural change had been executed in many directions beginning with a strategy to communication. A strategy was centered around the selling process. In particular, sales representatives were encouraged to solve clients' problems because of their deep knowledge of the firm. On the other hand the decision making process was transferred to leaders who were empowered to take responsibility for the implementation and development of processes.

Table 1 illustrates the cultural transition process in Weyerhaeuser. Before launching iLevel there were three different competitive cultural models. The firm has been experiencing fierce competition among these cultures to be dominant. Despite several attempts to integrate all these competitive cultures into one in the past it did not happen. A difficulty stemmed from different values, beliefs and behavior of employees and these cultural elements were hard to change.

The management of Weyerhaeuser had witnessed how these three competitive cultures led to the firm's underperformance. Somehow it was the fierce and even lethal rivalry inside the firm of being the best but in different strategies. For the culture A employees were focused on selling, in culture B on adding value and in C on manufacturing as priority. The innovative approach Weyerhaeuser implemented was about the culture identification through the iLevel brand. The key culture components were structured and described to arrive at the concept of the brand promise. These components of the brand promise were: (1) integrity, (2) market-driven, (3) innovation, and (4) performance. Table 2 presents these components cascaded to norms and expected behaviors.

Table 2. Culture components

Values	Norms	Behaviors
Integrity	Safety is always more important than production & sales. Financial responsibility. We keep our word.	I care about consequences of unsafe behavior and conditions and act upon them . . . every time. I never compromise Weyerhaeuser ethical business standards. I deliver what I promise.
Marker Driven	Focus on customer value, not what's easiest for the company. Make disciplined choices driven by the value proposition. We are easy to do business with.	I find solutions by deeply understanding the nature of our customer's business. My decisions are driven by safely delivering the five value proposition experiences. „That's not my job” does not exist!
Innovation	Every associate has the freedom to innovate. Ten percent of our sales come from products or services <5 years old. We improve the design of existing products, services, and work processes. We create breakthrough opportunities for new products & services.	I support the exchange of ideas and lessons learned. I recognize and reward ideas that add value or eliminate waste. I take disciplined risk when investing in products and solutions. I constantly look for nevi' ways to improve our customer's efficiency.
Performance	Associates can deliver more than they think they can. We are the structural frame experts. Our products and solutions work . . . every time!	I reduce hassle in doing business. I develop my skills and support the development of others. I act with speed, simplicity', and decisiveness. I hold myself and others accountable for these behaviors.

Source: Bradsbaw A., 2007, p. 50.

The executives were then verified with all values. Some recognized that were sticking to the old culture but also were aware that new culture had to be dominant. To reinforce the importance of the new culture the firm decided to make a huge visibility by engaging in sponsorship events of NASCAR (National Association for Stock Car Auto Racing – Narodowa Organizacja Wyścigów Samochodów Seryjnych) and Extreme Makeover/Home edition.

The brand promise was widely accepted in Weyerhaeuser. De Witte K. and van Muijen in their cultural model perceive the interaction between processes and

outcomes as the critical for culture building. Undoubtedly outcomes should be directed towards not only firm's clients but stakeholders as well. The new iLevel culture has helped company to simplify and improve the process of service client. In addition, the culture has contributed to wide array of improvements as [Bradsbaw 2007, p. 51]:

- Reduced time, labor, and callbacks when building homes.
- Optimized structural frame and reduced waste.
- Streamlined design customization (through innovative software).
- Efficient, reliable delivery of products & services.
- Simplify the way business is done.

Concluding remarks

Efforts to change a corporate culture may take a long time because it is about changing values. Such a change takes a lot of time and fails in many cases. This process was not arduous in case of Weyerhaeuser because the firm relied on honesty and integrity as the key principal values since its founding.

Weyerhaeuser has decided to act with dedication and with a huge coverage. Achievements were excellent because by implementing iLevel culture Weyerhaeuser was able to increase the product penetration in the construction industry. In fact, the firm increased the penetration by 5% in 2006 and that was the biggest leap in the firm's history. The team responsible for the implementation of iLevel has been recognized by the Weyerhaeuser's officers and won the prestigious Weyerhaeuser President's Award.

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Rational and Relational Bases of Public Managers' New Profiles in the Context of Trust Research

Abstract: Competencies are a set of distinctive resources and opportunities. They relate to specific capabilities of management and to performance of management methods. In the catalogue of existing managerial competencies, an increasingly important role is played by trust. The deep insight in this field of literature gives grounds for the inference that trust is rather a means to achieve public organisations' goals, than being the end in itself. Therefore in this article we have assumed, that contemporary competencies, to a large degree, rely on trust which is rationally and relationally rooted.

The main aim of this paper is to identify and evaluate components of trust with reference to the competences of public managers mirrored in their new profiles. To achieve the goal of the article, publications of the field of organisational studies and public management which aim to show the importance of creating trust within an organisation were reviewed to identify main managerial competences analysed in the context of public trust as an

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important factor of improving public organisations. Moreover, the results of a survey with 93 respondents carried out in 2014 in 8 units of local public administration from the Malopolska Region were used. As a result the main components of trust in new public managers' profiles have been identified and assessed.

Key words: competencies of public managers, new profiles of public managers, rational and relational based public trust, public management

INTRODUCTION

Functioning within an organisation as well as beyond it, rests on collaboration and interdependence, and members of specific organisations rely on each other in order to attain their organisational and personal goals. Therefore, tremendous importance is attached to trust that encourages behaviours helping to handle risk and uncertainty related to collaboration [Mayer et al. 1995; Jones and George 1998]. The trust level within organisations is however positively correlated with efficiency and performance. Moreover, trust is regarded as both glue and lubricant of social capital [Anderson and Jack 2002; Welter 2012; Åm 2011]. Thus, it is necessary for managers [Porumbescu et al. 2013; Möllering et al. 2004] to appreciate the features and role of trust and to undertake activities that generate a conviction among their employees that their competences allow them to carry out their obligations [Lee 2004; Cook and Wall 1980]. This refers to managers in the private sector as well as in the public and non-governmental sectors.

However, public trust is hardly a novelty and “our instrumental knowledge about building, maintaining, or recovering public trust is quite limited” [Thomas 1998, p. 168]. Furthermore, little empirical research has concerned the influence exerted by trust on managers' work in organisations [Tzafrir 2006, p. 1601]. On top of that, due to differences in goals and operations between the public and private sectors, there are no possibilities of transferring experience and theory set up on the basis of activities performed by specific organisations between sectors [Thomas 1998, p. 188]. Therefore, there is a need to identify and assess the components of trust with reference to the competences enjoyed by public managers, which constitutes the objective of this paper. This paper assumes that contemporary public managers base their management on trust. In the course of analyses conducted, the competences possessed by public managers and foundations of trust have been revealed. In addition, rational and relational aspects in public organisations were pinpointed, and the relationship between trust and public managers' competences was characterised.

THEORETICAL BACKGROUND

Managerial competences in public sector

Competences constitute the set of distinctive resources and capacities connected to the structure of the specific organisation, technologies used and inter-organisational relationships. Basically, they include managers' competences that cover management staff's capacities and knowledge, including their capacity to solve problems, manage changes, innovations and resources, leadership and continuous organisational improvement [Abraham 2001; Kożuch and Sienkiewicz-Malyjurek 2013]. According to the theory established by H. Mintzberg [2005], the role of managers boils down to maintaining contacts with other persons, gathering, processing, transferring and storing information, and it also refers to decision-making. Managers are significant for the operations conducted by both enterprises as well as public institutions.

In the public sector a basic task assigned to managers is to ensure effective provision of high-quality public services to the society. They address social problems given the theories on economic rationality [Kożuch 2010, pp. 347–351]. Traditionally, key competences enjoyed by public managers encompass the following skills: technical-organizational (basic professional skills), programme (capability to activate processes) and collaboration [Lane and Wolf 1990]. These competences are based on the knowledge used in the managerial work, experience, professionalism, and a predisposition to attain goals focused on the accomplishment of the public interest [Kożuch and Sienkiewicz-Malyjurek 2014]. They are essential because specific responses, professionalism and flexibility are expected from managers under any circumstances. Their role is to create a vision, convey it to the organisation's members and motivate them to accomplish that vision.

Presently public managers have to adjust to shifts in organisational and environmental requirements, manage numerous relationships as well as handle stress and uncertainty [Dragoni 2009, p. 731]. These activities require transparent organisational regulations as well as responsible and involved employees. Accordingly, central to organisational relationships is a high trust level which allows managers to delegate tasks to employees, and belief in the purpose of tasks delegated and their fulfilment in a diligent and eager manner. Literature studies provided in the further section of the paper show that trust proves to be an essential value in the work of contemporary public managers. Therefore, it is justified to incorporate them into basic categories in the studies of public sector managerial effectiveness.

The basis of trust

Trust "is at the core of all relationships" [Mishra and Morrissey 2000, p. 14]. It has long enjoyed the interest among researchers from many scientific disciplines,

including sociology, economics, management sciences and psychology [Rousseau et al. 1998; Lewicki et al. 1998; Korczynski 2000]. This results from its positive impact on the operations carried out by organisations and the progress of processes executed. Judy Pate et al. [2007, p. 459] stated that trust affects organisational efficiency and effectiveness, a positive psychological contract, lower employee turnover, individual performance, organisational flexibility and performance, and successful change management. Similar views are held by A.R. Elangovan et al. [2007, p. 4] when writing that trust reinforces team work, creativity, and it provides the foundations for inter-organisational collaboration. It encourages building lasting relationships and enhances problem solving, thereby constituting significant social capital [Fukuyama 1995; Carnevale 1995]. Meanwhile F. Xavier Molina-Morales et al. [2011, p. 119] argues that trust diminishes transactional and agency costs, influences effectiveness and performance of market exchanges, and it facilitates adaptation to changes and complex circumstances. Trust is also a factor which affects knowledge sharing and use, and stimulates innovations [Holste and Fields 2010; Dovey 2009]. Moreover, it may act as a substitute of formal control and help to handle conflicts [Wicks 1999; Jones G.R. and George 1998, pp. 531–532]. However, scarcity or a low level of trust may lead to organisational dysfunctions such as reduced motivation among employees or a decline in involvement in tasks performed [Gould-Williams 2003, p. 31]. For these reasons, trust appears to be significant factor in managers' work.

Trust is such a complex and multifaceted issue, and none of the existing definitions are able to encompass it and convey its essence. Though, compilation of few popular definitions used in the literature may advance its understanding, namely:

- Trust is “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” [Mayer 1995, p. 712].
- “Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another” [Rousseau et al. 1998, p. 395].
- Trust is a “confident positive expectations regarding another's conduct” [Lewicki et al. 1998, p. 439].
- Trust is “an expression of confidence between the parties in an exchange of some kind-confidence that they will not be harmed or put at risk by the actions of the other party or confidence that no party to the exchange will exploit the other's vulnerability” [Jones and George 1998, pp. 531–532].
- Trust is the expectation that „other people, or groups or institutions with whom we come into contact – interact, cooperate – will act in ways conducive to our

well-being. Because in most cases we cannot be sure of that, as others are free agents, trust is a sort of gamble involving some risk. It is a bet on the future, contingent actions of others” [Sztompka 1999, pp. 25–26].

- “Interpersonal trust is the trust placed by the individual boundary spanner in her individual opposite member. The term inter-organizational trust is defined as the extent of trust placed in the partner organization by the members of a focal organization” [Zaheer 1998, p. 142].

The reference literature contains much more definitions of trust, but based on those cited in this paper it is possible to characterise its distinctive features. Principally, trust is positive in its character, it is focused on actions and accompanies collaboration on the micro, mezzo and macro scale. It relies on the behaviours displayed by a trustee and occurs in the circumstances of vulnerability, uncertainty and risk. Additionally, trust is concerned with expectations and predictability of trustee’s behaviours by a trustor, its willingness and commitment in action. It rises or declines in time, depending on the level of existing relationships. Moreover, it refers not only to convictions but also to decisions and activities [Dietz and Den Hartog 2006, p. 558]. As a fragile resource it requires openness, commitment, honesty, care and refrainment from self-serving behaviour [Dovey 2009, p. 314]. According to the opinion voiced by Denise M. Rousseau, trust ranges “from a calculated weighing of perceived gains and losses to an emotional response based on interpersonal attachment and identification” [Rousseau et al. 1998, p. 398]. In essence, it refers to the functioning of private organisations as well as public and non-governmental ones. They may be analysed in terms of existing types (e.g. basic, simple, blind, or authentic) [Starnes et al. 2005, p. 3], forms (e.g. deterrence-based, calculus-based, relational, and institution-based trust) [Rousseau et al. 1998, pp. 398–401] and levels (e.g. interpersonal, organisational, intra-organisational, inter-organisational trust) [Ganesan and Hess 1997]. While the scope and level of trust rely on multiple factors, among which the following may be enumerated: level of organisational advance, existing interpersonal and inter-organisational relations, experience, type of leadership, etc. Thus, it represents a broad and rich research spectrum.

Rational and relational trust in public organisations

Activities conducted by public organisations involve exerting influence on other organisations and citizens in order to fulfil public interest. To make these activities effective, a high trust level is crucial. Public trust can be defined as “citizens’ knowledge and belief in public officials and public institutions that they are able to provide policies and programmes that benefit them and protect their rights” [Kožuch and Dobrowolski 2014, p. 49]. It results from relationships between public organisations with external stakeholders as well as their employees. After all, it is

assumed that it is unlikely to build external trust without internal trust.

Public trust rests on organisational publicness and public accountability. From the overall perspective publicness is defined as “characteristics of an organisation which reflects the extent the organisation is influenced by political authority” [Bozeman and Bretschneider 1994, p. 197]. From the organisational perspective, publicness embraces relations with the surrounding setting, objectives, structure and values. It applies to organisations across all sectors as operations conducted by each organisation is, to a certain extent, based on transparency, e.g. with regard to relations with the surrounding setting. Regarding public organisations, though, this transparency is more robustly exposed and its importance is far bigger. Clearly, this shows that public organisations disclose what public services they provide, to what extent they implement a planned budget and how they spend public resources, what investments they make or what operations they plan to launch in the future. According to M. Shamsul Haque, publicness in the public sector “has usually been understood in terms of its distinguishing features, including its service norms such as impartiality and openness, its principles such as equality and representation, its monopolistic and complex nature, and its longer and broader social impacts” [Haque 2001, p. 66].

Whereas public accountability in the broader context is perceived from the viewpoint of principles, attitudes and organisational behaviours, and emphasizes such values as: transparency, responsibility, fairness, democracy, efficiency, responsiveness, honesty [Mulgan 2002]. While in a narrow sense, it relates relationships between public organisations and their stakeholders which specify the duties to clarify and justify activities undertaken by these organisations, and they give citizens the right to ask questions, express their views and set requirements [Romzek and Dubnick 2001, Romzek et al. 2012]. Therefore, public accountability is connected with the citizens’ expectations of the state and public administration, especially with regard to: “solving problems identified and articulated by citizens on their behalf and in their interest; preventing conflicts due to balancing values shared by the society; providing attention to a high standard of public services on the basis of social justice; economically effective and calculable functioning of administration [...]” [Kożuch and Dobrowolski 2014, p. 38]. Therefore, it may be ascertained that public trust refers to inter-organisational and intra-organisational level. Inter-organisational trust suggests the trust level of the partner organisation relative to the focal organisation based on such factors as: reliability, predictability, and fairness [Zaheer et al. 1998]. Nevertheless, this article places an emphasis on the intra-organisational level, because it is impossible to produce trust between organisations and local communities without this type of trust.

Intra-organisational trust pertains to horizontal and vertical relationships occurring within a single organisation [Mayer et al. 1995; Gilbert et al. 1998, Li et

al. 2012]. Graham Dietz and Deanne N. Den Hartog [2006, p. 570] identified six different work-based relationships including: relationships between an employee and supervisor, between two employees, between an employee and employer, between an employee and whole organisation, between organisational departments and multiple relationships within the organisation. Level of intra-organisational trust depend thus not only on interpersonal relationships but also employees' perception of operational practices formally used [Vanhala and Ahteela 2011]. They may be classified into the following continuum of degrees of intra-organisational trust [Dietz and Den Hartog 2006, p. 563]:

- deterrence-based: distrust;
- calculus-based: low trust;
- knowledge-based: confident trust;
- relational-based: strong trust;
- identification-based: complete trust.

Critical analysis of the existing literature allow definition of intra-organisational public trust as an individual, group or collective justification when establishing and developing trust relationships rationally (i.e. common goals, routines, procedures, staff competences, etc.) or relationally rooted (i.e. shared goals, norms and values, codes of conduct) considered in the context of meeting public needs [Blind 2006; Keele 2007; Thomas 1998]. Hence, it may considered as sufficient to separate two types of intra-organisational public trust, i.e. rational and relational trust.

Rational-based trust originates from individual assessments of existing relations, competences possessed by employees and supervisors as well as current staff attitudes. Also, it applies to practical experience and logical deliberations with regard to activities jointly executed. Thus, it has a normative aspect [Pedersen et al. 2014] and entails a cognitive attitude [Frost-Arnold 2014]. Meanwhile, from the perspective of the relational approach, trust is principally generated through direct interactions resulting from voluntary collaboration and commitment by all parties. In the context of these relationships, common conduct standards are defined, communication practices are formulated, or subsequent joint ventures are recognised. Relational-based trust is connected with primary interdependencies, frequently emotional ones for both parties, stems from convictions and good will [Faulkner 2007]. It changes in time – it is initiated, built, bolstered, or even destroyed as a result of current transactions [Tabak and Smith 2005, p. 178].

Due to the opportunities of gathering experience, identifying expectations, creating shared values or minimising opportunistic risks, the studies described in the reference literature underline the advantage of relational-based trust over rational-based trust [Poppo et al. 2015]. Though both types enumerated have different meaning for the decision-making process. Rational trust suggests benefits from collaboration based on the continuous calculation, whereas relational trust

is grounded in irrational experience and repetitiveness of interactions. For that reason, both identified types of intra-organisational public trust are critical to the work performed by public managers.

Trust versus competences of new public managers

The literature on the subject increasingly stresses the significance of trust in managers' work. Specifically, this arises from the need to continually align capabilities for actions to ongoing circumstances, to solve conflicts, manage knowledge, coordinates operations, etc. [McAllister 1995]. Research conducted by B. Kożuch reveals that a suitable set of managers' competencies is at the heart of building and restoring organisational trust [Kożuch and Dobrowolski 2014, p. 28]. Competences of public managers encompass experience, and capacity to accomplish organisational goals as well as consider social sensitivity [Farnham and Horton 1996, p. 7]. Hence, these managers tend to be creators of public trust analysed from the organisational perspective. They may generate public trust through their management style that ensures appropriate organisation of these institutions so as to fulfil citizens' needs in compliance with the mission pursued by the organisations. They discharge their obligations by consistent authorisation of actions and implementation of accountability mechanisms. Their objective is to develop public services offered, thereby meeting social needs in the long-term. This results from the necessity of carrying out long-term ventures and interactions to build public trust. Occasional and sporadic activities contribute to enhancing social satisfaction, yet they fail to strengthen public trust [Wang and Van Wart 2007, p. 270]. To this end, public managers also need reliable employees. Managers' trust towards employees has huge impact on the course of decision-making processes [Tzafrir 2006, p. 1602]. Meanwhile, mutual trust is heavily dependent on that how they perceive their employees, which is further manifested in the manner they are treated [Shore et al. 1995]. Broadly speaking, managers initiate creation of trust among their employees through trustworthy behaviour. Factors that influence employees' perceptions of managerial trustworthiness contain [Whitener et al. 1998, p. 516]:

- behavioural consistency,
- behavioural integrity,
- sharing and delegation of control
- communication (e.g. accuracy, explanations, and openness),
- demonstration of concern.

Whilst trustworthy behaviour of managers is affected by organisational factors (e.g. HR policies and procedures), relational (e.g. expectations) and individual (e.g. values) [Whitener et al. 1998, p. 519]. The factors specified show that trustworthy behaviour is central to build and maintain trust. This is closely linked to such competences used by public managers as programme capability and collaboration.

They require both actions, stemming from analytical discussions as well as relational capabilities. Therefore it may be assumed that competences of contemporary public managers are closely connected with rational and relational dimensions of trust.

METHODOLOGY

Presented work is a theory-based empirical study. Identification of intra-organisational trust was accomplished based on questionnaire surveys in 8 commune offices in the Malopolskie Province. The research was pilot in its nature.

The survey questionnaire was conducted on the organisational concept for public trust perspective [Kozuch and Dobrowolski 2014, pp. 11–109, 219–229]. Having in mind this concept, questionnaires devised by R.B. Shaw targeted to business organisations were adapted [Shaw 1997].

It was assumed that survey would cover 100 randomly selected employees from these offices. Such sample selection implies that statistical inference based on the findings obtained from the sample may only refer to the community surveyed. The analysis of the results selected is based on 93 properly completed questionnaires.

RESULTS

Identification of components of rational and relational trust

Based on research conducted, fundamental components producing rational and relational trust were identified. Essentially, public managers' competences related to knowledge, capabilities and operational practice were assigned to rational trust. Whereas relational trust covered interactions, mutual attitudes and interdependencies between public managers and their employees. The classification was displayed in Table 1.

Table 1. Components of rational and relational trust

Component	
Rational trust	Relational trust
Reliability	Managers' openness
Fulfilment of obligations	Concern of public affairs
Effectiveness	Mutual friendliness
Attitude to changes	Appreciation of employees competencies
Clarity of goals	Compliance principles, values and practice
Trust to managers	Commitment
Openness on matters of citizens	Attitude to employees
Cooperation	Bonds with co-workers
Delegation of powers	Impartiality
Work as the basis for assessments	Positive relationships with immediate supervisors
Fairness	Feeling free to express view
Consistency of organisational practices	Propensity to trust

Knowledge about office
Objectives and measures compliance
Empowerment
Participation

Source: own elaboration based on the study completed, 2014.

It should be also highlighted that in the case of some components a boundary between rational and relational trust is not clear. For example, this applies to **compliance with the principles and practice of organizational values**. This may come not only from rational but also emotional motives. The classification adopted is premised on the prevalent aspect – rational or relational.

Assessment of the level of rational and relational trust

Creation of trust rests on fulfilment of requirements related to its particular components. This is made possible due to adequate managerial competences. Respondents were asked to assess the extent to which given factors characterizing a person decide that they would be able to trust that person in the performance of their duties. The analysis of ratings was carried out from the perspective of identified components of rational and relational trust, thereby describing a high, medium and low level. The results obtained were provided in Table 2.

Table 2. Assessment of components of rational and relational trust [%]

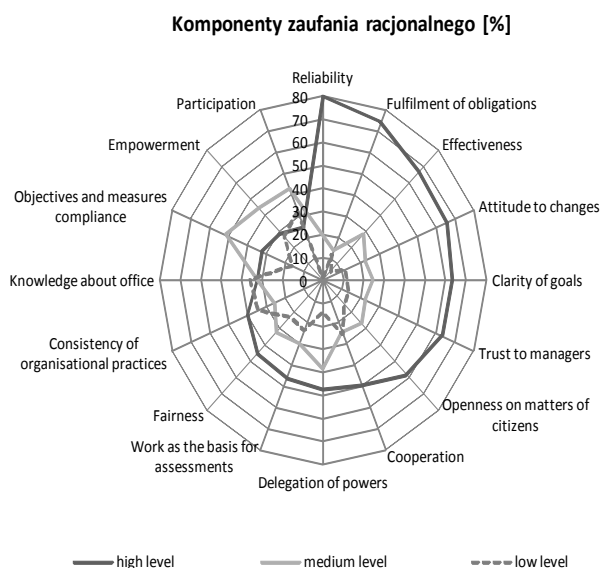
Specification	Level		
	high	medium	low
Components of rational trust			
Reliability	79,6	19,3	1,1
Fulfilment of obligations	74,2	14,0	11,8
Effectiveness	66,6	28,0	5,4
Attitude to changes	65,6	22,6	11,8
Clarity of goals	63,4	24,8	11,8
Trust in managers	63,4	22,6	14,0
Openness on matters of citizens	58,0	26,9	15,1
Cooperation	49,5	24,7	25,8
Delegation of powers	47,3	38,7	14,0
Work as the basis for assessments	46,2	30,1	23,7
Fairness	45,2	32,3	22,5
Consistency of organisational practices	39,8	25,8	34,4
Knowledge about office	32,3	32,3	35,4
Objectives and measures compliance	32,3	51,6	16,1
Empowerment	29,0	44,1	26,9
Participation	24,7	43,0	32,3
Components of relational trust			
Managers' openness	76,4	16,1	7,5

Concern of public affairs	76,1	17,4	6,5
Mutual friendliness	67,7	19,4	12,9
Appreciation of employees competencies	67,7	18,3	14,0
Compliance principles, values and practice	66,7	22,5	10,8
Commitment	57,0	29,0	14,0
Attitude to employees	55,9	24,7	19,4
Bonds with co-workers	55,9	26,9	17,2
Impartiality	53,7	33,3	12,9
Positive relationships with immediate supervisors	36,6	31,2	32,2
Feeling free to express view	30,1	38,7	31,2
Propensity to trust	23,7	33,3	43,0

Source: own elaboration based on the study completed, 2014.

Among components that form rational trust the highest rating was given to reliability (79,6%), fulfilment of obligations (74,2%) and effectiveness (66,6%). These components were also characterised by the highest diversity of responses. Thus, it may be claimed that they work as foundation for building rational trust. Whereas such components as participation, empowerment, objective and measures compliance and knowledge about the office scored lowest ratings. This implies individualisation of public managers' work. The findings were illustrated in Figure 1.

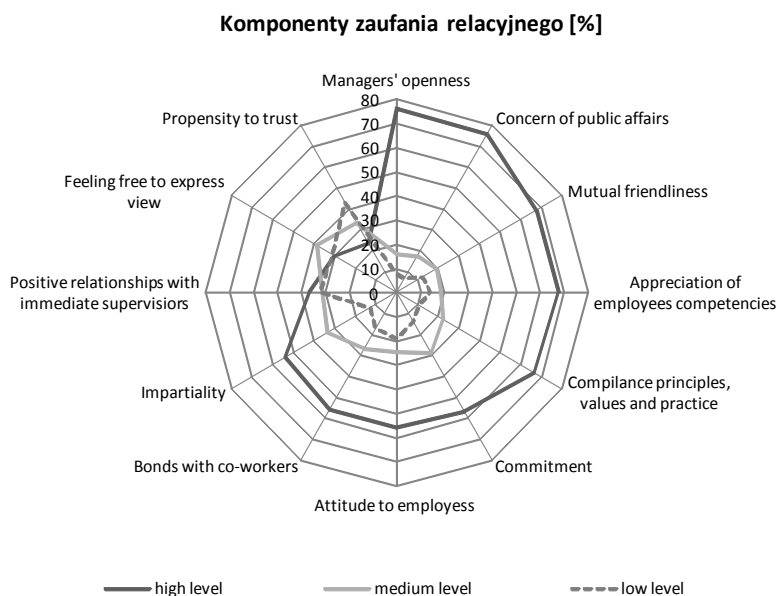
Figure 1. Assessment of components of rational trust [%]



Source: own elaboration based on the study completed, 2014.

Meanwhile, in the case of components of relational trust, manager's openness (76,4%), concern of public affairs (76,1%), mutual friendliness (67,7%) and appreciation of employees' competences (67,7%) topped the list. The lowest rating went to propensity to trust, feeling free to express view, positive relationships with immediate supervisors. Clearly, these results demonstrate appropriateness of relationships between public managers and employees as well as formality and superficiality of these relationships. Its potential upshot may be failure to exploit full potential of employees and low level of relational trust. The results attained were presented in Figure 2.

Figure 2. Assessment of components of relational trust [%]



Source: own elaboration based on the study completed, 2014.

Results gained show how surprising opinions characterizing the nature of intra-organisational public trust are. Researched trust is based not only on rational judgements but also represents relation-based trust. Reliability, effectiveness, positive attitude to change, clarity of goals, belief in management and openness on citizens affairs are good examples of antecedents of rational trust while openness of managers, concern for public affairs, mutual friendliness, faith in the ability of employees, compliance of principles and values of the practices, and commitment are antecedents of relational trust.

CONCLUSIONS

The subject of trust is a critical factor to effectively meeting public needs. It has been recognised that trust within organisations is of great importance. Despite significant theoretical work over the past several years, the phenomenon of intra-organisational public trust and its development remains elusive in theory and practice. We have argued that the pursuit of scientific clarity has made researchers confused and can make the concept of intra-organisational public trust more difficult to understand. It underlines the significance of intra-organisational public trust in daily organisational behaviours. It helps achieve greater effectiveness of activities and better results.

In the course of research completed it was claimed that:

1. Trust constitutes a means used to deliver goals of public organisations and manifests itself in managers' competences which include analytical activities as well as relational capabilities. Therefore, public managers' competences are closely connected with rational and relational dimensions of trust.
2. Rational trust arises based on rational assessment and evidence-based judgement. Among identified components of that type of trust, reliability, fulfilment of obligations and effectiveness received highest ratings, whereas participation, empowerment, objectives and measures compliance, and knowledge about the office ranked lowest.
3. Relational trust is grounded in the emotional and psychological aspects that form the relationship. In this aspect top ratings went to manager's openness, concern for public affairs, mutual friendliness and appreciation of employees' competences. Meanwhile, propensity to trust, feeling free to express views and positive relationships with immediate supervisors received lowest ratings.
4. The assessment of trust components in public managers' work reveals appropriateness and formality of their relationships with employees and individualisation of their work. Its outcome may be failure to exploit employees' full potential and lack of possibilities to build a high trust level. Respondents recognise the need for public managers to principally use traditional, technical and organisational and programme capabilities. It is necessary to bring bigger focus on capacities related to building and maintaining trust relationships with employees.

The research completed requires further in-depth studies due to ongoing limitations. These limitations include the territorial scope that exclusively covers the Malopolskie Province. On top of that, the research only covered selected employees from commune offices. Despite these limitations, the significance of trust for public managers' work was analysed, and fundamental components of rational and relational trust were identified and assessed. However, due to the growing role of trust for functioning of public organisations, including public managers' work, it

is essential to continue launched research whose findings were illustrated in this paper. The planned future research should encompass larger territorial scope and deep insight trust-based organisational relationships.

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Differences in Competency Management – Comparative Analysis between Polish, Spanish, and Austrian Business Practices

Abstract: The main goal of the article is to present some differences in the practice of competency management, perceived as a part of human resources management, that were identified in the empirical research conducted in three countries, that is Poland, Spain, and Austria. Our research is placed within cross-cultural HRM and comparative HRM, that together with corporate-international HRM make three theoretical and research streams within international human resources management (IHRM). This is because on one side, the analysis of the research data covers comparison of competency management systems and practices both at the organizational and national level in different countries, but on the other side, we make an attempt to discuss the possible influence of national culture on identified differences.

Key words: competency management, cultural dimensions, cross-cultural HRM, comparative HRM

INTRODUCTION

In today's competitive and constantly changing business environment competency management (CM) is considered as a tool that may help companies to

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respond to competitive business challenges. The main assumption is that with the implementation of a competency framework, employees are seen as the main source of value added as well as the main source of competitive advantage.

In this context the **main goal of the article** is to present some differences in the practice of CM that were identified in the empirical research conducted in three countries, that is Poland, Spain, and Austria. Our research is placed within cross-cultural HRM and comparative HRM, as two theoretical and research streams within international human resources management (IHRM). This is because on one side, the analysis of the research data covers comparison of CM systems and practices both at the organizational and national level in different countries, but on the other side, we make an attempt to discuss the possible influence of national culture on identified differences.

The findings presented in this article make a part of some bigger research project cofounded by the Erasmus+ Program of the European Union. The main goal of the empirical research was to identify, analyze and diagnose business practices in the scope of CM in selected European countries. However, in this article we focus only on content analyses of CM, its configurations with other HRM components (subfunctions), as well as its connections with the business strategic objectives.

In our project we assume that competency management is as a part of human resources management which itself is a part of company management. To make these assumptions clear it is necessary to explain the basic terminology and definitions adopted in this research project, as to mention competency, competency management, and human resources management.

THE TERM AND SCOPE OF COMPETENCY MANAGEMENT

In the literature there is no common agreement on how to define competency and how it differs from competence as these two terms are sometimes used interchangeably and sometimes as two words of different meaning. This is the final conclusion that comes from our broad literature review, covering the internationally recognized publications produced within the last 35 years and resulting in a broad array of various definitions mostly quoted in the pertinent literature¹³.

One of the reasons is that competency and competence are objects of interests of different scientific disciplines [Gonsalvez, Calvert 2014, p. 201]. Another important reason lies in the fact that competencies are an object of interest in different sectors, both private and public, and within these both in the USA and Europe as well [Page et al 2005]. Thus, competencies are discussed from national, sectorial

¹³ See the selected examples: Boyatzis 1982, p. 16, Guion 1991, p. 335, Spencer & Spencer 1993, p. 4, Woodruffe 1993, p. 29, Rowe 1995, p. 12, Mirabile 1997, p. 21, Green 1999, p. 5, *The Manager...* 2001, p. 1, Buford & Lindner 2002, p. 3, Jackson, Schuler 2003, Gangani et al 2006, p. 127, Draganidis, Mentzas 2006, p. 53, Teodorescu 2006, pp. 27–29, Ljungquist 2007, p. 396, Guidelines 2011, p. 33, Antczak 2013, Kupczyk 2013, p. 25, Stor 2014, p. 15.

or organizational perspectives [Chapman, Lovell 2006]. Moreover, some authors focus on inputs and outputs connected with competencies and consider them in the context of individual or corporate requirements [Hoffmann 1999, p. 283]. So far, different stakeholders have been also interested in competencies, as to mention: psychologists, management theorists, human resource managers, educationists, politicians, trade unions, employer groups etc. [Burgoyne after: Hoffmann 1999, p. 275].

Apart from that, for many years there have been some differences between American and British English as well [Moore et al 2002]. The dominant approach in the USA has been to employ a person-oriented job analysis (e.g. behavioral event interviews) to identify those characteristics distinguishing superior performers. The competencies are thus expressed as skills, personal characteristics or behaviors. The dominant approach in the UK is to use a tasks-oriented job analysis technique called functional analysis to identify the necessary roles, tasks and duties of the occupation, rather than the skills of successful job holders [Cheng et al 2003, p. 530].

All this brings to a conclusion that depending on a scientific perspective that somebody employs the definitions of competency and competence are formulated respectively. At the same time the similar phenomena are observed in business practice, meaning various definitions of competency and competence resulting from different practical and implementive perspective.

In our research project we assume, taking the organizational perspective, that **competency** means the skills, knowledge, personal characteristics, and behaviors needed to effectively perform a role (work) in the organization and help the business meet its strategic objectives. And to make the distinction between competence and competency clear, we also assume that **competence** (plural – competences) means a potential ability or a potential capability to function in a given situation while competency (plural – competencies) focuses on the actual performance in a situation. Thus, competences make employees capable of fulfilling their job responsibilities and their competencies make them perform their jobs as expected. In other words, competencies are determined by comparing where the employees are now with established performance standards developed in the work environment according to their roles and setting based on standard (template) competences. That means an employee needs competence before he or she can expect to achieve competency (Stor, 2014a:15). In our understanding these definitions are broad enough to help us grasp all the different practices within CM that we want to include in our empirical research.

When it comes to defining competency management we encounter the same kinds of problems as those within the scope of competency and competence – meaning, a huge variety of definitions used in theory and business practice¹⁴. That's

¹⁴ See the selected example: Homer 2001, p. 59, Gangani et al 2006, p. 131, Capece, Bazzica 2013, pp. 40–44, Rausch et al 2002, Van Assen 2000, pp. 142–143, Draganidis, Mentzas 2006, p. 51,

why in this research we've decided to define **competency management (CM)** as a set of activities performed in an organization and oriented toward identification, acquirement, development and maintenance of such employees' competencies that enable the company reach its strategic goals.

There are also different approaches to whether CM is a part of something bigger, like generally understood company management, human resources management, human resources development, knowledge management or whether it is a separate issue from all those mentioned here. But in our understanding, in a context of a company it can't be considered as something existing in a vacuum. That's why in our research project it is perceived as a part of **human resources management**¹⁵ (HRM) which itself is a part of company management.

In today's competitive and constantly changing business environment, CM may help managers and human resource professionals improve the skills portfolio and the efficiency level of their workforce to match changing market demands, in order to respond to competitive business challenges. Ranging from staffing (recruitment, selection and placement), retention, performance appraisal, motivating, compensation, promotion, talent and high-potential programs, dismissals, and training and development to organizational strategic planning, competencies are used today in a wide range of functions within human resources management. The main assumption is that with the implementation of a competency framework, employees are seen as the main source of value added as well as the main source of competitive advantage.

But as competencies are expected to bring the company its competitive edge through some value added it is justified to employ some more modern approach to HRM, that is the strategic one. In this context **strategic human resources management (SHRM)** covers these decisions and actions which refer to employees, give direction for personnel operations in their long run and are of substantial significance to organization success [Listwan 2000, p. 14]. The aim of SHRM is to provide the directions and means of utilizing human resources in pursuing company's goals achievement [Listwan 2010, p. 60].

THE STRATEGIC CONNECTIONS: COMPETENCIES, HRM AND BUSINESS GOALS

What the authors emphasize in the literature is that competency-based HRM enables the company to fulfill its business needs. This should be valuable for those companies whose goals are to [Dubois, Rothwell 2004, pp. 53–45; Gangani et al

Rodriguez et al 2002, p. 310, Ngo et al 2014, Sienkiewicz 2013, p. 10, Kupczyk 2014, p. 25, Filipowicz 2014.

¹⁵ HRM is defined as a set of activities concerning people and tending to achieve organizational objectives and fulfill employees' needs [Listwan 1986, p. 19]. Its main objective is to make the company gain its competitive edge and enable the organization to succeed through its employees.

2006, p. 127; Soderquist et al 2010, p. 326; Oleksyn, 2010, p. 40; Sutton, Watson 2013, p. 1026; Sienkiewicz, Trawińska-Konador 2013, p. 7]:

- acquire the high level of efficiency and effectiveness,
- increase competitive advantage,
- improve the quality of products and/or services,
- adjust organizational and employee competencies to changing needs,
- improve production efficiency and productivity,
- prepare the organization to further growth and development,
- facilitate change implementation in organizational culture,
- reach better results in relationships with customers,
- be more flexible and more responsive to the external and internal dynamically changing requirements,
- improve financial results,
- integrate particular HRM subfunctions, procedures, method, techniques, and instruments,
- adjust HRM procedures to company mission, vision, values, strategies and business goals.

In this handling CM feeds and supports both HRM and company management simultaneously. It is perceived as a common ground for business and HRM strategies and substrategies. This is how a company can gain, maintain and develop its competitive edge thanks to people treated as a [Stor 2012]:

- resource which is valuable (possesses some value), rare (possesses certain unique features), inimitable (imperfectly imitable), and nonsubstitutable (imperfectly substitutable), but also as a
- capital asset which is a source of present and future incomes, and through investment made in this asset it can bring an expected return in the form of benefits or value added inputs.

This makes at least a partial explanation why competency-based practices utilize a competency framework to align the strategic imperatives of an organization with its key HRM programs. By applying a systematic framework to evaluate employee competencies, an organization may be able to build an ongoing snapshot of the overall knowledge and skills portfolio of its workforce. An organization can utilize this information to perform organizational assessment and may be able to improve its HRM programs, including talent acquisition practices, performance management system, training and development tools, employee retention practices, and organization development strategies [Gangani et al 2006, p. 127].

So far the conclusion is that basing company management and HRM on key competencies and further making the strategies of these two types of management coherent is expected to influence positively on sustainable competitive advantage of a company. The practice may go two ways. A company may firstly decide to

determine its business goals. Then it may identify the competencies necessary to reach these goals. And finally it may establish a framework for competency-based HRM in which different subfunctions of HRM are founded on competencies and all this is to contribute to the realization of business goals. But a company may also decide to go the other way which is to build its business strategies after the key human competencies and organizational capabilities are identified. In this case it is not strategies that determine competencies needs but it is competencies that determine the strategies. When this first task is completed then the company may establish its competency-based HRM system to acquire, maintain and develop its human competencies (and company's capabilities) in pursuing its business goals and competitive advantage. These strategic connections between competencies and HRM and business strategies make the basic foundations for CM itself.

THE GOALS AND PROCESS OF COMPETENCY MANAGEMENT

The research shows that organizations adopt CM for similar reasons (listed in decreasing order of frequency): to enhance performance, to integrate HR processes, to align behavior with corporate values, selection, development, and career pathing [Stone 2013, p. 335]. And the discussions that accompanies these developments over the meaning and goals of CM leads to a conclusion that depending on the specific needs of a company, its HRM system as well as people themselves, CM finds a lot of different uses which serve selected goals. They range from more general to more precise, from more business-oriented to more human capital-oriented, from more organizational to more individual. But the main goal that CM is to support is to enable the company succeed, to gain and maintain its competitive advantage and to prepare the organization for any alterations and changes that appear in its external and internal environment.

And as about the CM process itself, as the name implies, it is a sequence of activities that one needs to perform to manage competencies. In this scope the literature provides various examples of both theoretical approaches¹⁶ and practical developments applied in business practice¹⁷. The theoretical concepts lead to a general conclusion that the CM process can be perceived from narrower or broader perspective depending whether the authors focus on tying competencies directly with strategic company goals, business strategies and associated HRM strategies or whether they focus on company functioning performance, business processes,

¹⁶ See for example: Dubois, Rothwell 2004, p. 46, Gangani et al 2006, pp. 130–131, Mansfield 1996, p. 7, Capece, Bazzica, 2013, p. 43; Draganidis, Mentzas 2006, p. 55, Yang et al 2006, p. 68, Suchodolski 2014.

¹⁷ See for example: The 3M Company [Alldredge, Nilan 2000]; American Medical Systems [Gangani et al 2006], A Chilean construction company [Serpell, Ferrad 2007]; A joint project of UKPIA & Cogent in petroleum industry [*Guidelines for...*, 2011]; Automobile Club d'Italia [Capaldo et al 2006].

project requirements, job demands, tasks characteristics etc. All this determines the number of particular steps followed in CM, the content of these stages, their internal and external connections as well as expected results. And regarding business practices, CM systems are developed from broader contexts, like industry, or from narrower one, meaning company's. And similarly to theoretical conceptions they are applied to improve organizational functioning, ensuring business goals and strategies realization mostly by tying CM with particular subfunctions of human resources management¹⁸.

COMPETENCY MANAGEMENT IN COMPARATIVE HRM

Our research, as said in the introductory part of this article, is placed within comparative **HRM** and cross-cultural **HRM**, which together with corporate-international HRM make three theoretical and research streams within international **human resources management (IHRM)**¹⁹ (see Table 1). This is because in the empirical part of our research we intend to compare the CM systems at the organizational level in different countries, as well as discuss some possible influences of national culture on identified differences.

¹⁸ All these are usually supported by IT solution and software. About the role of IT tools in HRM development see: Antczak, 2014.

¹⁹ IHRM alone dates back to the end of the 1970s of the previous century [De Cieri et al. 2003]. Initially, the IHRM literature focused mainly on managing expatriates [see: Perlmutter 1969; Tung 1981; Mendenhall Oddoi 1985]. Simultaneously, one could differentiate publications entirely devoted to the research on cross-cultural problems (see Hofstede, 1980 and next; Laurent, 1986) or mostly interested in comparative HRM [see: Brewster et al. 1996]. As with time more and more publications on international business strategies appeared [see: Bartlett, Ghoshal 1989 and next: Porter 1986, Prahalad, Doz 1987], HRM in MNCs aroused more interests as well. And this is how the three theoretical and research streams mentioned before set apart within IHRM, that is corporate-international HRM, cross-cultural HRM, and comparative HRM [cf. Boxall 1995, p.9; Schuler 2000, p. 240; Clark et al. 2000, p. 8; Sparrow et al. 2003, p. 3; Keating, Thompson 2003, p. 2, Stor 2011], although some kind of convergence in these three fields is observable as the years pass [cf. Budhwar, Sparrow 2002]. To explain why, it is enough to say that international business partnerships concluded by MNCs (multinational companies) or entering into different types of international joint ventures by these companies make both internal and external HRM environment more complicated, and thus imposing a necessity of more holistic but at the same time more detail approach to HRM issues. This results in operating on the overlap of those three theoretical and research streams perceived as disjunctive.

Table 1. Tripartition of basic theoretical and research streams in IHRM

Corporate-international HRM	Cross-cultural HRM	Comparative HRM
Refers to HRM practices in different types of MNCs. The authors are generally interested in identifying the differences in HRM between particular MNCs. The research projects cover differences at various organizational levels (e.g. HQs, local subsidiary) and with regard to different subfunctions of HRM.	Deals with the influence of cultural differences on HRM practices. The authors are mostly interested in different characteristics of HRM resulting from national culture. These characteristics include not only personnel systems, functions, programs or policies, but interpersonal and social relations as well.	Covers comparison of HRM systems and practices both at the organizational and national level in different countries. The authors intention is to identify the differences in HRM practices between particular countries. Such comparison may include some comprehensive approach to HRM or just focus on some of its subfunctions.

Source: Stor M. (2014), *Reconceptualizing Strategic International Human Resources Management in the Pursuit of MNC Sustainable Competitive Advantage*, "Human Resource Management", No 6, Issue 101, p. 12.; Stor M. (2011), *Strategiczne międzynarodowe zarządzanie zasobami ludzkimi*, Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu, Wrocław, p. 94.

A brief review of the actual state of the art in a field of comparative HRM suggests that not much research has been devoted so far to CM in business companies due to identify its similarities and differences in country's context. Much more research concentrated on public sector. A good example in this scope, among many others, is S. Op de Beeck's study. In her research she focused on CM at the national level of government. Her final research report gave an overview of current practices in the management of competencies in the public sector. The examined countries included Australia, Austria, Belgium, Canada, Denmark, France, Japan, Korea, the Netherlands, the United Kingdom, and the United States [Op de Beeck 2010]. Some other researchers exhibit interest in educational frameworks. Here an example makes T. Weigel et al who reviewed how four European countries: England, Germany, France and the Netherlands use the concept of competence in the process of developing vocational education and training [Weigel et al 2007]. When it comes to business organizations most comparative research covers only selected issues within CM, paying rather no attention to its more comprehensive or holistic view. For example, although S. Filippov and G. Duysters in their research examined patterns of competence-building in foreign subsidiaries located in new member states of the European Union, they were interested in how subsidiaries accumulate knowledge and competences from interaction with their environment than in employee competencies and their management [Filippov, Duysters 2011].

The last research case worth mentioning refers to J. Mühlbacher et al who examined the individual competencies of almost 300 top and middle managers in the Czech Republic, Hungary and Slovenia, and compared the different sets of competencies and interpreted them according to the given economic situation in these countries [Mühlbacher et al 2013]. Of course, there is a huge number of other research projects in the field being discussed, but together with the examples provided here all this suggests that there is a research gap that needs fulfilling.

THE EMPIRICAL RESEARCH METHODICS

The findings presented in this article make a part of some bigger research project cofounded by the Erasmus+ Program of the European Union entitled *Agile-Based Competency Management*. **The main goal of the empirical research** was to identify, analyze and diagnose business practices in the scope of competency management in selected European countries. In this context the **main goal of the article** is to present some differences in the practice of CM, perceived as a part of human resources management, that were identified in the empirical research conducted in three countries, that is Poland, Spain, and Austria. **The general focus** is on:

- content analyses of CM,
- its configurations with other HRM components (subfunctions),
- its connections with the business strategic objectives.

The main research problem, that the authors of the article intend to solve, results from the preliminary literature findings, as a summary partly discussed in the sections above. In consequence, from the scientific point of view we asked the following **research question**: *What is the current standing of competency management in business practice of Polish, Spanish and Austrian companies and what are, if any, the main differences in this scope?*

Furthermore, as a result of the initially accomplished conceptual settlements, the main research problem was disaggregated into the following **research problems and questions** of much detail character:

1. What are the goals of CM?
2. How it is connected with other subfunctions of HRM?
3. What does CM cover?
4. What, if any, are the strategic connections with company management and/or individual and business performance?

The population of the subject under research made the companies of different size and business profiles. The key requirement to be included in the research was that a company should exhibit any kind of CM advancement. It is about the companies that realize somehow the activities within CM.

The research project bases both on qualitative and quantitative methods of research. Firstly, in the preparation phase of the research the project team members

conducted interviews in about 6 selected companies (the major selection criteria: relatively high advancement of CM) and with 4 trainers/consultants (the major selection criteria: relatively long and rich experience with providing services for companies within CM) in order to gain some additional information about the phenomena under study. Next the research team carried out a pilot survey in about 10 companies and with 6 trainers/consultants to verify the research tool. The final research sample that we refer to in this article was composed in 65% of the Polish companies, in 16% of Spanish, and 19% of Austrian. The number and structure of respondents is presented in Table 2.

Table 2. The structure of the research sample

COUNTRY	INTERVIEWS		PILOT STUDY		PROPER RESEARCH	
	Number of companies	Number of trainers /consultants	Number of companies	Number of trainers /consultants	Number of companies	% of companies
Poland	4	2	6	4	93	65
Spain	1	1	2	1	22	16
Austria	1	1	2	1	26	19
Altogether	6	4	10	6	141	100

Source: own empirical research.

Furthermore, in addition to the analysis of the primary and secondary data (various types of the company's documents, including those provided by the company in a paper or electronic form as well as those available in the Internet, including the websites of the companies), the main research technique was survey applied in local languages (Polish, Spanish, Austrian) plus in English. in the three countries. The surveys were performed by the authors of this article in cooperation with two training and consulting companies from Poland, that is Profes and *e-peers*, one training and consulting company from Spain, meaning **Hominem Challenge**, and a nonprofit research association from Austria operating under the name of **The Multidisciplinary European Research Institute Graz (MERIG)**. Using the survey the data were collected in the following ways:

- CATI (computer aided telephone interview) – a telephone surveying in which the interviewer sitting in front of a computer screen follows a script provided by a software application,
- CAWI (computer aided Web interview) – the interviewees access the survey questionnaire in the Internet at the dedicated website²⁰ and complete this on-line,

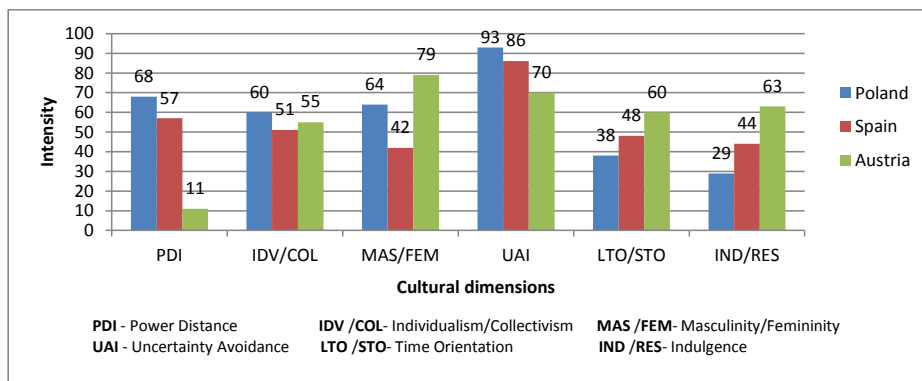
²⁰ The interactive survey questionnaire was available In English at <http://survey.merig.eu/index.php/175655/lang-en>, in Polish at <http://survey.merig.eu/index.php/175655/lang-pl>, in Austrian at <http://survey.merig.eu/index.php/175655/lang-at>, and in Spanish at <http://survey.merig.eu/index.php/175655/lang-es>.

- CASI (computer-aided self-interview) – an electronic questionnaire sent to the respondents by an electronic mail,
- CAPI (computer aided personal interview) – a direct interview in which an interviewer uses a portable computer to enter data directly via a keyboard,
- standard pencil & paper mode – the respondents complete the paper version of the survey given out by the researcher.

Depending on the availability and preferences of the respondents, the most appropriate way of data collection was chosen. The purpose of this was to adjust to the interviewees in such a way as to increase the chances of encouraging them to participate in the research.

To analyze the collected data we used both **descriptive statistical method**, enabling to describe the research sample and then to make conclusions about the whole population, as well as **interpretative methods**. For that reason we had to take some theoretical and contextual assumptions. However, in this article we refer only to some cultural dimensions making some broader but possibly influential context on CM in each country under study. Having in mind all the criticism toward both G. Hofstede's and F. Trompenaars & C. Hampden-Turner's research projects – unfortunately due to the publishing limitations there is no space here to provide some comments on it – we decided to characterize the national and organizational context of Polish, Spanish and Austrian companies referring the research findings on culture received by the mentioned authors. As shown in Figure 12 we used 6 dimensions by G. Hofstede and as presented in Figure 2 only 4 selected dimensions from F. Trompenaars & C. Hampden-Turner's research.

Figure 1. Cultural dimensions of Poland, Spain, and Austria in G. Hofstede's research



Source: (Hofstede, Hofstede, 2005 and the next editions)

Although both types of the research are well-known, it is worth reminding that the scale used in the G. Hofstede's research denotes intensity of a cultural dimensions

and runs from 0 to 100 with 50 as a midlevel²¹, whereas the numbers presented in F. Trompenaars & C. Hampden-Turner's research²² refer to the frequency of answers given by the respondents and classified as a particular dimension. Anyway, as about the Hofstede's research Poland gets the highest score PDI, IDV, and UAI. Austrian scores are the highest in MAS, LTO, and IND, and none of the Spanish scores is the highest.

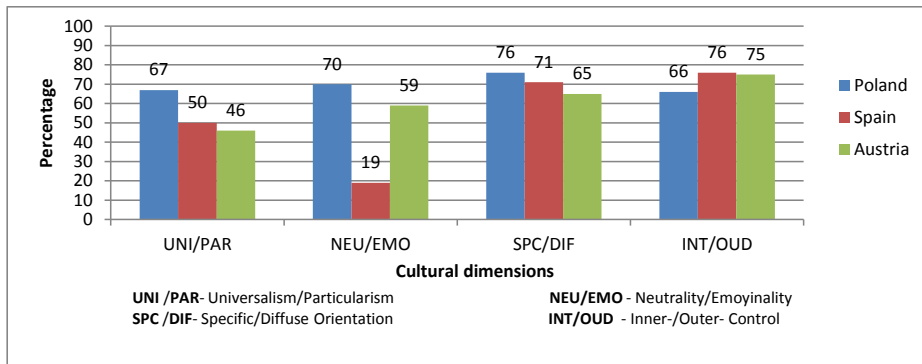
²¹ The G. Hofstede's cultural dimensions are [Hofstede, Hofstede 2005]:

- Power distance (PDI) – the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.
- Individualism vs. collectivism (IDV/COL) – the degree of interdependence a society maintains among its members. In individualist societies people are supposed to look after themselves and their direct family only. In collectivist societies people belong to 'in-groups' that take care of them in exchange for loyalty.
- Masculinity vs. femininity (MAS/FEM) – the extent to which a society is driven by competition, achievement and success (high score – masculinity) or stands for a preference for cooperation, modesty, caring for the weak and quality of life (femininity).
- Uncertainty avoidance (UAI) – the extent to which the members of a culture feel threatened by ambiguous or unknown situations. A high score means that countries maintain rigid codes of belief and behavior (e.g. written rules and formal situations) and are intolerant of unorthodox behavior and ideas. Weak UAI societies maintain a more relaxed attitude in which practice counts more than principles.
- Long-term orientation vs. short-time orientation (LTO/STO) – long-term orientation stands for the fostering of virtues oriented toward future rewards – in particular, perseverance and thrift. Its opposite pole, short-term orientation, stands for the fostering of virtues related to the past and present – in particular, respect for tradition, preservation of "face", and fulfilling social obligations.
- Indulgence vs. restrain (IND/RES) – the extent to which members of a society try to control their desires and impulses. Whereas indulgent societies have a tendency to allow relatively free gratification of basic and natural human desires related to enjoying life and having fun, restrained societies have a conviction that such gratification needs to be curbed and regulated by strict norms.

²² The F. Trompenaars & C. Hampden-Turner's referred to in this article are [Trompenaars, Hampden-Turner 1997]:

- Universalism vs. particularism (UNI/PAR) - the universalist approach says that what is good and right can be defined and always applies. In particularist cultures far greater attention is given to the obligations of relationships and unique circumstances.
- Neutrality vs. emotionality (NEU/EMO) – in the neutrality following societies the nature of interactions is objective and detached, and business relationships are typically instrumental whereas in other societies business is perceived as human affair and thus expressing emotions is quite normal and acceptable.
- Specific vs. diffuse (SPC/DIF)– when the whole person is involved in a business relationship there is a real and personal contact (diffuse), instead of the specific relationship prescribed by a contract.
- Inner-directed control vs. outer-directed control (IND/OUTD) – in the first of these orientations culture tends to identify with mechanisms; that is, the organization is conceived of as a machine that obeys the will of its operators. The second tends to see an organization as itself a product of nature, owing its development to the nutrients in its environment and to a favorable ecological balance.

Figure 2. Cultural dimensions of Poland, Spain, and Austria in Trompenaars & Hampden-Turner's research



Source: Trompenaars, Hampden-Turner 1997.

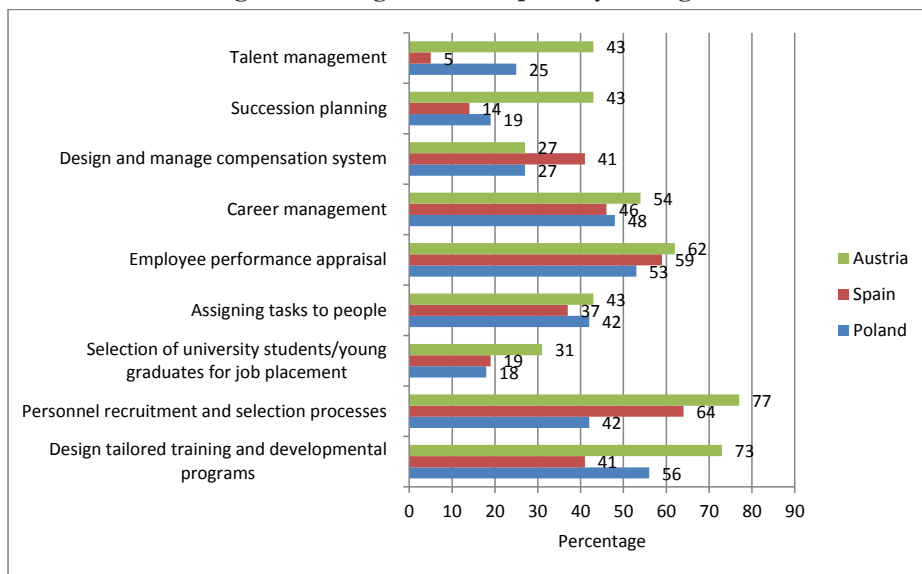
And with regard to F. Trompenaars & C. Hampden-Turner's research, the highest scores in UNI, NEU, and SPC belong to Poland. Spain received the highest score in INT. And none of the Austrian scores is the highest, although its score in INT is only one percentage point lower than Spanish.

THE EMPIRICAL RESEARCH FINDINGS

Before undertaking any kind of activity one of the fundamental questions we ask within management is about the goal(s) we intend to realize. We asked our respondents about the goals of CM in their companies (see Figure 3). In Poland the biggest percentage of responses referred to such goals as designing tailored training and developmental programs (56%), conducting employee performance appraisal (53%), and managing employee careers (48%). In Spain most respondents chose the goals connected with personnel recruitment and selection processes (64%), employee performance appraisal (59%), and career management (46%). In Austria it was personnel recruitment and selection processes (77%), design tailored training and developmental programs (73%), and employee performance appraisal (62%) that gained the highest percentage share in all responses. At the same time the least popular goals in Poland concerned selection of university students/young graduates for job placement (18%), succession planning (19%), and talent management (25%). In Spain the least popular goals were talent management (5%), succession planning (14%), and selection of university students/young graduates for job placement (19%). In Austria the smallest percentage of responses were connected with such goals as designing and managing compensation system (27%) and selection of university students/young graduates for job placement (31%). In general terms, in Austrian companies CM serves many more goals and is connected with more

HRM subfunctions than in Polish and Spanish firms. That's why even the smallest percentage of Austrian responses is on average much higher than the smallest percentages in the other two countries. Analyzing the data we can also observe that there are similar proportions between particular choices of responses in Poland and Austria. Furthermore, both in Spain and Austria personnel recruitment and selection processes come first in their goal-oriented popularity of CM. And both in Poland and Spain employee performance appraisal is on the second position among the responses with highest frequency.

Figure 3. The goals of competency management

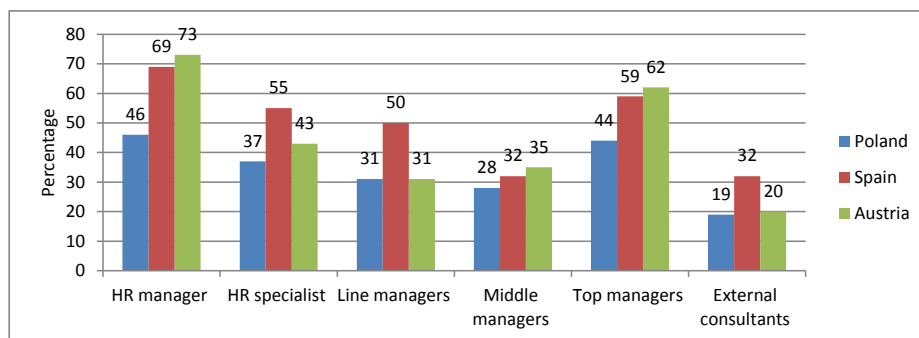


Source: own empirical research.

During the implementation process of CM the companies involved different subjects with different frequency. The data collected in this range are presented in Figure 4. In each country the biggest percentage of those involved in the implementation of CM make HR managers (in Poland – 46%, in Spain – 69%, in Austria – 73%) and HR specialist (in Poland – 37%, in Spain – 55%, in Austria – 43%), and the smallest one make external consultants (19%, 32%, and 20% in Poland, Spain, and Austria respectively). The data also suggests that in Poland there are probably the least diverse implementing teams and probably the smallest in the number of their members. But line (31%) and middle managers (28%) are engaged with nearly the same frequency as in Austria (31% and 35% respectively). What is specific for Spanish companies is that they engage the biggest percentage of HR specialists (55%), line managers (50%), and external consultants (32%) in the whole

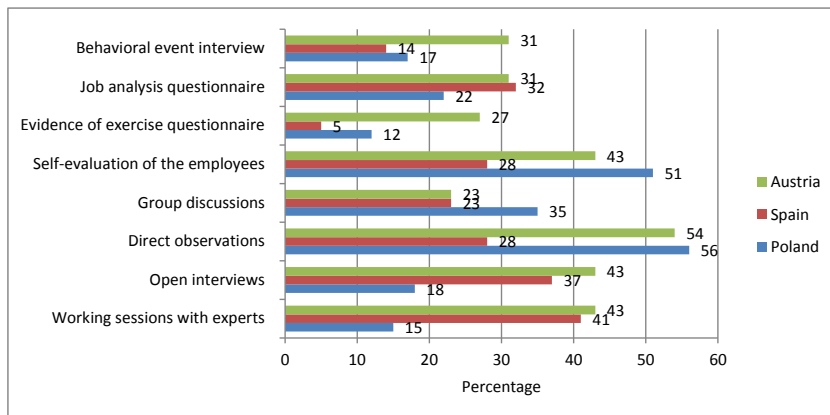
research sample. And probably their implementing teams are the most diverse and the biggest in the number of their members. In Austria the biggest percentage of subjects involved in the implementation process of CM make top managers (62%) and HR managers (73%). It also seems that the higher the organizational level and the more expertise knowledge demanded the more involvement of HR managers and top managers in Austrian teams with comparison to the Polish and Spanish practices.

Figure 4. Subjects involved in the implementation process of competency management



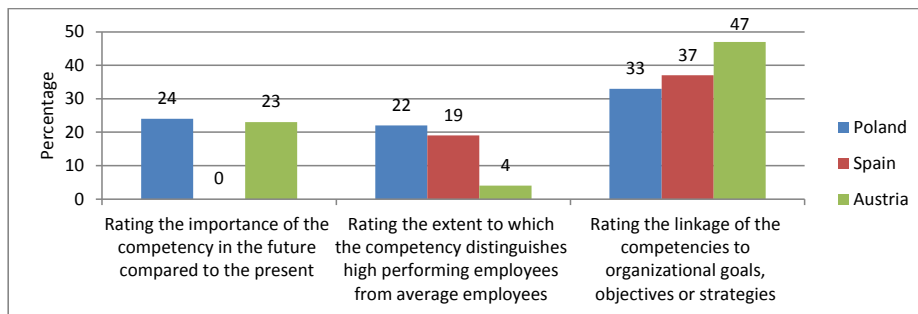
Source: own empirical research.

As about the methods of competency identification we observe very diverse proportions between particular choices in each country (see Figure 5). In Poland the most frequent methods being used are direct observations (56%), self-evaluation of the employees (51%), and group discussions (35%), whereas evidence of exercise questionnaire (12%) and working sessions with experts (15%) are of the lowest frequency. In Spain the most popular methods are working sessions with experts (41%), open interviews (37%), and job analysis questionnaire (32%), and the least popular are evidence of exercise questionnaire (5%) and behavioral event interview (14%). In Austria the most popular are direct observations (54%), and the second place is occupied *ex aequo* by open interviews, working sessions with experts, and self-evaluation of the employees – each method receiving 43% of indications. At the same time of the lowest interest are group discussions (33%). All this leads to a conclusion that both in Poland and Austria the most popular methods of competency identification are direct observations and self-evaluation of the employees. Moreover, it looks as it is Austria in which the companies use the most diverse methods in their business practice.

Figure 5. Methods of competency identification

Source: own empirical research.

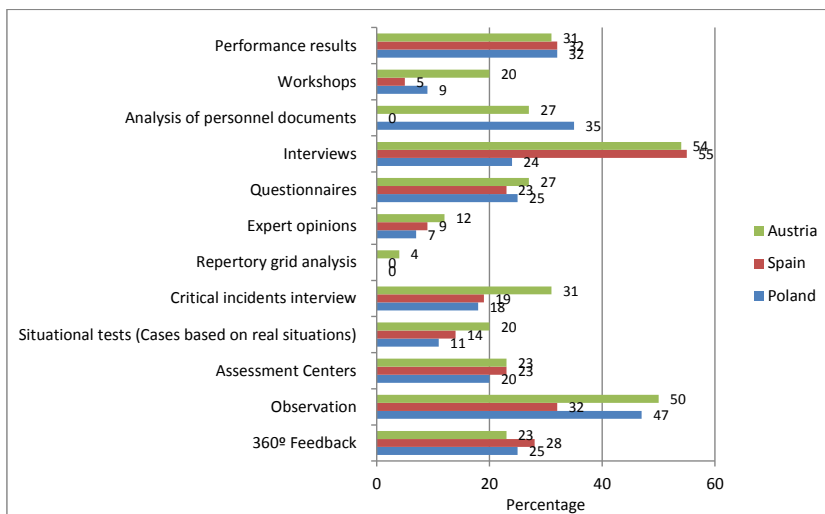
When rating the complexity and/or proficiency levels of the competencies the companies may take different approaches (see Figure 6). Our research findings suggest that in each country rating the linkage of the competencies to organizational goals, objectives or strategies makes the highest percentage of approaches. Within this about half of the Austrian companies made this choice. It also took place in about 40% of the Spanish companies and in about 30% of the Polish ones. The choice of the response referring to rating the extent to which the competency distinguishes high performing employees from average employees is as follows (in descending order): the Polish companies – 22%; Spanish - 19%, and Austrian – 4%. Furthermore, only in Spain there are no ties between rating the importance of the competencies and their future importance but at the same time there's nearly equal interest in it both in Poland and Austria.

Figure 6. Approaches to rating the complexity/proficiency levels of competencies

Source: own empirical research.

Apart from competency identification methods the companies also use different methods of competency assessment. As shown in Figure 7, in the Polish companies the biggest percentage of the all methods being used make observation (47%), analysis of personnel documents (35%), and performance results (32%), and among those of the smallest percentage are expert opinions (7%), workshops (9%), and situational tests (11%). None of the companies reported using repertory grid analysis (0%). More than half of the Spanish companies prefer interviews (54%), and about one third of them make use of observation (32%), performance results (28%), and 360° feedback (25%). The least preferable are workshops (5%), expert opinions (9%), and situational tests (14%). And like in Poland, none of the Spanish companies uses repertory grid analysis (0%). In Austria about half of the companies apply interviews (50%), observation (50%), critical incidents interview (31%), and performance results (31%). At the same time repertory grid analysis (4%), expert opinions (12%), and workshops (20%) have the smallest percentage share among all assessment methods used in this country. All in all, the most popular both in Spain and Austria are interviews, and both in Poland and Austria - observations. We can also observe nearly the same percentage of performance results in all countries. In the whole sample of companies, regardless of their national origin, the least popular is repertory grid analysis. It is only Austria in which 4% of companies uses this method but in the other two countries no company has been interested in this method so far. And everywhere there is rather low interest in expert opinions, workshops, and situational tests.

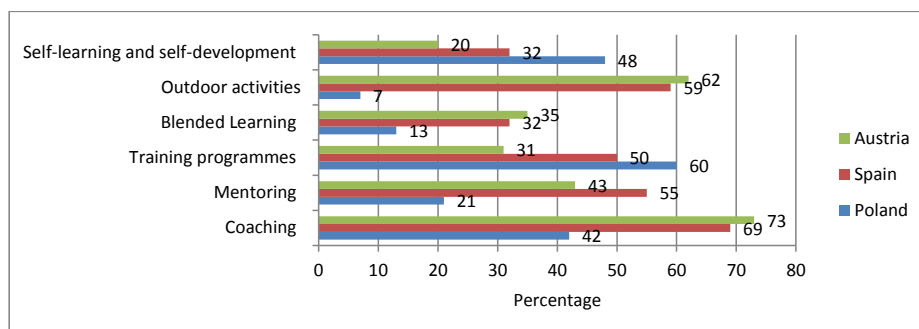
Figure 7. Methods of competency assessment



Source: own empirical research.

To develop competencies the companies use various methods of employee training & development (see Figure 8). In this cope in Poland the most popular are training programs (60%), self-learning & self-development (48%), and coaching (42%). In Spain the most preferable are coaching (69%), outdoor activities (59%), and mentoring (55%). And in Austria those of the highest frequency are coaching (73%), outdoor activities (62%), and mentoring (43%). As about the methods which are the least popular in Poland we find outdoor activities (7%) and blended learning (13%). In Spain and Austria rather none of the methods is of the lowest interest. And it is only self-learning and self-development that gain the lowest percentage of indications (i.e. 20%) in Austria. Generally, we can notice lot of similarities between Spanish and Austrian responses in the range of their proportion between particular choices, as to mention the same order of the most popular methods of employee training & development. Furthermore, coaching is present in each country but in Spain and Austria it is the most frequent method while in Poland it is on the third place. Moreover, while outdoor activities are the second choice among the most popular methods both in Spain and Austria, they are the least popular in Poland.

Figure 8. Methods used in employee training & development processes



Source: Own empirical research

SOME POSSIBLE CULTURAL INTERPRETATIONS OF THE RESEARCH FINDINGS

The goals of competency management seem to be the same in each country but not all of them exhibit the same frequency of strategic connections with HRM subfunctions. In Austrian companies CM serves many more goals and is connected with more HRM subfunctions than in Polish and Spanish firms. What may partly explain this phenomenon is the coexistence of four cultural dimensions in Australian society: inner-directed control (INT), indulgence (IND), high uncertainty avoidance (UAI), and midlevel universalism (UNI/PAR). The INT

societies perceive the organizations as machines that obey the will of its operators. And because the operators (employees) are allowed to strive for different needs and desires (IND), the companies structure and formalize their connections between CM and HRM in various fields to make clear what needs and desires and in what way can be met in a company (UAI). Moreover, Austrian companies with their midlevel score in UNI are both task and people-oriented and as such they need to balance both the requirements of the employees and the business. In this way the more connections between CM and HRM subfunctions and associated goals, the less uncertainty among the employees what is expected from them and the less ambiguity what the company and its management are to do to assure the company of its proper functioning. Austria is also the country with the highest frequency of ties between CM and succession planning. This may be explained by its long-term orientation (LTO) which results in a pragmatic approach to the future events and willingness to be ready to face these events successfully. The LTO dimension is probably also the reason that stands behind the lowest frequency of succession planning in Spanish companies. In Spain people like to live in the moment without a great concern about the future. This is also visible in the Spanish approach to rating the complexity and/or proficiency levels of competency. According to the research data the Spanish companies don't rate the importance of the competencies in the future compared to the present.

It is also Spain that has the lowest frequency connection between talent management, as one of HRM subfunctions, and CM. The probable explanation is that Spain is a collective society in which promoting individuals without appreciating their relations with others may act against the communitarian spirit. That's why career management is on average more popular. Poland with comparison to Spain is an individualistic country (IDV), and is more individualistic than Austria. Together with high universalism (UNI) and high uncertainty avoidance (UAI), all these may explain why the most preferable connection between CM and HRM makes designing tailored training and development programs, whereas in the other two countries number one is personnel recruitment and selection processes. In the high UNI societies a company is perceived as a system designed to perform functions and tasks in an efficient way and people are hired and paid to perform these functions and tasks. That's way the Polish companies focus more on task accomplishing and well adjusted and structured training & development programs (UAI) that suit their individual employees' needs as well as the companies' needs (IDV). It is mostly to ensure that the employees will have the proper competencies in a proper time. At the same time in Spain they assume that the functioning of the organization depends more on social relations than on task performance (more particularism than universalism) and in Austria they try to balance these two things. This can make them more focus on recruitment and selection because it is how they can control the social types of competencies they expect from the potential employees.

In each of the countries under research CM covered such activities as assigning subjects (calling up teams) to deal with CM, competency identification, competency assessment, and competency development. The research findings lead to a conclusion that during the implementation process of CM the most diverse teams and probably the biggest in the number of their members are called up in the Spanish companies, whereas the Polish companies seem to involve the least diverse and the smallest. What can make the reason of the Spanish practice is that its society is rather collectivistic (COL), particularistic (PAR), and feminine (FEM). In this way the more people with different backgrounds are involved, the greater attention can be given to the obligations of various relationships and unique circumstances. Moreover, the more representatives of various company's groups involved, the higher the feeling of belongingness to in-groups and the higher the loyalty to the company and its developments. With regard to the Polish companies two cultural dimensions seem to explain their preferences. On one side, it is masculine (MAS), thus people focus more on tasks than relationships. On the other side, when relationships in a company are considered then they are specific but not diffuse (SPC). It means that in business setting when people are invited to cooperate on something they are predominantly asked to join the team because of their expertise than because of a need to build up the social ties alone. It doesn't mean that social relations are not important at all but they are not the major drive. However, it is not only about the people that invite others to cooperate. From the perspective of those who are invited their participation mostly depends on what they consider to be their own business. When the task doesn't result from their contract and they feel it's none of their business they may be unwilling to cooperate.

Masculinity (MAS), but this time together with neutrality (NEU), may also stand behind the Polish and Austrian choices within the range of competency identification methods. In their business practice direct observations and self-evaluations of the employees are of the highest frequency. It may be so because of the nature of interactions which are supposed to be objective and detached from individual emotions (in contrast to the Spanish culture). And probably these two methods are considered to be the best in collecting the objective information in the competency identification process. They don't demand much interpersonal interactions which usually influence somehow on the information being collected as people exert some mutual impact on each other when they interact. An observer just focuses on gathering the data to complete his or her identification task, like an employee who focuses on providing the data to complete his or her self-reporting task.

As about the methods of competency assessment the Polish companies again prefer those that demand less interpersonal interactions, meaning observations and analysis of personnel documents. Because it is a country of high power distance (PDI) the most such observations are performed by the managers who are entitled

to conduct competency assessment of their subordinates. At the same time Poland is characterized by high uncertainty avoidance (UAI) and this is why the assessors may prefer to base their judgments rather on written and formal documents than on interviews which are preferable in Spain and Austria. Although these two countries also exhibit high UAI, this cultural dimension coexists with more particularistic (PAR) and indulgence (IND) tendencies and hence more interpersonal interactions are expected. These interactions can help the employees to explain their success or failure in competency development through open communication in Austria (low PDI) and through expressing emotions (EMO) in Spain.

Some other differences are visible with regard to the methods of employee training & development. Those demanding more interpersonal interactions and based on social support, like coaching, mentoring and outdoor activities, are very popular in Spain and Austria, whereas those requiring more individual efforts and based on individual strain expected by the organization are preferable in Poland. Supposedly, there are two cultural dimensions that differentiate business practices here, that is individualism vs. collectivism and indulgence vs. restraint. In the Polish individualistic (IDV) and restrained society (RES) - in contrast to Austrian and Spanish - the emphasis is on rewards and outcomes that should be accompanied by a neglect of support mechanisms for employees and little orientation toward people. Individualism together with restraint are associated with a concern for task and not with support for employees. Work is centered around individuals and not groups. Consequently, even training & development practices may be predicted as associated with lower levels of support. Those that need support are perceived as weak and this meets rather negative reactions.

THE FINAL CONCLUSIONS

The main goal of the article seems to be realized. Some differences within the practice of competency management between the countries under research were identified and these differences may result from the existing cultural differences. However, expanding the formulated conclusions on the whole population wouldn't be valid because of the selection, structure and size of the research sample. The primary limitations of this study are mostly connected with the last feature. Originally, we planned to base our research on a comparable size of sample from each country (50 companies from each country) but finally it appeared to be unsuccessful. The reason was probably rather short time in which the research was realized according to the restrictions imposed by the EU project. It influenced negatively on a capability to conduct comparative analyses. Hence, some further research on much bigger and comparable samples is necessary.

Certain imperfections are also visible in the context of measurement scales that were used, adopted terminology or identification of cultural differences in the

countries under study. In the case of the last ones it's worth trying to select those which play the key role and submit them to the analysis with regard to their impact on competency management. Nevertheless, it's necessary to emphasize that such undertaking will demand to collate complex terminological and methodological issues. Summarizing we can say that an attempt to draw up some model depictions of relations between CM with cultural dimensions basing on the conducted research would be premature and groundless. Despite all these deficiencies mentioned above the conducted research has some cognitive value, especially that this field of knowledge and practice has been poorly recognized so far and this was confirmed in the literature review. Our research findings and formulated conclusions can make a linchpin for the future research. Anyway, they should be treated exclusively as a starting point to determine the directions of the future research. But they may also support culturally diverse organizations in their CM improvement and development.

Apart from all the above limitations the final conclusion is that we can't exclude the cultural influence on CM developments in companies from the research. The significance of this issue will increase in the future in the context of high internalization of companies and their human resources as well as global dimension of economy. Therefore future theoretical and empirical exploration in this scope is indispensable. It would facilitate monitoring the situation, formulating the views and improving the research methodics.

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Does Country of Origin Matter whilst Evaluating Candidates for Managerial Positions?

Abstract: A growing number of foreign country nationals in economies worldwide challenges academics to raise a question whether one's country of origin (COO) matters when selecting candidates for managerial positions. Thus the aim of this paper is to analyze the COO effect on the evaluation of managerial competence of a foreign individual. The analysis includes both the literature review and the empirical findings from the authors' pilot research. A focus group interview is the method that was applied in the study. The analysis contributes to the nascent streams in international business and cross-cultural management research that concern the COO effect and the liability of foreignness (LOF) that refers to foreign newcomers (i.e. immigrants, ex/inpatriates). It also adds some practical implications for the International Human Resource Management literature with that respect. The empirical findings suggest that COO is apparent when managerial skills are evaluated by locals.

Key words: country-of-origin effect (COO), competence evaluation, expatriates, immigrants, inpatriates, liability of foreignness (LOF), multinational corporations (MNCs), stereotypes

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Introduction

Several trends in the globalizing world economy have made the country-of-origin (COO) effect on the evaluation of managerial competence of a foreign individual a vital scientific inquiry. First, owing to new environmental complexities outside companies' home states, the demand for a more heterogonous staff with a broader knowledge base has resulted in an increase in the number of board members originating from different countries [van Veen *et al.*, 2014]. As van Veen *et al.* [2014] posit, companies that expand abroad face a growing pressure to internalize the international aspects into their boards. Thus, they claim that COO of international board members matters and may impact on the company's performance. Second, for enterprises embedded in international markets, such as multinational corporations (MNCs), their effective functioning requires, among other issues, rational hiring expatriates or host country nationals to staff managerial positions in subsidiaries [Collings *et al.* 2007; Collings *et al.* 2008; Magier-Łakomy and Rozkwitalska 2013]. Third, the global mobility of workforce has led to the presence of immigrants and self-initiated expatriates in numerous economies, mainly developed ones [Collings *et al.* 2007; Nolan 2012; Samnani *et al.* 2012]. Fourth, the shortage of professionals who could fill certain key positions in organizations has compelled some industries, e.g. healthcare providers, to recruit foreigners, i.e. to attract immigrants [Harvey *et al.* 2004]. All the aforementioned trends show that the number of individuals with different nationalities and organizations in states has grown and will probably rise in the future. Hence, a study of the effect of COO on the evaluation of managerial competence of a foreign individual appears to be an appealing and promising academic inquiry that also fills a significant gap in the subject literature [Magier-Łakomy and Rozkwitalska 2013; Rozkwitalska and Boguszewicz-Kreft 2014].

The paper, whose aim is to analyze whether COO affects the evaluation of managerial competence of a foreign individual, contributes to the nascent streams in international business and cross-cultural management research concerned with the COO effect and the liability of foreignness (LOF) that refer to foreign newcomers (i.e. immigrants, ex/inpatriates). It also adds some practical implications for the International Human Resource Management literature with that respect.

The paper begins with the literature review that tackles on the COO effect and LOF issues. Afterwards, the research method and the empirical findings are discussed. Conclusions deal with contributions, practical implications and limitations of the analysis, which are subsequently followed by directions for future research.

Literature review

Although the country-of-origin effect, understood as an influence of the country of origin of products/brands/organizations on their perception by

individuals [Ghazali *et al.* 2008], is relatively widely investigated in the international business literature [see e.g. Laroche *et al.* 2005; Lianxi *et al.* 2010; Balabanis and Diamantopoulos 2011], especially in the international marketing field, rather innumerable studies so far have tackled the problem of the COO effect of an overseas relocated individual and how it impacts on his/her quality perception by foreign locals. There are also two other streams of studies on the COO effect in international and intercultural management fields. The first stream of the research has mainly analyzed the COO effect as the extent to which practices of MNCs are embedded in their COO, proving that MNCs from different countries behave in distinctive ways [see e.g. Noorderhaven and Harzing 2003; Ferner *et al.* 2001; Almond 2011]. The second, a recently emerging stream of the research, with some works directly stemming from the LOF studies, deals with the COO effect on the acceptance of foreign affiliates [Moeller *et al.* 2013] or foreigners by a host environment [Harvey *et al.* 2000; Harvey *et al.* 2005; Coates and Carr 2005; Joardar *et al.* 2007; Fang *et al.* 2013]. The latter stream offers understanding of the COO effect that is useful with regard to the aim of the paper since it looks at the COO effect as a specific predisposition to a given country, which results in a positive or negative attitude toward organizations and citizens from that state.

The above understanding of the COO effect can be conceptually referred to the LOF construct [Harvey *et al.* 2005; Moeller *et al.* 2013]. The LOF²⁵ was originally applied to the international business studies to explain obstacles faced by MNCs on international markets [Mezias 2002; Denk *et al.* 2012]. Nevertheless, later the construct was adjusted to reflect the challenges witnessed at the individual level by foreigners as well [Harvey *et al.* 2005; Moeller *et al.* 2013]. With that respect, it is assumed that foreignness may entail a liability, limiting the chance of possible success of foreigners in host economies. As Harvey *et al.* [2005] explain, foreignness transforms into a liability to managers from different cultures when they strive to build a professional or managerial role identity in their new country. Due to his/her COO, a relocated manager can be perceived by the locals as an out-group member and as such suffer from a lack of acceptance by the ones who perceive themselves as in-group members. Nationality is an obvious characteristic that causes subgroup identities and categorization. In congruence with social identity theory, host country nationals are more likely to demonstrate negative behaviors toward those assigned to their out-group and remain reluctant to work or foster the relationships with them, having a detrimental effect on their MNC [Joardar *et al.* 2007; Varma *et al.* 2006]. As a result, foreigners' COO may pose a stereotyping hazard [Fang *et al.* 2013].

²⁵ The liability –of foreignness of MNCs means overall, additional costs of operating abroad above the costs of domestic enterprises which function in a given market. These additional costs are the consequences of the spatial distance between the headquarters and its subsidiaries, a MNC's unfamiliarity with host-environments, a political and host-country risk and a lack of legitimacy among the locals [Mezias M.J. 2002; Denk N. *et al.* 2012].

To the best of the authors' knowledge, only a few studies, to date, have investigated more or less explicitly the influence of COO/LOF on the evaluation of the quality of foreigners. The examples of those works are summarized as follows.

Carr *et al.* [2001] have tested whether the COO effect can be noticed when candidates for various job positions are selected. Their study proved that the respondents revealed preferences for the locals (i.e. Tanzanian) over the expatriates. Nevertheless, for a job position where technical skills were a matter of importance, the respondents demonstrated preferences for expatriates from the West, since their technical skills were valued higher than the host country nationals' ones. Carr *et al.* also hypothesized, basing on social dominance theory, that foreign managers from a so-called dominant country would be favored as ex/inpatriates over other nationalities, who then may be challenged with biases regarding the evaluation of their professional competences. Hence, the study conducted by Carr *et al.* may suggest that the locals' mental hierarchies about COO affect the way they perceive foreign managers' competence.

Coates and Carr [2005] have studied job selection bias in the context of skilled-immigration in New Zealand. By referring to social dominance theory, social identity theory and the similarity-attraction paradigm, they explain the sources of selection bias among recruiters. They claim that organizations are inclined to homogeneity rather than diversity, therefore candidates perceived as dissimilar, e.g. due to their COO, may experience selection bias in a recruitment process. Furthermore, individuals from less socio-economically dominant countries are likely to suffer from prejudice. Selection bias can also be observed with regard to neighboring countries. In their research, Coates and Carr [2005] corroborate that the perceived selection preferences are influenced by the COOs of immigrants, which implies that one's COO may impact on the assessment of someone's competence. Some subsequent studies that have been conducted in New Zealand and Australia also prove that Anglo-Saxon immigrants may be favored over others, i.e. from Asia and the Middle East [Ward 2008; Dandy and Pe-Pua 2010].

Another work by Harvey *et al.* [2005] is a good example of a theoretical study that provides a deep explanation on how stigmatization²⁶ associated with the LOF, and as a consequence of the COO effect, may affect the perception of the quality of inpatriates in MNCs. Harvey *et al.* identify four dimensions that impact on the acceptance of an inpatriate manager. They conclude that in order to recruit a proper inpatriate, i.e. accepted by the locals, MNCs should: 1) look for individuals who come from countries that in view of host locals have better quality managers than those available at home; 2) consider novelty of an inpatriate's COO, since it may affect the perception of his/her quality; 3) continually monitor the public opinion of a particular country because the opinion about managers from that country is

²⁶ A stigmatized individual may be stereotyped positively too [Harvey M. *et al.* 2005].

subject to changes over time; 4) verify whether there is a general preference among MNCs' staff for home-country managers over inpatriates.

Magier-Lakomy and Rozkwitalska [2013] have elaborated on the previous studies with respect to immigrants, inpatriates and the acceptance of foreign affiliates and propose a model of COO impact on the evaluation of the quality of a manager. They indicate five moderators that determine relationships between the image of a country and the perception of a manager from that state, namely socio-economic dominance of a country, perception of the quality of a manager, novelty of COO, time and preferences for domestic managers. They have also empirically tested which countries' managers are perceived as the ones of high/low quality if the expected managerial effectiveness and strength differ depending on a manager's COO and whether domestic managers are favored over foreign managers. Their research shows a slightly privileged position of local managers over foreigners. It also proves that the expected managerial effectiveness and strength differ depending on a manager's COO, suggesting that the COO effect is apparent when managerial competences are evaluated by the locals.

Van Veen *et al.* [2014] have scrutinized the COO composition of international board members from 15 European economies. They demonstrate that companies internationalize their boards in order to respond to the needs of the global economy. Nevertheless, to minimize the risk of "fault-line settings when sub groups differ on a variety of demographic characteristics at the same time" [p. 408], companies recruit international board members that come from similar countries. Their research provides evidence that the COO of a board candidate matters and companies "tend to recruit international directors that are culturally, institutionally and geographically similar to the country where the company is situated" [p. 415]. Moreover, historical relations, e.g. the colonial past between states affect recruitment.

To summarize, the review of the prior works entitles to posit that the COO effect may be apparent when a managerial competence of a foreign manager is evaluated by the locals. First, it can be assumed that domestic managers will be preferred over foreigners. Second, within a group of foreigners those managers that come from socio-economically dominant countries are likely to be evaluated higher than others. Third, the novelty of a country will probably negatively influence the perception of a manager's quality, since a positive opinion is rather directed toward individuals from somewhat similar economies. Fourth, managers from some neighboring states may be assessed as worse ones by the locals.

The empirical verification of the aforementioned propositions is discussed in the following section of the paper.

Method and results

Research method and procedure

The research was carried out as two focus group interviews at the end of the year 2013 and the beginning of the year 2015. It is continued, deepening the study carried out by Magier-Łakomy and Rozkwitalska [2013]. The focus group interview method was applied due to the explorative nature of the conducted study [Chan *et al.* 2012]. The participants of the first focus group (study A), consisting of 3 men and 4 women, part-time students, were all but one Poles. Except for 3 women, the remaining part of the group has worked for various, usually well-known MNCs. The participants of the second focus group (study B) were 12 part-time students, including 9 women and 3 men, all of Polish nationality. A half of the group has experience in working with foreigners in various types of organizations in Poland (including MNCs) or abroad. The subjects' age range in both focus groups was over 20 but less than 30. The tape-recorded discussion was led by two moderators, the authors of the paper. In conformity with the procedure of carrying out a focus group interview [see e.g. Beyea and Nicoll 2000; Krueger and Casey 2008], the pre-determined questions were used for moderating the discussion concerning the COO effect on managerial competence evaluations while searching for an appropriate candidate for a managerial post. The way the questions were designed was partially inspired by the instrument developed by Carr *et al.* [2001] and Coates and Carr [2005].

Before discussing the COO effect, the participants were first asked several opening and generic questions regarding an ideal candidate's traits for a managerial position in MNCs, their experience of working under the supervision of a foreign manager and observed differences between managers from various countries. Consequently, in order to address the main topic, two exploration questions were asked, namely: 1) In your opinion, what countries educate the best managers?, and 2) Assuming that the only difference between the potential pool of candidates for a managerial position is their country of origin, who would you like to hire: a domestic manager or a foreigner? If a foreigner, what country should the manager come from and why? The collected recorded material was then transcribed and analyzed according to the discussed issues.

Empirical findings

During the first part of the discussion the participants listed several universal qualities that a good manager should have regardless of his/her level of managerial hierarchy, functional specialization or nationality. The subjects in study A commented on a manager's technical skills, such as an ability to divide tasks appropriately, an analytical mind and sufficient knowledge, as stated by a subject:

“He needs to be in line with his business”. Moreover, the participants emphasized some social skills of a good manager like taking responsibility for mutual effort, being supportive and encouraging, listening and being open to his/her employees’ suggestions, ethical, providing equal treatment, recognizing a group dynamics and being a true member of a team. The participants of study B added to the list the following: ability to work under pressure, speaking languages, time management skills and open-mindedness.

With regard to the participants’ experience of working under the supervision of a foreigner, they witnessed mainly positives of such a relation. An Israeli participant in study A reasoned that a foreigner is better integrated into a MNC and his/her presence in a subsidiary fosters learning opportunities: “My manager is more connected, let’s say, than a local manager. (...) I give them (i.e. Polish employees) some knowledge that a Polish manager will not be able to get, because I come from a different environment. (...) They even said that they gained a lot of experience from me because I do the things differently and maybe I have a different set of skills than Polish ones.” For another participant in study A the fact that the foreigner, who he ‘had worked under’ and who possessed some qualities of a good manager depicted earlier in the paper, contributed to the positive impression of such a cooperation. Some subjects in study B referred to a more open, friendly and people-oriented style of management of foreigners when compared to Poles: “I see differences in the approach to the employees”. One of them also noticed that the Polish style of management, specifically in IT business, is changing in the same good direction and concluded that a specific style is determined by sector, country and personality.

The participants in both focus groups noticed or assumed that there were differences between managers from various countries. They provided examples which sometimes contradicted their observations of other people from the groups with regard to certain nationalities. Nevertheless, a lively discussion about the matter revealed that there were some countries which the participants associated with a lack of or poor managerial skills as well as nationalities that had a more positive connotation of a manager’s quality. The participants were also directly asked what countries educated the worst managers and respectively, the best ones. The following states were mentioned in study A, i.e. with regard to the former: India, Singapore, Italy and Poland, and considering the latter: Belgium, the Netherlands and the United Kingdom. The opinions among the participants in study B were more inconsistent. For example, Poland was perceived by some of the participants as a country with poorly qualified managers, while the others considered Polish managers as one of the best: “We look too much to the West. (...) Leadership there (i.e. Poland, India, China) is at a very high level”. The other states that were associated with a positive managerial education were Germany, the United States, the United

Kingdom, and Scandinavian countries, while France, Italy, Spain, Greece and some post-Soviet countries (e.g. Croatia, Bulgaria) with a rather poor educational system with respect to managers. In general, the participants' preferences were determined by socio-economic dominance of a country: "German economy is on the first spot and it is an effect of something."; "Looking at their economy, if they had good managers, their economy would stand better."

One of the subjects in study A remarked that there should be a necessity to consider the desired attributes of a manager from the point of view of tasks' requirements and then analyze them referring to certain typical countries' characteristics: "From my point of view, it depends on what you expect from your manager and then you can define the best one. If you want a friendly and decent, who always tells you the truth, Belgians, the Dutch, Nordics are good (...). If you want the job to be done, the ones from the UK, the US and Israel are the best. If you want very structured things, find the Germans. (...) If you care about deadlines, you won't question anything, go to Asian." This part of the discussion also discovered widely shared stereotypes among the group members who were assigning some expected traits to different nationalities, not always basing on their personal experience.

In study A the authors collected the congruent opinions concerning preferences for hiring foreigners. The participants provided several complementing explanations: "I want different opinions. I don't want to stick to a single point. Diversity is very important (...). A manager from Italy, Germany and Poland, there are three different opinions to see the same thing. (...) If I have five Poles, I need someone from abroad."; "(...) it is an opportunity to work with people who are not similar"; "When we have a foreign manager, we can expect our future in the world, e.g. we are not so closed in our country, we look out of the borders, we get knowledge from different countries, we are more open, it's important to find out different things."

In contrast to the above results, in study B the majority of the subjects exposed a general preference for hiring local managers and reasoned it as follows: "Poles – easy to work with, a lack of creed or cultural barriers."; "Simply, patriotism. (...) A Pole is here, I don't need to relocate him. (...) a lack of formal and language barriers." Some participants particularly stressed that the legal environment in Poland is subject to constant changes and it is difficult to cope with the excessive red tape while employing foreigners. It puts extra effort for both the employee and the employer: "An employee's effectiveness will be lower". Yet, one of the participants opted for a German manager as a person who presumably is well-organized, and another one could accept someone from abroad to challenge the stereotypes about Polish xenophobia, while still preferring Poles. Nonetheless, the participants also remarked that a company's orientation may be a decisive factor, i.e. a firm with a domestic orientation should look for local managers whilst an enterprise that

wants to operate internationally needs a more internationalized staff. The current political situation with neighboring countries and behaviors of immigrants also affected the opinions of the participants. Moreover, the subjects' preferences were rather directed to some culturally better recognized countries: "We don't know the country, so it's hard to comment on that"²⁷.

It needs to be stressed that the participants of both focus groups did not want to directly acknowledge the importance of managers' COO in their selection decisions that concerned hiring a potential candidate. They rather ascertained that such a decision had to be based on more accurate data collected via an interview as well as such a crucial factor as a match between the candidate's skills and the job's requirements: "You must interview them."; "You can't choose basing on the paper."; "You don't need to question about the flag on their chests, for me, we should question if they are the best man for a job, that's it." Despite the participants' declarations, when they were compelled by the moderators to make a choice within a potential pool of candidates and to disclose who they would like to exclude from the hiring list, the following statements appeared in study A: "I would not hire Italians, overall. (...) I would rather hire someone from Israel, the UK, Germany (skipping France), Belgium, the US. (...) I would probably skip Poles."; "I would skip Italian ones, maybe they are very stylish, they provide you with the best looking digits...but their *maniana* style does not appeal to me. I guess I would go for Brits (...)."; "I would exclude Germans and Poles."; "I would exclude an Irish, there is no way to communicate with Irish people."; "I would exclude Scottish ones."; "I have experience only with Polish managers, so definitely not Poles."; "Spanish managers are not good." The foregoing remarks may suggest that the COO of a candidate is a matter of significance when the qualifications of a candidate manager are evaluated, even if the focus groups' members did not want to directly admit the fact. Furthermore, another participant in study A recommended matching the requirements of a job with a country's population's typical characteristics while deciding what nation would fit the best. The subjects in study B would not invite to interviews candidates from Greece (due to its economic problems), Arabic and African countries and others which they knew less.

Taking into account the collected data, it can be summarized as follows: 1) The participants were able to draw a universal picture of an ideal manager; 2) They would assumably prefer to work with the nationalities that have some qualities of a good manager; 3) They were aware of some cultural differences among countries that may be found in management styles. Concerning the COO effect, it can be noticed that: 1) The participants in study A revealed preferences towards foreign

²⁷ The possible methodological and theoretical explanation of the observed difference between these two focus groups with respect to the empirical findings concerning domestic managers, obtained despite taking the samples from the same population, is given in 'Discussion and conclusions' section.

managers, while in study B favored domestic managers; 5) The degree of socio-economic dominance of a country as well as its novelty may affect the perception of managers' quality from that state; 6) Managers from some neighboring countries may be evaluated worse than others. The assessment is likely to be affected by a current political situation and historical relations. 7) There were some discrepancies between the focus group members' declarations and their anticipated decisions referring to their selection choices, which may result from the differences between the participants' implicit and explicit attitudes.

The obtained data from the focus group interviews confirmed that the COO effect is apparent when managerial skills are evaluated by the locals.

Discussion and conclusions

The main aim of the discourse was to analyze whether COO may affect the evaluation of managerial competence of a foreign individual. It has been revealed that the COO effect has been relatively widely investigated in the extant literature and research, yet most of the previous works define the COO effect in terms of product-buyer perception. In this paper the authors analyze the COO impact on the evaluation of managerial competences to fill in the obvious gap in the state-of-the-art knowledge of COO and to shed a new light on it. Hence, the major contribution of the conducted study is the investigation of the COO effect in a new context of managerial competences evaluation. The study supports the nascent streams in international business and cross-cultural management research on the COO effect and the LOF that refer to immigrants and ex/inpatriates. The practical implication of the study is that companies should take into account how the COO of a manager may affect the perception of his/her competence while searching for an appropriate candidate. Human Resource specialists need to be aware that mental hierarchies concerning the COO of a candidate impact on their choices and that the COO of a selected manager can influence ease or difficulty witnessed in the process of his/her adaptation to the firm.

Taking into account the empirical findings, the COO effect is apparent when managerial skills are evaluated by the locals. The authors' research confirms the results of the prior studies with respect to preferences for individuals from culturally less distant and novel countries and socio-economically dominant states. Similarly to Coates and Carr [2005], managerial candidates from some neighboring countries (in the East) were less preferred than those from the West, which can be explained by a current political situation, historical relations as well as dominance of the West in the global economy. Some stereotyped cultural characteristics of an expected managerial style in a given country can also affect the preferences. Managers from West and North Europe and North America were favored over candidates from the East and the South.

The inconclusive results were obtained with regard to the preference for domestic managers. One of the possible explanations for that inconsistency can be referred to the methodological issue of the study. The samples for both focus groups were taken from the same population and they were similar in terms of demographical variables, yet with one exception that could be significant, namely there was a foreigner in group A and only Poles in group B. The presence of the foreigner in the focus group interview might have triggered two separate mechanisms: the cognitive or/and the social one. Due to the cognitive architecture of the human mind [Anderson 1983], the friendly foreigner's presence could have automatically (involuntarily) activated in the subjects' mind a new category associated with a social exchange which led people to specific cooperative behavior and declarations. As far as the social mechanism is concerned, the presence of the foreigner might have switched on someone's self-control mechanism and revealed social desirability bias, i.e. a tendency to present oneself in a positive, socially desirable manner to others [Collins et al. 2015]. Hence, the participants in study A could have been more aware that exposing preferences for local managers violate the rule of being open-minded, cooperative, objective, etc. and then they could have been taken as being intolerant. Owing to the research method applied to the study, it is difficult to conclude which of the mechanisms affected the results or whether both of them were evident. The authors are aware that the focus group method per se may increase social desirability bias, i.e. in the course of the focus group discussion the participants could have tried to portray themselves as people who were not biased towards certain nationalities (i.e. the COO of a potential manager). Due to the qualitative method applied to the research, excluding or controlling social desirability bias was limited. Thus further study should respond to this issue, being, e.g. carried out as a set of controlled experiments.

Taking into account the results in study B, it may also be of vital importance to analyze in future research how strongly administrative barriers impede employment of foreigners and when the potential positives of hiring someone of another nationality surmount those barriers. For instance, do we only need foreign managers in MNCs' subsidiaries or companies that want to expand abroad? Can foreign managers enhance the domestic business as well?

The conducted research was obviously explorative and pilot in nature, thus additional studies are necessary. The participants of the focus groups were young adults with a diverse degree of work experience, especially with foreigners. These factors could have affected their remarks. Therefore, further research could be conducted among more professionally and cross-culturally experienced people and have a form of a comparative analysis within the groups mentioned above. Since all but one of the subjects were Poles, a generalization to other cultures is limited. Hence, future research may be extended to other nationalities and conducted as

a comparative study. The research was to obtain opinions on the issue and it only discovered the declared attitudes of the participants, which may run counter to their implicit attitudes [Greenwald 1995]. Consequently, some additional research methods could be applied in order to scrutinize implicit attitudes of respondents.

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Migrants, Assigned Expatriates (AE) and Self-initiated Expatriates (SIE) - Differentiation of Terms and Literature-Based Research Review

Abstract: The globalized world economy demand increasing global mobility and flexibility in the workplace and workforce. More and more skilled individuals seek international career opportunities. There are various mobile employees in the international context [OECD] among which are migrants, assigned expatriates (AE) and self-initiated expatriates (SIE). Many people experience international mobility through migration or as part of an expatriate assignment [Banai, Harry 2004; Capellen, Janssens 2010; Dickman, Doherty 2010; Zikic et al 2010]. Yet an increasing number are choosing self-initiated expatriation [Bozionelos 2009; Selmer, Luring 2010; Tharenou 2010; Doherty et al, 2013].

The purpose of this article is to enhance the conceptual coherence of the notion of migrant and assigned expatriate (AE) and self-initiated expatriate (SIE). Proposed definitions are based on a set of conceptual criteria which differentiates these three types of international movers.

Key words: migrant, assigned expatriate, self-initiated expatriate, transmigration

Migration and mobility of international employees

Migration, or spatial mobility is a relatively permanent change of residence making in geographic space [Kawczyńska-Butrym 2009, p. 11]. It can be defined as physical movement from one geographic point to another geographic point [Agozino 2000], crossing national borders [Boyle et al 1998]. Migration may be analysed from different perspectives: sociological and cultural, economic, legal and administrative, psychological and ethical. The literature on the subject specifies

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several forms and classifications of migration depending on the assumed criterion of division: scope (internal and cross-border migration), duration (permanent, periodic, seasonal, shuttle), goal of relocation (economic, non-economic migration) and reasons for decision about migration (forced, voluntary migration) [Kawczyńska-Butrym 2009, p. 16].

Migrations, which are also called the movement by people, have been present from the very beginning²⁹ although their intensity and forms have been different over the centuries and people have migrated for different reasons.

It is said that migration is a structural element of modern societies, highly developed economy, the world of free competition and civil liberties. Yet, is the migration actually something typical of this period in the history of mankind or does it only display only some specific features in these times that have been unknown or undiscovered thus far? After all, the economy and culture of the United States, Canada, New Zealand and the Republic of South Africa, Argentina or Chile were built by the immigrants looking for better living conditions. The population of Australia and Siberia, Brazil and the Caribbean is also the result of migration (which was often a forced one). The Arabic, English, Turkish or French languages spread because of military and cultural expansion which was characterised with the migration of large groups of people [Zięba 2008].

The map of global flows of workers has completely changed over the last 40 years. The first wave of international transfers occurred in the years **1970–1990** and they were the foreign assignments ‘pulled’ by international corporations whose headquarters were located - the most often - in the United States and their subsidiaries were established in other parts of the world. The next wave of relocations took place in the years **1990–2010**. The new emerging markets attracted the financial capital as well as human capital to the developing countries that were interesting because of low costs of production and labour, resource prices, etc. On the other hand, the workers from those countries looked for the sources of knowledge and developed technology, and thus the transfers took place not only between the continents but also within the continents. Yet, in majority of cases, the flow of global talents and specialists was still a one-way one, that is from the West to the East. However, the corporations started to notice and use the resources of qualified employees in dynamically developing countries, e. g. in India. During the next decade, that is the years **2010–2020**, the directions of employees’ relocations has been multi-directional in vertical terms (that is from the North to the South and *vice versa*) and horizontal terms (from the East to the West and *vice versa*) [Przytuła 2014a].

While analysing the migration tendencies, S. Castels and M. Miller [2011, p. 283] arrived at the conclusion that the phenomenon of migration in the years to

²⁹ The first case of human migration was the expulsion of Adam and Eve from the Garden of Eden. Their migration was a punishment for eating an apple from the tree of knowledge of good and evil. The consequence of such forced migration was the awareness of good and evil, which is one of the reasons for the development of human personality.

come will gradually intensify, that is it will be larger in terms of number than ever before and will slowly spread throughout the world. It means that many countries will be both the source and the destination of migration. Pursuant to those authors, those migrants will belong to different social and ethnic groups and thus it will be virtually impossible to determine specific waves of migration (e. g. economic, political migration, etc.). Apart from that, the phenomenon of migration feminisation will become more noticeable.

Also M.S. Zięba [2008, p. 24] indicates the complexity and difficulties in the scope of determining the migration phenomena in the future. The number of explicitly defined situations ('an emigrant is someone who has left their country for a long time or permanently') will gradually decrease and we will observe the increased phenomenon of short-term emigration (between a year and 5 years) and the phenomenon of rotational or circular migration (regularly repeated stays lasting less than six months). There will be also an increase in the number of transit countries for other forms of migration (stay for less than a year) – the countries of temporary stay for migrants from which they will emigrate further or return to their home country. The phenomenon of stage migrations (from A to B, and then to C) will probably intensify, in particular the return emigrations (from A to B, and then from B to A). There are many indicators of the growing possibility of occurrence – in the same areas – of the phenomenon of cross migrations (one group emigrates from A to B and some other group from B to A).

P. Levitt [1998] developed the term of 'social transfers' (whose idea dates back to the 19-th century 'civilising missions' of Europe in colonies) interpreted as the ideas, models of behaviour, identities and social capital which flow from the communities of host countries to the communities of sending countries. Such influence may be positive and negative. On the one hand, migration means the exchange of ideas (artistic, scientific, political, religious ones), gives the possibility of learning about new visions of the world and opening new horizons, and offers numerous new possibilities of employment. On the other hand, people are afraid of losing their job or decrease in their wages because of the inflow of cheaper workers or the decrease (or increase) in real property prices. Migration is also connected with the growth in organised crime, in particular smuggling and trafficking of human beings, and the increased risk of terrorism, even the increased number of cultural challenges connected with no assimilation - the establishment of new ghettos, riots in the suburbs, threats to the system of values, etc. [Zięba 2008, p. 8]. For there are no guarantees that what migrants learn in their host society will be constructive or influence positively the communities they come from [Castles, Miller 2011, p. 87].

In the literature on the subject, it is hard to find the direct relationship between the **migration** and **expatriation** as well as between a migrant and an expatriate. Therefore, it is advisable to make an attempt to locate the phenomenon

of expatriation against the background of migration processes which have been described in different models and theoretical terms. The key theories of migration include economic theories, historical and structural theories, as well as the theories of migration systems and networks [Castles, Miller 2011, p. 44]. Intensive globalisation processes, technological development as well as increased and diverse mobility go along with the emergence of the need to reconceptualise the notion of ‘migration’ and other key definitions in migration studies. In response, the researchers started to develop the conception of transnational migration (**transmigration**) whose aim was to describe the process of creation of spaces across geographic, cultural and political boundaries as a result of social migration in which modern migrants operate. At present, transnationalism becomes a new phenomenon that is different from occupational migration as it leads to the establishment of new social structures in many places around the world such as transnational communities [Beaverstock 2005], and new activities of supra-national character. The emergence of the phenomenon of transnationalism requires the occurrence of three conditions: there is a large number of relationships between human beings across borders which are characterised with fluidity and diversity; transnational activities are characterised with some stability over time; and the content of such activities cannot be captured in the notions and conceptions effective thus far.

The essence of the phenomenon of transnationalism is still human migration but there are also other important criteria such as intensity and ‘simultaneity’ of participation of people in different social, national, political, etc. spaces [Portes 1999].

The perspective of transmigration started to be used in the analysis of different relationships developed and maintained by migrants (family, economic, social, organisational, religious and political relationships) which cross the borders of nation states [Glick-Schiller et al 1995]. The objective of the research started to concentrate on living spaces and migration projects of transmigrants which cover different geographic areas. The researchers noticed that migrants may build unique bridges between the sending community and the host community and function in the so called ‘transnational social spaces’ based on interpersonal relationships with the scope covering different countries [Grzymała-Kozłowska 2013]. N. Glick-Schiller [1995] defines a **transmigrant** as a person who – as a consequence of migration – is a member of transnational communities, including also corporations.

It seems that in the group of all other migration theories, the transnational conception covers the issue of expatriation in the widest scope although the term of ‘expatriation’ does not occur in the publications dealing with transnational theory or transmigration. According to N. Green [2009, p. 307], although expatriation has a long history, this issues have been absent from theoretical and empirical studies of such social subjects as citizenship, migration, emigration. The theoretical discussion

of expatriation goes on somehow outside problems of migration, emigration, mobility, citizenship, culture, national identity, and sometimes some of these terms are treated as synonyms [*Słownik synonimów*; Castle, Miller 2011, p. 339]. Some terms have been adapted from the thematic area of migration for the needs of describing the phenomena in the hosting space in international management. For example, 'circular' or 'temporary' migrations are identical to the phenomenon of rotational, short-term expatriation or *cross-border assignments* [Castles, Miller 2011, p. 93].

It also happens that some types of expatriation exclude one another or are not found in migration classifications. According to J. Kowaleski [2000, p. 73], in demographic terms, migration does not include the movements arising from tourism, trips for rest, medical treatment, short-term business travels, as well as rotational migration or relocations which involve daily commuting to work between two localities because such relocations do not directly influence the changes in demographic situation either in place of departure or in the place of short term stay. Such definition of migration in demographic terms **excludes** some forms of expatriation, for example flexpatriate assignments [see: Przytuła 2013] which are short-term (up to 12 months), often also rotational (such as eurocommuting).

Moreover, the theoretical considerations and empirical research concerning expatriation can be found mainly in economic sciences, the discipline of economics, and in management sciences. To be more precise, the issues related to expatriation are included in the following subdisciplines: international management of human resources, international management, international relations, while the issues related to migration are the object of interest of humanities (e.g. sociology, intercultural psychology, political sciences, cultural anthropology).

International employees – the review of definitions

In 2011 the *UN Department of Economic and Social Affairs' Population Division* estimates that in 2010 there were 214 million individuals who were undertaking an international mobility. This same report explains that for the period of 2010-2050 the number of individuals moving from developing to more developed countries is expected to be 96 million [for: Al Ariss, Crowley-Henry 2013, p. 79]. No one knows the exact number of international migrants but the data given by the UN and the OECD [for: Castles, Miller 2011, p. 22] states that their number is equal to about 3% of 6.5 billion people throughout the world.

At present, the occupational and spatial mobility as well as flexibility are key qualifications held by the workers operating in the international environment. Open borders and intensified migration of workers is an element of new reality where an employee has increasingly greater influence on where and how they work and the enterprises expand more and more the scope of searching for candidates also outside the territory of the country where they operate [<http://manpower.nf.pl> accessed 28. 07. 2015].

The worldwide demand for human talents seems limitless with well-educated people transferring between countries and contributing to the world economy [Beaverstock 2005]. As the global landscape is becoming more complex, the range of variations in the categories of globally mobile individuals expands. W dalszej części artykułu zaprezentowane zostaną rodzaje pracowników międzynarodowych, podobieństwa i różnice pomiędzy pojęciami: migrant, assigned expatriate and self-initiated expatriate.

Migrant

The United Nations specifies migrant as “any person who changes his or her country of usual residence with the ‘country of usual residence’ representing the place where the person has the center of his life. Migrant is a person moving from one country in order to settle in another country for a long period of time or permanently [Zikic et al 2010; Cerdin et al 2013]. The Population Organisation at the United Nations defines the permanent place of residence as the stay in one place for at least a year [Kubitsky 2012, p. 9].

The Convention on Migrant Workers (art. 2, § 1) [Międzynarodowa Konwencja... 1990] defines the term of ‘migrant worker’ in the following way: “a person who has been engaged in a remunerated activity in a state of which he or she is not a national”. The Convention introduces a new approach in the scope of defining the rights related to some categories of migrant workers and their families, including frontier workers, seasonal workers, seafarers, workers on offshore installations, itinerant workers, project-tied migrant workers, and self-employed workers.

The word ‘migrant’ denotes both an emigrant and immigrant depending on the direction of their movement. The same person is an emigrant in a country that they leave, and an immigrant in the country they arrive at [Kubitsky 2012, p. 9].

Management studies use the term “migrant” when discussing the work experience of unskilled individuals, having less educated backgrounds and originating from less-developed countries [Al Ariss, Crowley-Henry 2013, p. 82; Castles, Miller 2011, p. 42].

Assigned Expatriate (AE)

The word ‘expatriate’ comes from the Latin *expatriatus* where ‘ex’ means ‘out of’ and ‘patria’ means ‘fatherland’. Thus, the origin of the word ‘expatriate (expat)’ means a person leaving their fatherland to live outside it [Kopaliński 1994, p. 143].

Traditionally research on international workers has focused on **organizational or assigned expatriates** (AE) so called because they have been sponsored and assigned by their parent organizations to the foreign location. However the nature and purpose of international assignments are becoming increasingly complex. This has led to a range of new roles and career paths for expatriates [Collings et al 2007]. Some of the emerging populations of expatriates have been termed “interim

managers” [Feltham, Hughes 1999], “international itinerants” [Banai, Harry 2004], “independent internationally mobile professionals” [McKenna, Richardson 2007], “global nomads” [Matthewman 2011], or “self-initiated expatriates” [Al Ariss 2010]. More recent studies also refer to them as ‘migrants’ [Al Ariss, Ozbilgin 2010].

Generally, this word ‘expatriate’ refers to the employees assigned by the international corporations to work abroad to differentiate them from those who are locally employed (and may also be foreigners). However, pursuant to Z. Aycan [2000, p. 192], an expatriate may be an employee of **business** or **government** organisation sent to other country than homeland to implement the goals of the organisation. Pursuant to such definition, the politicians (MEPs) may also be defined as expatriates because they sit in the European Parliament as the representatives of their parties. It should be noted that the differentiation found in common usage of the word ‘expatriate’ usually comes down to socio-economic status of workers as skilled professionals working in another country are described as ‘expatriates’, whereas a manual labourer who has moved to another country to earn more money might be labelled an ‘immigrant’ [Al. Ariss, Crowley-Henry 2013]. The use of a given term in relation to a person staying and working abroad is important since it influences pejorative or positive connotation of a given person.

P. Boski [2010, p. 522] refers to the image and perception of migrants in the Polish literature and cinematography through listing the works of such authors as W. Gombrowicz (*Transatlantyk – Trans-Atlantic*), S. Mrożek (*Emigranci – Emigrants*), R. Kapuściński (*Ten Inny – The Other*), E. Redliński (*Szczuropolacy – Rat-Poles*), or the authors of TV drama series entitled *The Londoners* – all of them emphasise negative, dysfunctional aspects of emigrants’ experience. The people shown in those works are deeply disturbed people who are not adapted to the environment that has become the place of their existence.

In the professional literature of management, the term “expatriate” refers to a specific professional group of employees of international companies. The word usually connotes specialists, engineers, managers (skilled migrants, professionals) sent by their home undertakings (headquarters) to host countries [Bańka 2006, p. 17]. The demographic and professional profile of expatriates proposed by C. Brewster [1991] shows managers, describing their age, sex, background, nationality, objective of expatriation, contract duration. Meanwhile, migration processes involve all groups of moving population of variable age, sex, professional, social and economic structures. Therefore, the material scope of migration is broader than in the case of expatriation.

In view of the aforementioned descriptions of an expatriate, it is possible to formulate the expatriate’s definition *sensu largo* and *sensu stricto*) [Przytuła 2014a]:

An expatriate *sensu largo* is:

- a person that has left their homeland; lives and/or works in a country other than their country of origin.

An expatriate *sensu stricto* is:

- an employee in an international company, usually a top-ranking specialist or manager who is sent from the corporate headquarters to foreign units (being a subsidiary, branch office, or another legal form of cooperation) pursuant to their voluntary decision. An expatriate may come from the home country of the corporate headquarters or be of different nationality than the home country of the corporation. The length of time of working abroad may be long-, mid-, or short-term, with taking into account different (alternative) forms.

A distinct demarcation between those terms is even harder as these social and cultural phenomena overlap and complement each other. Some authors of literature on humanities apply the terms of ‘emigrant’ and ‘expatriate’ interchangeably [Castles, Miller 2011; Giddens 2007, p. 338].

The expatriation may be defined as a specific form of cross-border migration – voluntary, referring to a specified professional group encompassing managers and specialists in international companies, with reasons for it which are rather non-economic ones (including personal development, motivation to achieve, cognitive curiosity) and are persuasive arguments for going abroad.

The concept of expatriation is tailored rather to the organizational context of crossing borders, whereas the concept of migration is tailored to the general context of crossing geographical borders [Andresen, Bergdolt et al 2013, p. 27].

The dynamics of development of international enterprises and the changes in business environment induce corporations to flexibly adjust to new conditions. Increasingly more often, an assigned expatriate (AE) is replaced by other forms of expatriation encompassing foreign assignments which are shorter, less costly, and more oriented to the completion of a specific project [Beaverstock 2005; see also: flexpatriation in: Przytuła 2013].

Self-initiated expatriate (SIE)

New trends in international assignments are characterized by individuals who personally take responsibility of their careers without the direct support of an organization [Carr, Inkson, Thorn 2005]. Such individuals who themselves make the decision to live and work abroad have been called **self-initiated expatriates**. K. Inkson et al [1997] introduced category of “self-initiated foreign work experience-SFE” which was developed by Suutari and Brewster [2000], also “self-selecting expatriates” [Richardson, McKenna 2003], “self-initiated movers” [Thorn 2009], “self-designed apprenticeship” [Arthur et al 1999], “free travelers” [Myers, Pringle 2005] but the nomenclature SFE has converged to the widely accepted “SIE” category of international assignee [Al Ariss, Crowley-Henry 2013]³⁰. The key distinction between SIEs and AEs is the initiative for the move [Cerdin, Selmer 2014, p. 1282].

³⁰ More detailed review of SIEs’ definitions in: Cerdin, Selmer 2014.

SIE are professionals who choose to expatriate and who are not transferred by their employer [Harrison et al 2004], they relocate to a country of their choice to seek a job or to try an entrepreneurial venture [Jokinen et al 2008; Saxenian 2005]. So SIEs initiate their own expatriation than are assigned by their company, as shown from professionals from Western countries (65% self-initiated expatriates vs. 35% assigned expatriates) [Doherty et al 2008].

It is possible to specify the following subgroups within such population [Suutari, Brewster 2000]:

- young opportunists being young people (aged up to 30) who stay abroad with the prolonged stay within travelling and tourism and work. Pursuant to the research carried out in 2000, this type of SIEs constituted 15%;
- job seekers do not have any work or are not satisfied with their present job and the possibilities of professional development (there were about 25% of them);
- officials are the employees taken on by such international organisation as e. g. the United Nations or the European Union (about 12% of respondents);
- localized professionals who went to foreign assignments as AEs but decided to rather stay in the host country than to come back to the home country after the completion of their assignments (about 7% of the sample);
- international professionals being global careerists, hires, international itinerants) [Banai, Harry 2004; Jokinen et al 2010; Makela, Suutari 2009] are people with considerable experience in working for international entities, often for many different corporations, and belonging to the group of those who earn the most (about 25%);
- dual career couples mean that an expatriate's partner or spouse find employment for themselves in the host country (there were about 38% of them).

Cerdin and Selmer [2013, p. 1289] define 4 conditions which must all be fulfilled at the same time in order to define a person as an SIE:

- self-initiated international relocation takes into account both the beginning of a foreign assignment and its end, that is the return to the home country, without the financial and organisational assistance from the corporation for which an SIE works. This criterion definitely makes a difference between SIEs and assigned expatriates (AEs) who may also initiate their foreign assignments, yet they are supported by their organisation in the scope of moving abroad and return from there.
- regular employment intentions – SIEs are not immigrants or short-term travellers sojourners) [Richardson, Zikic 2007]. They are foreign employees who temporarily stay outside the country of their origin. The criterion distinguishing SIEs from sojourners (who may be foreigners visiting another country for a short period of time) is the requirement of regular employment. It often happens that a person considers a foreign assignment as too difficult and complex in terms of organisational, administrative and financial issues, and therefore they go abroad

supported by a corporation as an AE and take advantage of the assistance given by the sending entity. However, during their stay in a host country, they may become SIEs when they resign from work for their home undertaking and find the work in another local company on their own. Thus, the criterion of regular work is a criterion used to classify a given person as an SIE [Cerdin, Selmer 2013, p. 1292].

- intentions of a temporary stay in the host country constitute a criterion that distinguishes SIEs from immigrants who relocated abroad with the intention of staying abroad for a long period of time or permanently [Cerdin, Selmer 2013, p. 1289]. A. Haslberger and V. Vaiman [2009] note the temporary nature intended even if open ended' of self-initiated expatriation. It is a very subjective criterion and the problem with its fulfilment refers to time because at the moment of departure to a host country, an SIE may not have clearly specified period of stay, it is an open contract for them. It often happens that a person going abroad for a period of time determined in advance changes their plans for life and stays in the host country permanently. In such a case, such a person may be classified as an SIE.
- professional qualification – SIEs are highly qualified specialists who can find employment for themselves in a foreign labour market [Haleberger, Vaiman 2009]. Thus, self-initiated expatriation is considered as the experience supporting the international professional career [Al Ariss, Ozbilgin 2010]. The researchers emphasise that international corporations make use of SIEs and treat them as an antidote to shortage of qualified managerial staff in host markets [Banai, Harry 2004; Suutari, Brewster 2000]. Furthermore, SIEs are strategically valuable human resources for multinational corporations [Howe-Walsch, Sschyns 2010] and growing numbers of them are employed by organizations [Jokinen et al 2008].

It should be emphasized that it is possible to distinguish the representatives of the SIEs only if they fulfil all criteria at the same time. For there are many examples of international employees who fulfil only 3 criteria at a given time and they cannot be granted the status of an SIE. For example, the partners or spouses accompanying the expats may meet the criteria *b*, *c*, *d*, yet the criterion *a* is not applicable to them. Immigrants fulfil the criteria *a*, *b*, *d* but not *c*. Also foreign students fulfil the criteria *a*, *c*, *d* but do not meet the criterion *b*.

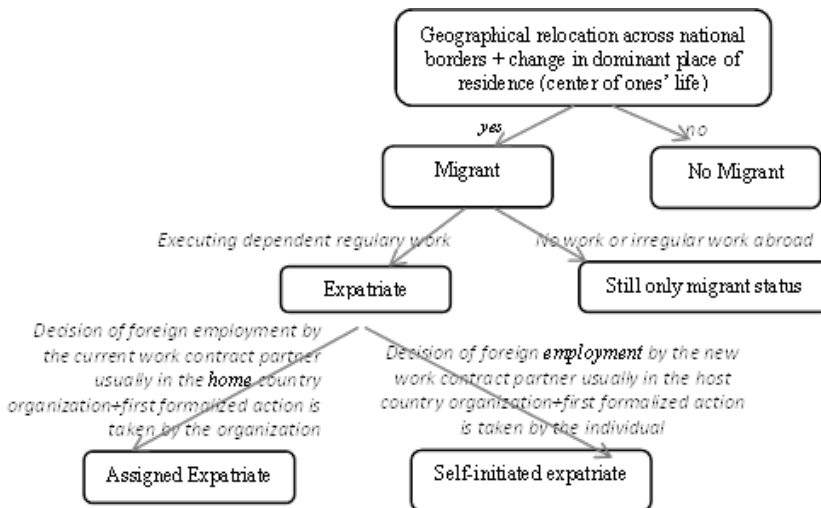
The criteria for differentiating terms of migrant, assigned expatriate and self-initiated expatriate

The objective of this article was to specify the demarcation criteria for such terms as migrant, AE and SIE. Pursuant to Andres, in spite of the fact that SIEs belong to the group of AEs (they originated from them), the research conceptions and studies devoted to this group of international employees should constitute

a separate discipline. The noticeable development of the thematic area of migration and expatriation, which is demonstrated by the developed differences and similarities between those three groups of international employees, should result in the separation of those constructs, conceptions and models. Because migrants, AE, and SIE represent different types of internationally mobile employees, research results cannot be transferred between these distinct groups [Andresen, Al Ariss, Walther 2013, p. 3].

The proposal by M. Andresen et al. [2013, p. 30] is presented below and it is based on the analysis of 244 definitions of the aforementioned terms shown from different perspectives (sociological, psychological and economic) in the articles and research studies published thus far. The authors described the decision algorithm which is used to differentiate between a migrant, assigned expatriate and SIE.

Figure 1. Decision tree



Source: adapted from: Andresen, Bergdolt, Margenfeld 2013, p. 30.

The decision tree concerning the employment abroad shows the following steps. A migrant is a person that relocates from one geographical point to another and at the same time changes their place of residence (the place of their stay thus far) which constituted the centre of their personal life. While an expatriate is a person that relocates from one geographical point to another and at the same time changes their place of residence (the place of their stay thus far) which constituted the centre of their personal life and does professional work in another country. If a person does not fulfil the last criterion (that is does not do permanent or even irregular work abroad), then such a person still holds the status of a migrant.

If the initiative and formalized activities concerning a foreign assignment are undertaken by a company/organisation which has been employing a given person in a home country of this organisation thus far, then such a person belongs to the category of an assigned expatriate (AE). SIEs are different from them as they demonstrate an individual initiative in the scope of taking up work abroad. Formalized activities concerning the employment and legal stay abroad are carried out by the expats themselves and possibly by a new employer in a host country.

Then a self-initiated expatriates move across different organizations, and traditional expats move within the boundaries of one organization [Andresen, Bergdolt, Margenfeld 2013].

Bearing in mind that the demarcation lines between a migrant, AE and SIE are not always so explicit in reality as it is presented in theoretical models, it is advisable to define additional and more detailed criteria to differentiate those three terms.

Table 1. Differences between migrant, assigned expatriate and self-initiated expatriate

	Differentiating criteria	Migrant	Assigned expatriate	Self-initiated expatriate
1	organizational affiliation	-employment is not compulsory and necessary; often doesn't occur	-employed by one corporation; -is obliged to take assignment suggested by the corporation;	-is not permanently associated with any organization; -can also work with several organizations;
2	organization of foreign mission and financial support	- many scenarios are possible- self-organization or with the support of family; or with government/ non-governmental institutions, -costs of relocation are paid from private funds, the possible financial support of various organizations, f.ex. Red Cross, UN	- a high level of support from the sending and the receiving unit (preparation, staying for expat and his family, return and support on matters not related to their professional work is ensured by the corporation and a subsidiary) -costs related to relocation covers the sending and/or receiving organization	-independently organizing the trip (usually without the involvement of family members); -no support from the host organization on matters unrelated to work; - private funds for relocation
3	intended period of staying abroad	- unlimited, long-term with the intent to remain permanently in the host country	-limited-working for a subsidiary corporation for the time specified in the contract, -usually they are, once or repeatedly trips lasting from 1-5 years;	-unlimited- length of stay abroad depends on the duration of the project or task, but also on individual plans and decisions of SIE; -missions are frequent, but brief;

4	motives of going abroad	<ul style="list-style-type: none"> - mainly economic and non-economic (external compulsion) - economic (labour) – physical work prevails, the income there from is for distant goals and it requires sacrifice of other spheres of life - non-economic (eg. unstable political situation of the country, war, unemployment, natural disasters, persecution, etc.) 	<ul style="list-style-type: none"> -organizational motives are predominant (filling in the staffing gaps in the local market; control and coordination of the activities of subsidiaries abroad) -economic (improvement of living standard, financial situation); in comparison with migrants, expatriates do not perceive their job in categories of “sacrifice” and “earning their living” as much as migrants, - non-economic (related to internal development) – the expats derive satisfaction from their work abroad and consider it an important stage in their personal development -family issues 	<ul style="list-style-type: none"> -individual and personal motives are predominant (travel, adventure, lifestyle change, escape from the problems) - work abroad is a voluntary choice of the so-called “voluntary displacement” [Furnham 2010, p.29], - building own career paths (<i>boundaryless career</i>) - increasing his/her market value and employability as a result of the acquired unique knowledge, experience, and interpersonal relations (<i>networking</i>)
5	socio-cultural adaptation and perception in host countries	<ul style="list-style-type: none"> - preparation for working and living in a foreign country is on the side of the migrant, sometimes even with the support of institutions -ability to adapt and integrate in the host country greater than in case of AEs, because of the intention of long-term or permanent stay - rather negative connotation in the host country (immigrants, “outsiders”, “foreigners”) 	<ul style="list-style-type: none"> - adaptation program (intercultural training, language courses for expat and family members) is organized by sending and continued by receiving unit; -life in expats’ enclaves, poor integration with the local staff and inhabitants due to the feeling of „temporariness” - rather positive perception 	<ul style="list-style-type: none"> - greater than in AEs case the ability to integrate with the local community, -better understanding of local culture and easier adaptation -preparation to live and work in a foreign country and culture on his/her own – rather positive perception

6	Direction of transfer	-crossing national boundaries - from developing countries to developed countries	-crossing national but not organizational boundaries - from developing countries to developed countries; however, the prevailing direction is from developed countries (where headquarters are usually located) to emerging markets (prospective, yet problematic destinations)	-crossing national and organizational boundaries -SIEs display higher than expatriates organizational mobility and intention to change organization
7	citizenship/ national identity	-the immigrants who decide to stay permanently change their citizenship and participate in stay legalisation programmes	- expatriates have the citizenship of the country of their origin (often identical with the HQ country of origin),although they work and live abroad - the country of origin and its political life are major object of interest.	-SIEs change countries and the organizations in which they work, but they remain citizens of their own country of origin
8	Level of assurance, safety and job satisfaction	-significant uncertainty connected with the initial period of searching for job, worrying about the maintenance of one's family	- job security during the term of the contract, -no organizational solutions for repatriates in terms of jobs and place in the corporate structure makes them leave the organization - wide range of financial incentives, various forms of economic support for families, high level of satisfaction from work	-reliability and job safety depend on the SIE-alone decides about having a job or finished contract -job satisfaction very high

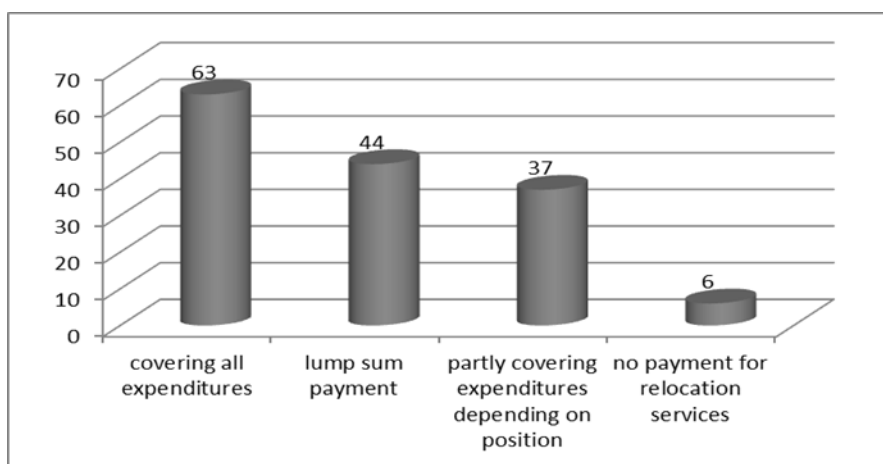
Source: Doherty, Dickmann, Mills 2011, p. 605; Selmer, Luring 2010, p. 170; Sargent 2002, p. 3071; Biemann, Andresen 2010; Al Ariss 2010; Castles, Miller 2011, p. 339; Purgal-Popiel 2011, p. 95.

One of the differences that determine the types of international employees is **the level of autonomy and dependence** towards an organisation. In the case of a migrant, the affiliation to an organisation is not required and it often does not exist. One of the differences between these types of international workers is the level of autonomy and dependence to the organization. In the case of migrant, organizational affiliation is not required and often does not occur. Whenever the discussion uses the term “migrant”, the emphasis is on work/employment (rather

than careers) that often occur under harsh conditions of under-employment and even unemployment [Al Ariss, Crowley-Henry 2013, p. 82]. An expatriate is 'a man of the organisation' and they usually come from the country where the headquarters are located – the country of destination and the duration of assignment are usually determined by a corporation. Pursuant to the research by Brookfield Global Relocation Services [2015, p. 36], 57% of assigned expatriates are the employees of corporate headquarters. In the case of SIEs, the foreign assignment, its duration and place of destination are selected by themselves. Self-initiated expatriation is connected more closely with the pursued profession than with the affiliation to an organisation.

Another distinguishing criterion is **the organisation of foreign assignment and financial support**. In the case of migrants, there are many possible scenarios. Migrants organize their journey and stay in the country of destination on their own or with the support of government and non-government institutions. The costs of relocation are covered from private means. The financial support of different organisations, e. g. humanitarian ones, is also possible. Expatriates may rely on the support from their sending and host entities (preparations, stay for an expat and their family and return, as well as the on-going assistance in issues which are not related to professional job are provided by a corporation or its subsidiary). The costs connected with relocation are covered by the sending and/or host organisations. Furthermore, the research by Brookfield Global Relocation Services [2015] shows that majority of companies applies total reimbursement of relocation costs.

Figure 2. Reimbursement of costs and expenses related to relocation of assigned expatriate (data in %)



Source: Brookfield Global Relocation Services 2015

SIEs organize their journey on their own (usually without the participation of their family members) and use private financial means for relocation.

Given the **intention of stay abroad**, the migrants' stay in a host country may be unlimited, long-term with the intention to stay permanently. Expatriates' stay is limited – they work in a subsidiary of their corporation for a term determined in the assignment and there may be one or several stays abroad lasting from 1 year to 5 years. For SIEs, the length of their stay abroad is unlimited – it depends on the duration of a project or task but also on the expatriate's individual plans and decisions. They go abroad frequently but for a short time.

One of the significant criteria that define whether a person is a migrant, OE or SIE is **the motive for working abroad**. For migrants, the necessity or the need to relocate to another country is a result of an individual decision or it is a 'compulsion' arising from economic, political, religious circumstances prevailing in the country of their origin, e.g. unstable political situation, war, unemployment, natural disasters, persecution, etc.

In the case of expatriates, the prevailing motives are the organisational ones (to fill in the vacancies in the local market; to control and coordinate the business activities of a foreign subsidiary), and also the motives related to self-development - expats derive satisfaction from working abroad and consider it as an important stage in their own development, the possibility of gaining intercultural experience, and greater chances of promotion in corporate structure. They are also driven by economic motives although in comparison with migrants, assigned expatriates perceive their job in categories of 'sacrifice' and 'earning their living' to a lesser degree. At this point, it would be advisable to indicate two groups of motives for making decisions about foreign assignments by **assigned expatriates in the literature on the subject**:

Table 2. Motives of expatriation-organizational and individual perspective

Organizational perspective	Individual perspective
Managerial development (building a team of international managers, network's ties and interpersonal relationships, broaden intercultural experience in corporation)	Development of professional skills and managerial experience
Control and coordination of local business (control costs and achieve business goals, solving, operational and technical problems, „putting out fires”)	Cognitive curiosity (willingness to explore new countries and cultures, learning a foreign language, the desire to gain the experience of work and life in the country)
Lack of qualified locals (lack of local resources of knowledge, filling the gaps in the field of knowledge, managerial skills and technical in the host country)	Personal motives (family and social links with the host country, the desire to escape from personal problems)

Transfer of knowledge, culture, technology (endeavour new solutions)	Economic motives (improving financial conditions)
	Career support (creating better perspectives for career)

Source: Przytula 2014 a.

In relation to SIEs, the research findings of Doherty N. and Dickmann M., [2013, p.131] proved that the motivational drivers reported as having a considerable influence on the decision to take up SIE careers were topped by the: desire for adventure, the individual's perceived confidence in their ability to work/live abroad and the desire to see the world. SIE are influenced by factors which are often outside the gift of institutional or organizational influence. This practice has been also confirmed in other studies:

- SIE are driven by subjective inner sense of adventure, a desire to travel and to see the world, to meet career goals escape from current circumstances [Doherty et al 2011; Carr, Inkson Thorn 2005],
- SIE wants to improve his/her lifestyle and quality of living rather than move for economic reasons [Richardson, McKenna 2003],
- SIEs want to learn about different cultural settings and establishing new international contacts [Myers, Pringle 2005],
- for SIEs foreign missions mean growth of cross-cultural experience, career prospects, excitement, meeting new and different people [Tharenou 2003].

Opportunities to SI expatriate arose by chance rather than as a result of specific plan and when considering the option to move, desire for adventure, life change and benefit to the family were primary incentives to work abroad [Doherty, Dickmann 2013, p. 450].

Another important criterion is **social and economic adaptation in a host country**. The preparations for work and life in a foreign country are the migrants' responsibility and it also happens that they are supported by institutions. Adaptation and integration in the host country is bigger for migrants than for AEs because of the intention to stay for a long time or permanently. Immigrants perceive their host country as their new home and therefore they are more inclined to assimilate and integrate and they try to adapt to new values and cultural standards in the country with which they associate their future. However, migrants are perceived in the host country rather negatively – they are called 'intruders', 'outsiders', 'the others'.

Preparations for adaptation (intercultural trainings, language courses for expats and their family members) are provided by sending and host organisations (56% of companies offers such preparations to the expat's whole family, and 35% for an expat and their spouse/partner) [Brookfield... 2015, 81]. Nevertheless, expatriates' integration with local staff and population is small and they rather live in expatriates' enclaves. The feeling of 'temporariness' of their stay causes that they do not want

to get emotionally involved in interpersonal relations. Their perception in the host country is rather positive [Przytuła et al 2014b, p. 20; Przytuła 2014c, pp. 14–15].

Self-initiated expatriates report greater cultural adjustment, ability to adapt to the host country and confidence in their capacity to live and work abroad than company expatriates [Doherty, Dickmann 2008; Peltokorpi, Froese 2009]. Their understanding of the local culture is better and thus their adaptation is easier [Sargent 2002]. SIEs highly appreciate interpersonal relations [Bozionelos 2009] which are more important for them than culture-related preparations of formal nature (e.g. participation in intercultural trainings). As the decision about the country of relocation is based on their own initiative, they are driven by e. g. the knowledge of its culture, they know the local language, which significantly facilitates their adaptation and speeds up cultural immersion. Some studies also demonstrate the differences in the level of emotional adaptation which are noticeable in people leaving the country of their origin (see: Krzyżowski 2010, pp. 172–185). SIEs are perceived positively in the host country.

Direction of relocation for migrants is from developing countries to developed countries. Migrants cross national boundaries while OEs cross national but not organizational boundaries. The prevailing direction for them is from the developing countries (where the headquarters are usually located) to emerging and developing markets.

SIEs cross national and organizational boundaries, moreover they display higher than expatriates organizational mobility and intention to change organization [Biemann, Andresen 2010].

In the scope of issues related to **citizenship and national identity**, immigrants who decide to stay permanently in the host country change their citizenship and participate in the schemes of legalisation of their stay. Expatriates are still the nationals of the country of their origin (which is also the country where the headquarters are located) although they work and live abroad for a long time, that is up to 5 years. SIEs often change countries and organisations they work for but they remain the nationals of their country of origin.

Given the level of **certainty, guarantee and satisfaction from work**, considerable uncertainty accompanies the migrants in the initial period of searching for work, there are financial problems as well as issues connected with language and social adaptation. Expatriates have the guarantee of employment, advantageous financial conditions during their assignment and after its completion. Yet, the lack of satisfactory organisational solutions for repatriates in the scope of positions in the corporate structure causes that 26% of them decide to leave the corporation within 2 years of their return from assignment [Brookfield... 2015, p. 81], and 86% of the researched companies have no formal repatriation strategy linked to career management and retention [Brookfield... 2015, p. 53]. During the term of

the assignment, AEs are offered a wide array of financial incentives also for their families. It results in high level of general satisfaction and satisfaction from work. In the case of SIEs, the certainty and guarantee of work depend on themselves. SIEs are the ones who decide if they work or terminate their employment.

Conclusion

The phenomenon of migration, in particular of transnational migration, will intensify in the years to come. Political, economic, social, religious, etc. factors determine the diversity of foreign relocations and types of international employees. The goal of this article has been to define the demarcation lines for such terms as migrant, AE and SIE, as well as to make an attempt to place the issue of expatriation against the background of migration considerations.

The proposal of numerous criteria distinguishing those terms constitutes not only the epistemological contribution but may be also helpful in empirical studies, the selection of respondents to studies on migration or expatriation. It is also advisable to appeal to the researches dealing with the issue of international mobility for interdisciplinary cooperation (from such areas as regional policy, social policy and demography, ethnology, sociology and political sciences, management sciences) within the area of the humanities and social sciences, which would enrich the scientific and research output in the scope of migration and expatriation with new solutions, conceptions and models.

The review of the literature on the subject and the existing research studies is the basis for asking the questions about further directions of research in the discussed subject, e.g.:

- What are the tendencies in the scope of employment of expatriates and SIEs in global companies?
- What is the course of the SIEs' foreign assignment – from planning to their return?
- What are the advantages and problems of self-initiated expatriation for an organisation and an expatriate?
- What is the form of knowledge transfer in the case of self-initiated expatriation?

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Organizational Culture Based on Competences in Public Service – Example of the Competency Model in the Customs Service

Abstract: Using competencies to manage business organizations and to base a competency model on attributes of a preferable organizational culture is a common practice in business. Competency criteria allow improvement of workers' performance by informing them what behaviors further achieving the required organizational goals. Public organizations, faced with challenges of being a part of the European Union, have been learning how to use competencies to pursue new goals and create new organizational cultures of the offices.

The goal of this article is to present practices of the competencies evaluation usage in the Customs Service to shape behaviors accordingly to its preferable organizational culture.

Key words: organizational culture, public organizations, competency management, employee evaluation.

Organizational culture in relation to competencies

Organizational culture is a term which is commonly used in management science due to its utilitarian description of organization. The search for determinants through which organizations create communities of workers based on specific values and standards, gave rise to organizational culture and its attributes. The term points out to the invisible part of an organization regulating behavior of its workers. According to G. Hofstede, that invisible part is a collective programming of the mind which distinguishes members of one organization from another one [Sikorski 2002].

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Based on the experiences of different organizations and their ways of management, it can be said that they have to identify and take into consideration attributes of culture in their practice of human resources management.

According to E. Schein [Koźmiński, Piotrowski 1999], the behavioral regulators which an organization should take into account in terms of personnel are as follow:

- common language and a set of concepts – if participants don't have common language and don't use concepts which are known to the whole organization, effective communication among them is impossible.
- group boundaries, criteria of admission or rejection – setting conditions based on which it can be established who is and who is not a member of a particular organizational culture, allows to shape boundaries of an organization and increases integration of its workers.
- principles of power and criteria of status – position in a company hierarchy defines how authority can be gained, kept and used.
- addressing needs for safety and affiliation – knowledge of and adjustment to particular organizational culture requirements guarantee affiliation and safe functioning within that group.
- criteria of rewards and penalties; „religion” – obtaining knowledge of what is recognized as proper or improper in an organization creates a system of reinforcements unifying workers' convictions of what is a reward and punishment for them.
- ideologies functioning in organizations – giving sense to incomprehensible occurrences in an organization, creating a common vision of the world and an important anchorage in stressful situations.

We also talk about an effective organizational management when its organizational culture enhances implementation of strategic goals. In the subject literature, we can find statements indicating that especially, organizational culture of an organization creates its values and competitive position [Juchnowicz 2010]. Here is also emphasized the individual and unique approach toward shaping organizational behaviors determining attitudes and employees' values.

Following G. Hamel i C.K. Prahaladem [Hamel, Prahalad 1989] who introduced the idea of “key competencies” relating to ways of thinking and a need to be the best on the market, more and more firms conduct organizational culture researches and define their attributes as the entry data to create their staffing policy. Personnel departments are required some assistance in management and creation of solutions supporting organizational goals implementation.

For an organization, its personnel policies understood as a set of rules concerning recruitment and development of employees, reinforcing also their commitment to firm's goals, should be connected with its organizational culture. According to the literature and business practice, in this case, especially useful solution is the approach based on a competency model.

A competency model is defined as a behavioral description of a way to use employees' resources – predispositions, skills, knowledge and experience – to obtain particular organizational results [Fryczyńska, Jabłońska-Wołoszyn 2008]. The primary activity in the field of human resources management is to define, by using behavioral indicators, how employees are to operate based their organizational culture attributes and organizational effectiveness. The behavioral indicators form sets of competencies for particular jobs and constitute standards for employees' behaviors in that organization. Through the behavioral indicators, employees have both – additional measures describing a job well done, and knowledge of the range of their evaluation.

To make competencies more transparent and easier to use in an organization, they are grouped in categories to show the most important areas in which a competency model influences employees and their organization. From the perspective of organizational culture conditionalities, in a competency model the most important are:

- key competencies emerging from the core values and strategies of an organization, being a set of behaviors shared by all employees,
- managerial competencies which describe factors distinguishing managerial staff and their input in managing an organization.

It is particularly apparent in an organization based on knowledge, where the level of key and managerial competencies is the sum of the acquired education and the experience which was obtained while performing more and more difficult duties required by the learning and teaching organization [Edwerstein Haas 2009].

Character of Public organization culture in relations to competency model

Public organizations are a specific type of organizations to which belong government, local and state administrations forming a consolidated organizational structure of a country. S. Wrzosek [Wrzosek 2008] points out that the systematic nature of personnel management of these organizations *is used to the common good as a public mission involving mainly (but not only) execution of the policies which have the authority and material-and-technical resources.*

Zimmerman [Zimmerman 2010] and Rostkowski [Rostkowski 2012] emphasize that recruiting personnel and organizing their work in public organizations take place with forms and principles governed by the law because the employees of public organizations have to serve public interest and fulfill public needs of their state. Due to its specific character, further in this article, the author will also use the term 'the office' to substitute the term 'public organization'.

In a public organization we can distinguish a system of values which leads its life. Apart from mentioned above criteria of goals and missions of public organizations and their regulations of employment relationship, the system of values is determined by [Bińczycki 2005]:

- specific behavior of employers who are representatives of a state or local government,
- specificity of consumer behavior of a client who is also a citizen and a constitutional rights holder,
- legalism of work and decision making including: the legalities, promptness of administrative tasks deliverance, and still insufficient innovativeness,
- high public expectations of the officials and their proper behavior at and after work, as well as their political neutrality and impartiality.

Mentioned above factors should be the base for building competency models in public organizations. However, according to the earlier conclusions, the specificity of public organizations needs to be taken into consideration in order to create for particular state services, “particularly tailored” competency models.

Enriching solutions of personnel management by competency models allows to focus attention on new ways of work for an official who is open to new challenges facing public organizations. So, creating a competency model for an organization based on the specificity of its organizational culture, one can use the approach based on “empty page”. It is to identify employees’ behaviors specific to their role in a particular public office and to describe these behaviors from scratch using behavioral indicators.

Defining competencies for a specific competency model is based on deep analyses of information characterizing that particular office while involving its most vital representatives. The most significant methods used to connect a competency model with an organizational culture are [Jabłońska-Wołoszyn 2012]:

- strategic workshop which is a meeting with the most important representatives of the office who are directly responsible for individual organizational units determined by the legislator. The goal of a strategic workshop is to identify competencies which currently condition the formal functioning of the office and its future challenges. Most often, the outcome of a strategic workshop is a concept of key and managerial competencies;
- expert panel which is a meeting with representatives of organizations directly connected with a post or a group of posts; direct manager, worker and inside client participate in it. The goal of expert panels is to define managerial and specialistic competences;
- examination of organizational and personnel records is based on analysis of different documents connected with key areas and processes in the office and defining requirements which are faced by workers in all categories of competencies;
- direct interviews with workers are directly connected with particular jobs/functions. The goal of direct interviews is to analyze a job and define further specific competencies;
- interview of behavioral events analyzes critical events in behavioral aspects - events which resulted in a success or failure at work;

- work observation aims at describing work results and defining competencies which brought the results.

The outcome of this multi-faceted process of defining competencies is specific data containing definitions of competencies and their fulfilment dimensions - from minimal to maximal. The data indicate the level of responsibilities for a worker in the office. The solution presented above, which closely relates to business organizations, is innovative for public organizations. The innovativeness is based on a different way of preparing regulations in the office – from prescriptive to participatory.

Key competencies in the Customs Service

Crating a competency model in the Customs Service relates directly to the need of supporting human resources processes such as: internal and external recruitment, assessment, training and development, building development and career paths, in the Customs Service.

In accordance with the approach based on the “empty page” method, the process of defining the competency model for the Customs Service took into account the following activities [Internal material 2014]:

- research of the organizational culture of the Customs Service;
- analysis of the organizational documents: Customs Service Business Strategy for years 2010-2015+, 3I Customs Service from modernization to innovation, the Code of Ethics for Customs Officers, Anti-corruption Program of the Polish Customs Service for years 2010-2013+, Customs Service Act;
- conducting and elaborating strategic interviews with the Chief of the Customs Service and selected representatives of the management of the Customs Service. The interviews were conducted based on a questionnaire composed of short descriptive stories (success stories) and open questions;
- conducting expert panels with superiors and subordinates, in order to calibrate the content of the competencies and the level of their completion.

As the result of the described above activities, the competency model for the whole organization was built. Competencies were defined as “psycho-social abilities used in relations with other people in order to obtain expected effectiveness, also to initiate and sustain positive relationships” [Internal... 2014].

Accepted by the office, the competency definition refers to behavioral and language artefacts of an organizational culture which shape relations within and outside that organization. The competency model, in the Customs Service called interpersonal competencies, differentiate the following competencies:

- organization wide, common to all officers, reflecting the values appreciated in the Customs Service and linked to its strategy
- “family”, assign to particular family of jobs/posts
- managerial, required with the jobs connected with work subordination

The office treats the model as a document which is „alive”, and directed toward the future. Therefore, in 2013 the document was modified according to the European Commission recommendation on the common solutions implementation for national competency models.

The document, EU Customs Competency Framework identified basic values for EU customs services. They are:

- High ethical standards;
- Identification with public service;
- Client focus;
- Continuing education and professional development;
- Appropriate functioning in an organization;
- Harmonized approach toward the European Union;
- European security focus.

All customs officers should identify themselves with the values described above in order to improve customs services and obtain better organizational results. Forgoing recommendations reflect the key competencies for the Customs Service which are presented below.

Table 1. Key competencies of the Customs Service

Competency	Definition
Knowledge and readiness to learn	It indicates readiness and capabilities to upgrade one's own competencies understood as knowledge, abilities and attitudes which enable effective professional functioning. On the highest level it means sharing knowledge and co-creating databases understood as collections of experiences and expert knowledge.
Client orientation	It means a pursuit to know, understand and satisfy needs of internal and external clients in the realm of customs services activities. It is also readiness to make non-standardized efforts to solve problems and needs of clients. On the lower levels it manifests itself in proper relations with clients and attention to pass proper information from and to clients. On the higher levels client orientation is manifested by engaging resources to meet client needs.
Orientation towards achieving organizational objectives	It means a persistent pursuit towards achieving organizational objectives by taking action to produce the best results, carrying out one's duties effectively and efficiently and showing initiative to constant improvement of methods and work tools.
Accountability	It means thorough and professional performance of one's duties, also making sure that decisions and activities were in accordance with law, politics, procedures and serve to protect national and social interests. It is also readiness to suffer consequences of one's choices and behaviors.

Compliance with the rules of professional ethics	It means that an officer's behavior on and after duty complies with values named in the Code of Ethics for Customs Officers, particularly: honesty, impartiality, belief in the principles of law, selflessness. The competency defines a notion of the relationship between an officer and the Customs Service as an organization with its objectives. It manifests itself in behaviors according to the rules of professional ethics, even in difficult and risky situations. It also indicates taking actions to build a positive image of the Service.
Readiness to change	It is an active attitude towards approaching changes, also an ability to adapt to new situations and challenges, a capability to take adjusting actions and implement them further.

Source: Internal material of the Customs Service Department, the Competency Model of the Customs Services, 2014

Evaluation of key competencies of managers in the Customs Service

One of the stages of implementation of the competency model in the Customs Service was the competency evaluation of the managerial staff. The subject of evaluation was the managerial competency profile which contained the following key competencies: orientation towards achieving organizational objectives and readiness to change. As it was mentioned before, key competencies allowed to codify attributes of the organizational culture in the managerial practice of the Customs Service. The use of key competencies of the managerial staff was to: stimulate development of individual competencies in work teams and motivate subordinates to new ways of thinking and behaving. Among the managers of the Customs Service the following behaviors within the framework of key competencies were expected:

Table 2. Behavioral indicators of expected level of key competencies of mid-management of the Customs Service

Orientation towards achieving organizational objectives Expected level (4) – sets new goals	Readiness to change Expected level (3) – initiates
sets difficult, but possible to implement goals monitors undertaken activities and makes needed corrections at the correct stage of an activity analyzes opportunities and risks engages means and time to achieve goals pays attention to quality of suggested solutions	initiates new solutions has abilities to persuade changes is able to evaluate risks during changes communicates to others a need for changes and future opportunities for organization/workers introduces a specific vision and/or a plan for the scope of changes

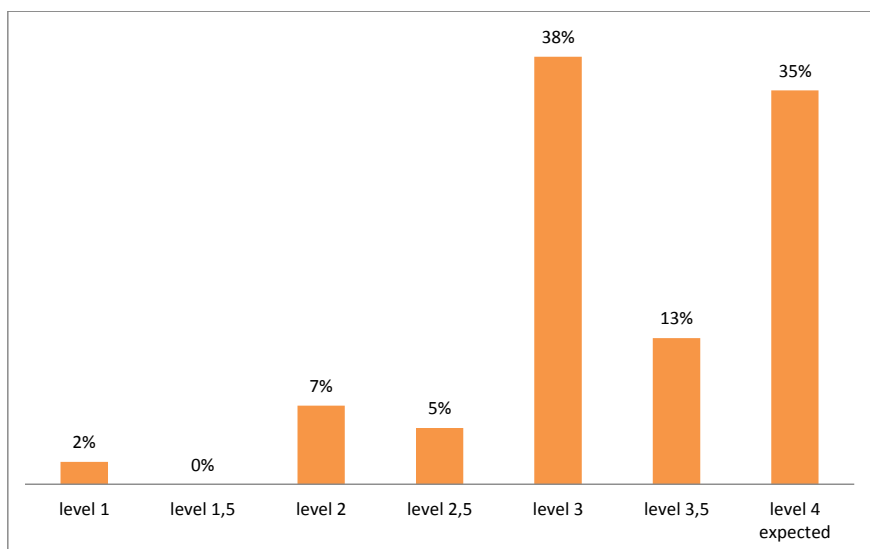
Source: Internal material of the Customs Service Department, the Competency Model of the Customs Services, 2014

The purpose of the key competencies evaluation was to diagnose gaps which affect work efficiency and the managerial staff adaptation to changes taking place in the Customs Service. To diagnose Directors of the Customs Chambers and Heads of the Customs Offices the method of Assessment Center was used. This method has precise work standards. A multidimensional process of the management competencies evaluation done by independent and objective assessors was applied here [Fryczyńska 2014]. To evaluate the competencies, the following tasks were used:

- Group task – Group discussion;
- Individual task – Tasks Basket with Presentation;
- Individual task – Meeting with Subordinates;
- Competencies Base Interview.

Forty managers participated in the evaluation. They got the following results:

Graph 1. Competence evaluation: Orientation towards achieving organizational objectives



Source: Internal material of the Customs Service Department, the Competency Model of the Customs Services, 2014

As it shows on the distribution of results, more than 1/3 of participants (35%) presented the expected level of competencies, level 4. Half of the people (51%) obtained level 3 or 3.5, only 15% of participants got results below level 3.

To the strengths of the group the following were accounted:

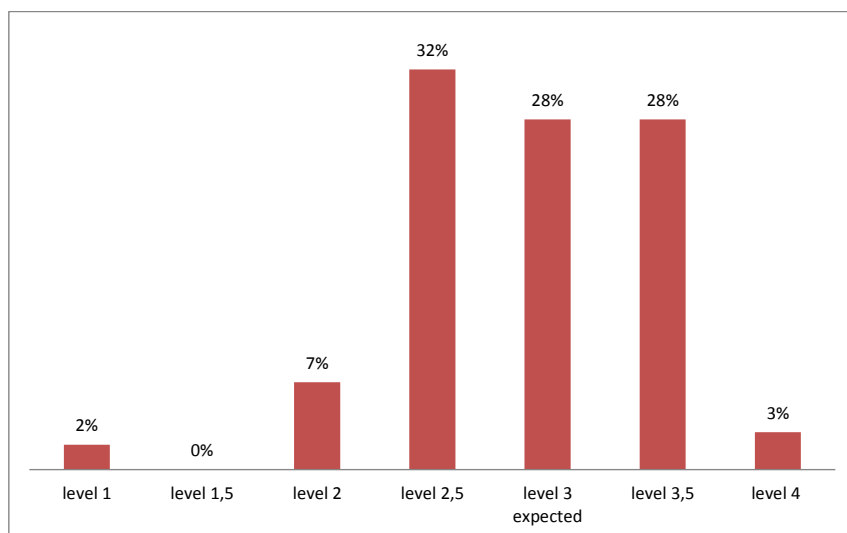
- proper identification of goals which they were facing. Referring, by part of the group, to the strategic objectives of the organization: efficiency and stability of

the organization, obtaining good financial results, optimization of activities and costs, good quality of customer service and customer satisfaction as the base for functioning of the organization.

- taking responsibilities to fulfill the objectives and define methods of achieving them, generating specific and of high quality solutions.

Participants who during DC did not get the expected level of competencies, mostly showed deficit in: communicating opportunities and risks, searching for optimal and of good quality solutions, implementing the tools to monitor planned activities.

Graph 2. Competence evaluation: Readiness to change



Source: Internal material of the Customs Service Department, the Competency Model of the Customs Services, 2014

The distribution of results of this competence indicates that expected level 3 was obtained by 1/3 of participants (28%); also 1/3 of participants (31%) presented readiness to change on the level exceeding the expected level. The remain people (41%) got the results below the expected level 3.

Participants who obtained results above the expected level, presented solid abilities in a change management supported by persuasive communication. Those people undertook effective activities to engage others in the process and created an atmosphere allowing new ideas to breed.

They also generated many solutions themselves and implemented the outcome of changes to improve the results of their group. Furthermore, they emphasized

reason-oriented communication and purposeful changes showing new possibilities for the organization and workers. Some of them pointed out negative consequences of not implementing the changes (job losses, declining condition of a firm, client losses).

It can be noticed, that the majority of participants presented the suggestions as a plan which indicated specific priorities, involved people and a time frame.

Participants, who showed deficits in the realm of this competency, had difficulties with fast adjustment to changes, new tasks, and responsibilities. They didn't present positive attitudes toward new situations. They went from one task to another not communicating their beliefs, positive opinions and not generating positive views of a change.

Particularly important in the process of the competencies evaluation was to communicate the results to the evaluated managers. The office made sure that each of the participants received a personal feedback about the level of his or her competencies.

To eliminate competency gaps, together with an outside consultant, each evaluated manager worked out his/her individual plan to further develop the competencies. Analyzing development goals of the Customs Service managerial staff, it can be observed that majority of managers planned aside workshops, also self-development. It indicates that the staff took seriously the responsibilities of the audit results.

Conclusion

The purpose of this article was to show practices of using a competency model in the Customs Services to create a new organizational culture that reflected strategic challenges of this Service. The way the competency model was prepared and used to evaluate the managerial staff relates to the best competency management in business.

Engaging managers to build and implement tools based on competencies is a key factor in using competency models to support organizational cultures in business settings.

In the Customs Service this practice was exercised by the managerial staff implementing the knowledge about the competencies through the tools which verified the efficiency of competencies usage.

The application of both, business methods to build the competency model and Assessment Center to estimate competency gaps, validated readiness of the Customs Service to connect its human resources management with the organizational strategy and the changes in its organizational culture.

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Tourism Product as a Tool Shaping Cross-cultural Approach in Marketing

Abstract: One of the earlier definitions of cross-cultural management focuses on its behavioral aspects and underlines an importance of interaction of people from different cultures. “Cross-cultural management is the study of the behavior of people in organizations located in cultures and nations around the world” [Adler 1983, p. 226]. This definition is based on the description of organizational behavior within countries and cultures on one hand and of organizational behavior across countries and cultures on another. Peoples from different countries often work together in the same environment creating specific interactions but they can also built special relationships during their leisure time.

Looking at the particular subject of management from this perspective it is possible to notice that tourism products have quite big potential for creating cross-cultural interactions when services are produced in different cultures or/and consumed in different cultural context. It is mainly connected with a simultaneous production and consumption on the one hand and consumer’s participation in both processes on the other hand. Tourism products posses an additional feature which creates a cross-cultural dimension in both production and consumption: movement (traveling) between different cultural environments which is a source of different cultural experiences; they have to be recognized a priori to be placed on the market with the tourism product. On

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the other hand tourism services have to be produced according to identified consumer expectations in different cultures.

The aim of the study is to present selected aspects of tourism products which can create cross-cultural interactions and require a special managerial marketing approach. This article discusses an impact of cultural diversity on organizational behavior in international tourism and on consumer behavior in cultural tourism with a special focus on cross-cultural interactions in consumption of tourism products. This is connected with the fact that tourism products are produced and consumed by tourists in different cultures; this relationship can create specific interactions of many types.

The main research method applied is a literature review on cultural tourism and marketing.

Key words: cross-cultural interactions, cultural experience, new marketing philosophy

Introduction

Marketing evolution in the tourism sector discovers an importance of cultural differences on local, regional and global markets for an efficiency of transactions. Identifying cross-cultural interactions in the sector becomes a crucial condition for successful service exchange. One of the earlier definitions of cross-cultural management focuses on its behavioral aspects and underlines an importance of interaction of people from different cultures. "Cross-cultural management is the study of the behavior of people in organizations located in cultures and nations around the world. It focuses on the description of organizational behavior within countries and cultures, on the comparison of organizational behavior across countries and cultures, and, perhaps most importantly, on the interaction of peoples from different countries working within the same organization or within the same work environment" [Adler 1983, p. 226]. Looking at the particular subject of management from this perspective, it is possible to notice that service products have a rather big potential for creating cross-cultural interactions when services are produced in different cultures or/and consumed in different cultural contexts. This is mainly connected with a simultaneous production and consumption, on the one hand, and with consumer's participation in both processes, on the other hand. Tourism products possess an additional feature which creates a cross-cultural dimension in both production and consumption: movement (traveling) between different cultural environments, which is a source of different cultural experiences; they have to be recognized *a priori* to be placed on the market with the tourism product. On the other hand tourism services have to be produced according to identified consumer expectations in different cultures.

The aim of the study is to present selected aspects of tourism products which can create cross-cultural interactions and require a special managerial marketing approach. This article discusses an impact of cultural diversity on organizational behavior in international tourism and on consumer behavior in cultural tourism

with a special focus on cross-cultural interactions in consumption of tourism products.

Tourism product: cultural context of its production and consumption

Most tourism products are produced in different cultures and are offered for different consumers representing particular cultures on a global market.

Changes inside enterprises and product innovations have become a crucial condition for market development in many branches of economy, including the tourism sector. Some researchers suggest that unexpected events in the world have forced tourism companies to change their strategies for improving competitive power in the global market. According to Mulvaney et al. [2007]: “The recent recovery in business tourism after September 11th [...] has forced hotel and other types of tourism companies to critically examine operations and performance...”. This stimulates new approaches of tourism enterprises to the product and process management. The dynamics of global tourism market is a factor influencing tourism managers: they have to be pro-active to predict many future processes in the market; on the one hand, this requires experience development and knowledge management, and, on the other hand, understanding of internal relationships between employees and components of tourism products [Marciszewska 2004; Marciszewska 2006]. The management process and tourism product development are connected with a necessary change inside the enterprise and can lead to product innovation. Changes in an organizational process re-shape a tourism product and intensify demand not only for itself but also for other services and goods which create tourists’ experience of consumption and influences future tourists’ needs. This suggests that modification of the tourism product plays an important role as a marketing tool. On the global market all the changes in a tourism product involve both producers and consumers who create a new relationship often based on different cultures.

Cultural tourism product and cross-cultural context of management

Discussions concerning the management of culture have often stressed the necessity of research into this field in relation to tourism, as both play an important role in the dynamics of the development of an individual human being and the society as a whole. “The recognition of culture as an important motivation for tourism has stimulated a significant increase in the supply of cultural attractions” [Richards 2001, p. 55]. Culture does influence tourism demand and stimulates participation in culture outside a place of living; attending different cultural attractions and events brings an opportunity to create new emotions and experiences, build new relationships and help to recognize differences in attitudes, behavior, tastes, tradition, habits. Culture within the framework of tourism can involve the customer

in such a way as to create a memorable event and stage a positive experience, even if someone faces differences in culture. Tourists usually are keen on the culture of locals, and local people are open to tourists, even if they cannot accept their customs or particular behavior.

In the real world cultural tourism stands out as an activity based on managers' and tourists' creative approaches in which culture has been a main component of the tourism product. Creativity should, therefore, be perceived as a condition of tourists' satisfaction and a 'platform' for managers' cross-cultural interaction. Taking into account that special relationships are formed not only between managers but also between tourists and natural resources [Moscardo 2000, pp. 4–5], the cross-cultural aspect has to be seen as a pre-condition of sustaining tourist attractiveness. International tourism development requires understanding differences in cultures of nationalities and their relationships with the natural environment because the culture of people behavior is a determinant of sustainable tourism.

“Creativity in the field of tourism and culture relates to an interaction between the human being (whether manager or tourist/ visitor) and ‘tourism resources’ and so should be analyzed by means of a complex approach which brings together consideration of, on the one hand, cultural resources, such as heritage, monuments, cultural events and cultural attractions and, on the other, the type of tourist, his/her cultural background and the experiences expected” [Marciszewska & Marciszewski 2012, p. 52]. This statement suggests a need for recognizing tourists' motives to travel which are, in practice, factors shaping tourism demand. A marketing approach to the tourism product containing a cultural component should, therefore, consider a different cultural context of tourists' attitudes, particularly when they represent different socio-demographic groups from more than one country. Managers in tourism enterprises – in addition to the pressures of man-management and customer expectations – are required to deal with challenges and misunderstandings emanating from cross cultural differences [Marciszewska & Marciszewski 2012]. Managers' cross cultural competency becomes a crucial condition for meeting tourists' needs and creating their positive consumption experience.

Culture and cross-cultural interactions as a subject of marketing

Culture as a social phenomenon can be understood at least in a dual sense. According to a wider understanding, culture comprises a complex of distinctive spiritual, material, intellectual and emotional features that characterize a society or social groups; it also contains modes of life, the fundamental human rights, value systems, traditions and beliefs. A narrower sense of culture refers to the particularly significant ways in which the arts help to express, formulate and define the social culture. Participation in culture is usually a component of a process creating social experience through dynamic interactions between people and tangible or

intangible elements of cultural evidence. Tourists do not live apart from the cultural environment in which they work and rest. It is through their expressive insights as consumers in music, dance, literature, film, or theatre; their values and sensibilities of the social culture are shaped in both their place of residence and the tourist destination. Cross-cultural interactions in tourist destinations are often a source of new behaviors or attitudes; this is a reason for investigation in this field, as changing personal features often build new market segments. This suggests that cross-cultural interactions have to be a subject of marketing if tourism enterprises expect growth of demand for their tourism services and integrated products. Marketing is able to create positive relationships between local societies and tourists thus stimulating penetration of cultures.

Tourism products which base on participation in culture have initiated a new theoretical approach to tourism by creating cultural tourism. The latest definitions of the 'symbiosis' of tourism and culture express an importance of relationships between three components: tourists, local societies and cultural attractions (tangible and intangible features of cultural resources, events or arts). The definition by Marciszewska [2001, p. 217] considers cultural tourism as "that activity of persons in their tourist destination and during their travel [...] which enables them to explore or experience the different way of life of other people, reflecting the social customs, religious traditions and intellectual ideas of cultural heritage". This activity requires a special relationship with other people and, in its sense, it creates a need for cross-cultural interactions, especially when foreign tourists visit a tourist destination. The above definition may suggest that cultural tourism is a form of tourism in which participants seek to become acquainted with and to experience both their own and other nations' past and present cultures. Culture in its different forms (heritage, events, arts exhibitions, performance) becomes a core product which, on the one hand, is sold by enterprises and, on the other, is consumed by tourists. As production and consumption are parallel processes in a service sector, a tourist has to interact with the producer of cultural tourism product. It is the main dimension of cross-cultural interaction in international tourism and subject for marketing. Thanks to this interaction, a deep interpretation of place, history, idea, people or art is possible. In view of the fact that the cultural experience constitutes the main component of cultural tourism, an analysis of some features of marketing has been made in this article with consideration of tourists' experience. The development of cultural tourism depends on the nature of visitor's experiences in places associated with the past and/or present culture of a given community. This suggests that cultural and heritage tourism creates different experiences produced by an interaction between a tourist and a cultural attraction (e.g. a historical monument, an art exhibition, a cultural event, a tradition, an idea or a work of art). An experience created by the specific interaction between people and cultural attractions could be perceived

as a 'product' for marketing purposes. This kind of product is difficult to form because of its very subjective nature: an experience depends on tourists' individual perception. The structure of tourists' experience in the cultural tourism model is highly fragmented in terms of lifestyle, education, occupation and consumer motivation [Marciszewska 2001, Richards 2001]. However, some characteristics could be identified:

1. flexibility and change in tourists' perception depending on the cultural background of the service producer; for instance, the same exhibition in the National Gallery in London could be perceived in a different way when it is compared with the National Museum in Gdansk;
2. perishability; namely, any unsold ticket to an exhibition represents a loss of a potential visitor experience, which may affect an enterprise's ability to compete;
3. fixed features of a tourist: every person visiting a cultural attraction potentially expects some experience; it is therefore important that a variety of communication methods (in the case of international tourism it could be based on intercultural relations) should attract a tourist to visit a cultural attraction;
4. relatively large financial investment into a modern or modified tourist product which will be able to create unique experiences.

The above characteristics highlight a very sensitive nature of a tourism product which becomes a background for a new marketing philosophy considering a cultural context of every transaction as well as consumption in the tourism sector.

In light of the above statements, the question "how is cultural experience to be sold effectively?" can be answered in a marketing approach, considering the emotional aspect of participation in culture as well as the visitor's socio-demographic profile. Managers have to be able to promote effectively customers' past and future experience as well as the source of this experience (an exhibition, a competition, a performance, visual art, an idea, design). Unfortunately, researchers underline that organizations offering culture are "...wrestling with the question of how to effectively implement current marketing concepts and techniques" [Boorsma 2002, p. 65].

A specific nature of the tourist experience as a product makes it necessary to stress that the question is not one of technique but of a new marketing concept in the world of cross-cultural tourist interactions. The basic component and the main objective of marketing should be an experience expected by tourists and created by both cultural attractions and cross-cultural interactions which shape a consumer's interpretation of the evidence.

Some authors suggest that commercial management does not propose fundamental principles and established skills which could be applied independently of the context [Beirne & Knight 2002, pp. 75–76]. The cultural experience as a special subject of marketing management also requires its own marketing philosophy which could not only support cultural participation but also co-create

the cultural experience of visitors who establish cross-cultural interactions with local people.

Marketing of cultural experience should give different tourists an opportunity to perceive the cultural attraction in an individual way and build different opinions and emotions on the basis of the same consumption process. Expected positive experience of tourists becomes a specific subject of promotional actions which are aimed to shape required brand of the tourism product.

Do emotions shape a cultural tourism product?

Emotions often help tourists to make decisions: to visit a cultural attraction, to travel to a culturally attractive destination, to participate in a cultural event, and finally, to buy material, a tangible cultural product, e.g. a painting, sculpture, a hand-made souvenir. Even this kind of cultural product (tangible) is a subject for reflection, and a tourist buys it thanks to and for emotions or/and experience. This means that both intangible and tangible cultural products offered to tourists require a very special emotional approach in a marketing action to attract potential consumers as "...We use our emotions to help visualize ourselves benefiting from the purchase of a particular product or service" [Williams 2003]. Emotions and experiences created by tourism products are factors stimulating future customers' decisions. This means that emotions are the very beginning of every contact with culture because they are based on and create an interaction between the visitor and cultural products (such as attractions, events and art). Buying decisions of tourists are often made on an emotional basis and managers acting on markets with a different cultural tradition, habits and educational background of potential tourists have to be selective in relation to their methods of presentation of cultural tourism products and potential experience; a selection of marketing methods should be based on differentiation according to a culturally homogenous group of visitors or tourists, but the type of a cultural product and the expected tourist's experience have to be considered.

The stimulating role of emotions in the decision-making process of clients intending to visit cultural attractions has already been described by researchers [Richards 2001; Marciszewska 2005]. This is particularly true in promoting a new cultural tourism destination which is unknown to a potential tourist, and the cultural evidence is not friendly enough. In such a situation even expected emotions (e.g. adventure) can help to make a decision about the tourist destination.

This simple example reminds of the fact that visitors make decisions based on their emotional needs and desires. What this implies for marketing activities is that promotion has to be constructed to produce emotions so as to stimulate buying decisions. When dealing with material goods it is relatively easy to persuade people of the functional value of a product. However, when dealing with culture

it is the selling and buying of services and experience which is involved, requiring different methods of promotion and different sources of emotion. Cross-cultural interactions between tourists themselves and local people open a new dimension for promotional activities and understanding people involved. These interactions create emotions which "...reflect the spectrum of experiences tourists feel before, during and after their voyages away from home" [Gnoth et al. 2000, p. 157]. According to this approach tourism managers should create positive interactions with tourists not only in a tourist destination but also during their first contact with the agency or when they traveling. Such a holistic approach requires a specific competency and communication skills of staff in the tourism enterprise.

Conclusions

To summarize, a cultural product requires a specific marketing approach: a marketer's own emotions put in promotion can bring the product to life for the cultural visitor or tourist. Intangible features of the cultural tourism product which usually have a subjective character but do create emotions and experiences in consumption should be underlined in the promotion process. These features could be perceived by tourists as a source of expected positive experiences. Focusing on intangible features of the product during a marketing activity can help to overcome negative emotions which can be created while visiting a cultural destination and consuming the products. Tourists who participate in culture expect much more from programmers than providing cultural attractions or activities. They prefer to see something new in order to have an opportunity to rest and relax or at least to experience new things [Marciszewska 2001]. Tourists whose work is related to culture expect to have a new opportunity to tailor their own work to the demands of the employment market. This expectation is important in a context of cross-cultural interactions when new manager's experience can fill in the gap in the knowledge on cross-cultural aspects. The value of this experience and knowledge is connected with the fact that promotional techniques can be used successfully in culture and its environment if factors influencing cultural participation are known. Culture creates many unpredictable emotions, reactions, and experiences which depend on tourists' different cultural backgrounds. Consequently, operational marketing of tourist products containing cultural components requires not only specific promotional instruments but, first of all, a distinct philosophy of marketing based on knowledge concerning intercultural relationships and cultural education.

The results of research analyzing the reasons for visiting cultural attractions by Polish visitors and tourists [Marciszewska 2001, p. 223] indicate that respondents visit cultural attractions mainly to experience something new, to learn something new, or to relax. In view of the fact that more than 34% of respondents visited cultural attractions to experience new things, nearly 33% to relax and more than

28% to learn new things, it can be presumed that emotions and experiences are revealed in the consumption. This process shapes also a local communities' attitudes towards tourists. In this context the marketing philosophy should be more customer satisfaction-oriented than profit-oriented. A marketing process in the field of culture in a wider sense will also need to be adjusted to meet the conceptual differences between the exchange of goods, on the one hand, and services and experiences, the new "offering" [Pine&Gilmore 1999] typical of culture, on the other. A context of cross-cultural interactions which are created between consumers and producers of tourist services is an additional aspect of this philosophy. This is an objective factor which depends on the cultural environment but influences individual attitudes and perceptions.

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Employee Appraisal as the Tool of the Pro-innovative Organizational Culture Formation in Hospitals³⁶

Abstract: Healthcare sector is considered as the knowledge-based sector and because of this innovation and creativity should be regarded as prerequisite for the survival and growth of the organizations which perform their activities within the sector. In this context development of pro-innovative culture within hospitals becomes crucial. In search for tools allowing to create the culture employees appraisal becomes an interesting tool to be further investigated. Due to the fact the main aim of the paper is to investigate the relationships between the employee appraisal system and innovation in the context of the organizational culture in the hospitals. Study was carried in eight public hospitals located in two voivodships in Poland. Not only qualitative but also quantitative data was analyzed in order to identify usefulness of employees appraisal as the tool of pro-innovative culture creation.

Key words: organizational culture, innovative culture, employees' appraisal, performance appraisal, health care entities, hospitals

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Introduction

In the realities of the modern knowledge economy, innovation and creativity are considered to be the prerequisite for the survival and growth of an organization. As a consequence, human resources – as the source of new or creatively transformed solutions – need to be used effectively. This view is of decisive significance in the context of pro-innovative organizational culture, the development of which is one of the priorities due to the growing importance of innovation and the necessity to implement innovative solutions. In order to prepare employees to adopt pro-innovative culture, however, managers need to make changes in the existing human resource management practices and policies [Denning 2011]. One of the tools used to implement such changes is the employee appraisal system. An efficient system may become an important instrument supporting the development of employees' competencies, which, in turn, allows for the development of pro-innovative organizational culture. It should be noted, however, that literature does not provide the results of research on the relationships between employee appraisal and innovation and their impact on pro-innovative organizational culture. Thus, the issue gains in importance, in particular with reference to hospitals, which are recognized for the unique characteristics of their environment, structure or organizational processes [Frączkiewicz-Wronka 2009]. The primary goal of this study is to investigate the relationships between the employee appraisal system and innovation in the context of the organizational culture in the hospitals participating in the study. First, we carried out the literature review, then we presented the research methodology and discussed the results of our empirical research conducted in 2014 in 8 hospitals operating in Poland. In the conclusion, we analyzed the implications and limitations of the study and indicated the need to expand scientific research into other HR practices and their role in building pro-innovative organizational culture.

The formation of pro-innovative organizational culture

As a result of growing significance of innovation, it is not an overstatement to propose that the formation of pro-innovative organizational culture is one of the priorities of today's organizations. In order to achieve long-term success in the competitive world, the development of pro-innovative organizational culture seems simply a necessity [Chen, Huang 2009]. This poses a particularly difficult challenge for management, even more so that it requires changes not only in management procedures and mechanisms, but, first of all, in employees' attitudes and behaviors. Moreover, staff is identified as an obstacle to the formation of pro-innovative culture, while, on the other hand, its active involvement is indispensable in the very same process [Horibe 2001, p. 192]. This appears to justify the attempts to seek the links between employees' values, convictions and behavioral patterns and innovation in the context of building pro-innovative organizational culture.

Literature indicates that one of the ways to link organizational culture with innovation is the personnel function [Tesluk, Faar, Klein 1997, pp. 21–41]. Applying HRM practices to the promotion of creativity, knowledge and innovation, it facilitates the formation of pro-innovative organizational culture [Tan, Mohd Nasuridin 2011, pp. 155–167]. It is important to stress here that creativity and innovation are closely related, but not identical [Angle 1989, pp. 135–170]. Creativity involves developing new and useful ideas, primarily at an individual level [Amabile, Conti, Coon, Lazenby, Herron 1996, pp. 1154–1185]. Innovation, on the other hand, is the process of successful implementation of creative ideas in an organization, mainly at a group level, but also at an organizational level. In the context of building pro-innovative organizational culture, which promotes creativity and innovation, the works of Amabile and her colleagues are particularly interesting. The authors identified a number of factors conducive to developing pro-innovative organizational culture, such as organizational encouragement, supervision, team work, freedom, sufficient resources, and challenges. Kanter, on the other hand, identifies such factors as integrative organizational structure, variety within an organization, collective pride and faith in people's talent, collaboration and teamwork [Kanter 1983]. The author also indicates the obstacles to building pro-innovative culture, involving excessive control, hierarchical structures and lack of supervisory support. She stresses that managers working within pro-innovative organizational culture have to win the support and power for their ideas through persistence and convincing argumentation [Kanter 1983, p. 179]. Ismail underlines the importance of communication and information sharing inside and outside an organization [Ismail 2005, pp. 639–654] and, in particular, the need for high-frequency communication among individuals from different systems (occupational groups, positions), as he points out that the exchange of ideas generated from different perspectives will lead to the emergence of new, creative ideas. Tesluk et al. identify five dimensions of organizational climate affecting creativity. They include the emphasis on goals relating to creativity and innovation, the emphasis on norms and procedures relating to creativity and innovation, reward orientation, task support, involving also emotional support [Tesluk, Faar, Klein 1997, pp. 21–41]. If an organization strongly communicates that creativity and innovation are its important goals, people are more likely to develop creative behaviors. The clarity of goals allows employees to concentrate on solving problem and generating ideas instead of attempting to define objectives. If managers act and communicate in a way showing that they appreciate and follow procedures relating to risk taking, information sharing and open debate, employees are more willing to take up such behaviors. Recognition of and reward for creativity and innovative performance afford employees internal motivation. Moreover, while building pro-innovative culture, it is equally important to support staff by providing them with time, resources, equipment and materials necessary to implement new

ideas, projects and solutions. Finally, emotional support should be given, as it builds the work environment conducive to free creative activity. When employees can see that their organization works for its good as well as theirs, when the environment for open debate and discussion is in place, their trust increases and, as a consequence, encourages them to take risks and come up with creative ideas.

Martins and Martins further developed the concepts relating to the conditions conducive to the formation of pro-innovative culture. While studying the relationships between organizational culture and innovation, the authors indicated the necessity to combine activities comprising eight areas. The areas include an organization's strategy, a organizational structure, goal orientation, trust relationships, innovation stimulating behaviors, an internal environment, (internal and external) customer orientation, managerial support [Martins, Martins 2002, pp. 58–65; Martins, Terblanche 2003, pp. 64–74].

Summing up, it should be emphasized that all of the above factors relating to the formation of pro-innovative organizational culture should be given more support from HRM practices. Their adequate design and implementation definitely motivate employees to develop competencies connected with creativity and innovation, necessary to create added value in new or creatively transformed solutions. The article recognizes the employee appraisal system as a major human resource management tool in building pro-innovative organizational culture.

Employee appraisal as a tool of building pro-innovative culture

Employee appraisal is one of the most frequently explored areas of human resources management. This applies both to Polish and English language literature. Publications on employee appraisal analyze a diversity of aspects, for example, the architecture of employee appraisal systems, the objectives of employee appraisal, the activity of entities involved in employee appraisal, assessment criteria, supporting tools, and challenges posed by the implementation and management of employee appraisal [cf. Jackson, Schuler 2003; Czubasiewicz 2005; Sidor-Rządkowska 2006; Abu-doleh, Weir 2007; Myrna 2009; Sillup, Klimberg 2010]. The rationale behind the researchers' attempts to analyze employee appraisal in an organization is the fact that its prime goal is to increase a company's effectiveness through the optimum use of employees' potential [Funkcja personalna (...), 2007, Pochtowski. 2007].

Literature defines employee appraisal as the process oriented towards the identification of employee potential [Bratton, Gold 2003]. Other definitions emphasize that the goal of the employee appraisal process is the thorough analysis of employees' performance, needs and development potential, necessary to plan and implement human resources management measures aligned with an enterprise's strategy and mission [Juchnowicz, Rostkowski, Sienkiewicz 2005]. Appraisal may only perform its role when it is not conducted sporadically or incidentally, but

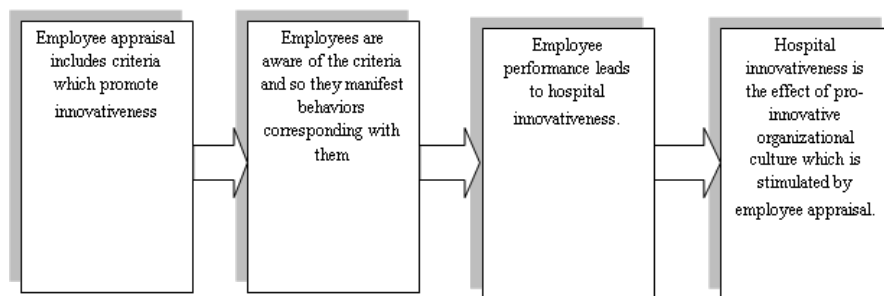
when it is rooted in the assessment system, including the following components: assessment goals, rules, criteria, subjects, objects, techniques, procedures, and frequency of appraisal [Sidor-Rzadkowska 2006; Pocztowski 2007].

The literature review has revealed that the contemporary approach to employee appraisal departs from one-off measures aiming to assess employee performance, which are held on an annual basis as periodic appraisals, to adopt a more holistic perspective, which is referred to as performance management in literature. This approach is based on the global view of an employee's work, as it assesses both an employee's performance and their competencies and behaviors in relation to the position that they hold [Armstrong 2002; Williams 2002]. The perception of employee appraisal as a process instead of a one-off act focused on the effects of an employee's work allows an organization to shape its human capital and employee behaviors involved in task performance in such a manner that they create, or even exceed, the effects pursued by an organization. This link forms the foundation for the analysis and discussion presented in the article, as it is assumed that assessment criteria determine the development of the adequate employee competencies on one hand and stimulate their pro-effective behaviors on the other hand. As a result, employees succeed in achieving the defined effects of work. Aggregate individual effects of work contribute to the achievement of both group and organizational effects.

Research assumptions and methodology

Based on the literature review, the article makes the following assumptions: 1) organizations aspiring to form pro-innovative organizational culture with the use of employee appraisal should develop the appraisal system comprising the criteria that will stimulate employee's creativity and innovativeness, and 2) such a system, when it is effective, will lead to innovativeness in hospitals (see Chart 1).

Chart 1. The relationship between the employee appraisal system and hospital innovativeness



Source: own elaboration.

The adoption of these assumptions allowed for the elaboration of the following research problems:

- Do the researched hospitals have periodic employee appraisal systems?
- Do the assessment criteria used in the hospitals include the criteria conducive to innovation?
- Does employee appraisal affect hospital innovativeness?

In order to address the research problems, we used the data acquired through qualitative and quantitative research conducted in eight public hospitals, operating in two voivodeships in Poland, in 2014. It should be noted that the choice of the hospitals was deliberate and stemmed from the fact that they were the only organizations that agreed to take part in the study. Qualitative data came from the internal documentation of the hospitals and non-standardized interviews with the hospital management. Quantitative data, on the other hand, was collected in the survey carried out among 556 respondents, including doctors, nurses, midwives, managers, and representatives of the remaining occupational groups. We analyzed all the questionnaires (556), the majority of which were completed by nurses and midwives (285 questionnaires). The remaining questionnaires came from doctors (100 questionnaires), management (comprising hospital directors, deputy directors, managers, hospital ward heads, head nurses – 82 questionnaires), and other staff (89 questionnaires). In the context of the research assumptions and problems, the quantitative exploration comprised two questions from the questionnaire. The first question was whether the hospital's employee appraisal system comprised the criteria related to creativity and innovation (*Does the hospital use the employee appraisal system that comprises the criteria related to creativity and innovation?*). Respondents answered the question on a 5-item scale with the following options: "definitely yes", "rather yes", "no opinion", "rather no", "definitely no". The second question concerned hospital innovativeness (*Is the hospital innovative?*). In order to make the scale more sensitive, we offered seven options in the Likert scale: 1 – "definitely no", 2 – "no", 3 – "rather no", 4 – "no opinion", 5 – "rather yes", 6 – "yes", 7 – "definitely yes". In the light of the goal of the publication, we defined the key element of empirical verification as an attempt to investigate the relationship between hospital innovativeness and employee appraisal comprising the criteria related to creativity and innovation. Due to the ordinal type of variables and the awareness of violation of classic ANOVA assumptions (lack of normality in sub-groups resulting from the ordinal type of data, heterogeneity of variances), the analysis uses the ANOVA Kruskal-Wallis test by ranks.

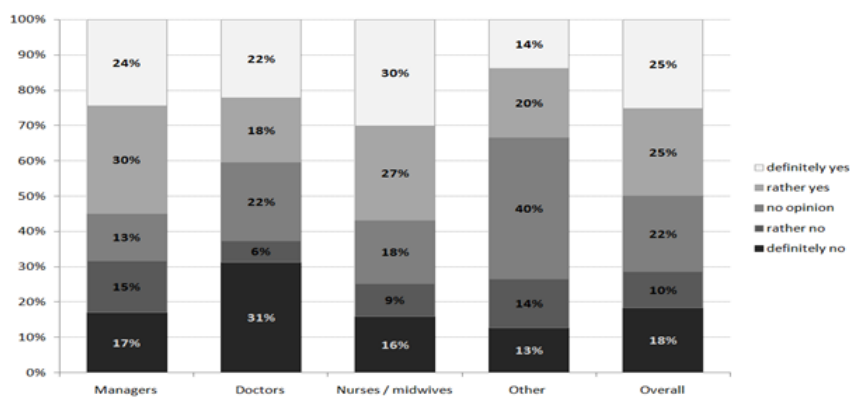
Empirical research results

The results of the qualitative study clearly confirm that the hospitals use employee appraisal. All the entities have the employee appraisal system, usually

adopted as a separate regulation. The document stipulates the rules of employee appraisal, stemming from the evaluation of the entirety of tasks performed in a given position, defined in a job description. Employee appraisal in the researched hospitals aims to support the optimum personnel policies, including employee professional development and staff motivation. Employee appraisal also allows for the complex verification of tasks performed by employees in their positions in terms of the goals defined for them and their vocational fitness to a given position. The hospitals conduct employee appraisal on an annual basis with an exclusion of employees working less than 6 months. It is performed by an immediate superior, who assesses employees working directly under his supervision. Two of the hospital also conduct self-appraisal, which comprises all employees subject to the appraisal procedure. Employee appraisal is carried out with the use of an appraisal form. Six hospitals apply a numerical scale, two – a descriptive scale. The analysis of the appraisal forms reveals that the assessment criteria include the criteria stimulating creativity and pro-innovative employee behaviors, for example knowledge, professional development, teamwork, communication, independence, initiative and commitment.

In the context of the research assumptions underlying the publication, the results of the quantitative survey were also of great significance. First, we determined the level of employee awareness of the employee appraisal system and its pro-innovative nature. For this purpose, we analyzed the answers to the following question: *Does the hospital use the employee appraisal system that comprises the criteria related to creativity and innovation?* (see Chart 2).

Chart 2. Awareness of pro-innovative criteria among hospital employees



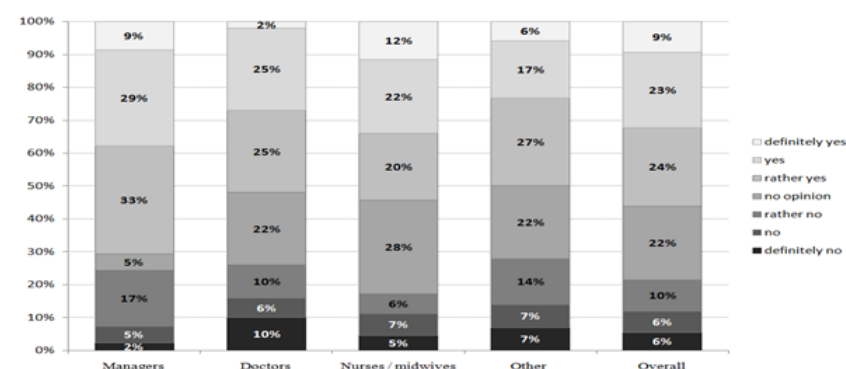
Source: Own elaboration based on empirical research.

The respondents confirmed that on average 50% of staff recognized the criteria stimulating creativity and innovation. The highest rate of recognition was obtained

in the groups of nurses/midwives and managers. The poorest awareness was observed among doctors and other hospital staff.

In the context of the formulated research assumptions, it was also crucial to check whether the researched hospitals were innovative. For this purpose, the following question was asked: *Is the hospital innovative?* (Chart 3). The distribution of responses indicates that more than 50% of the respondents acknowledge the innovativeness of the hospital. The highest percentage of such responses was obtained in the groups of managers and nurses/midwives, whereas the lowest – among doctors and other hospital staff, similarly as in the case of the opinions on employee appraisal.

Chart 3. Hospital innovativeness in the opinion of hospital employees



Source: own elaboration based on empirical research.

While analyzing the results, we found it interesting to explore whether an occupational group determined the opinion on hospital innovativeness. To investigate the issue, we applied the analysis of variance (the ANOVA Kruskal-Wallis test by ranks), which yielded the statistic $H = 8.509$ (at free degrees of freedom) and the level of significance at 0.037. With the level of significance at 0.05, it was determined that the respondents' opinions on hospital innovativeness varied significantly for particular occupational groups. Therefore, in addition to exploring the differences within the entire sample, further considerations also account for the responses within particular occupational groups.

Then, using the same Kruskal-Wallis test, we compared hospital innovativeness with employee appraisal, where the grouping variable was the fact whether such appraisal was conducted in a given hospital. The verification results (Table 1) show how the assessment of innovativeness compares against employee appraisal practices, including the criteria related to employee creativity and innovation, both for the entire sample and for particular groups.

Table 1. Results of the analysis of variance for the comparison of the assessment of innovativeness and the employee appraisal system, in total and by occupational groups

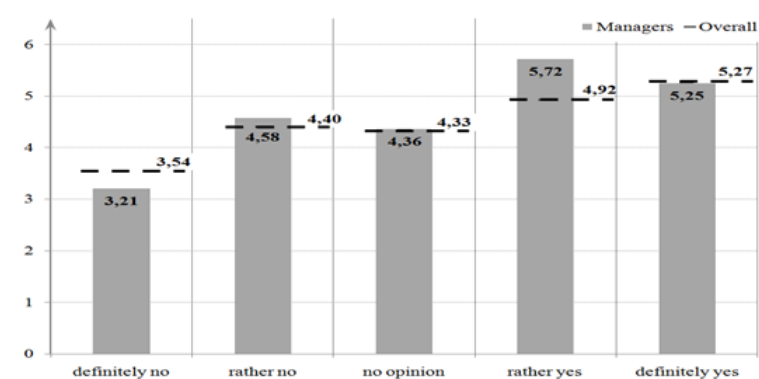
Position	Degrees of freedom	H statistics	p level
Total	4	72.816	0.000
Managers	4	30.262	0.000
Doctors	4	28.084	0.000
Nurses/midwives	4	26.988	0.000
Overall	4	6.444	0.168

Source: own elaboration based on empirical research.

According to the obtained data, the respondents who confirmed their hospital had the employee appraisal system including the criteria related to creativity and innovation had a different view on hospital innovativeness. When the researched sample is broken down by occupational groups, it can be observed that these differences are significant both for doctors and for nurses/midwives or managers (in the ANOVA test that we conducted, the level of significance is much below the limit value, i.e. 0.000). Similar differences in the perception of hospital innovativeness cannot be observed in other groups of hospital employees (in the ANOVA test that we conducted, the level of significance is much above the limit value, i.e. 0.168). The reason may for this be the fact that this group of employees is not homogenous in terms of their opinions in this respect, as it is made up of different employees, both medical workers (e.g. medical analysts, operating theatre nurses, pharmacists) and administrative staff (e.g. accountants, maintenance workers).

In order to explore detailed opinions on the relationship between innovativeness and the employee appraisal system including the criteria related to creativity and innovation, the distributions of data for particular occupational groups, based on the arithmetic means for the assessments of innovativeness, are presented below. Chart 4 shows the managers' average responses about the assessments of innovativeness in comparison with the employee appraisal practices including the criteria related to creativity and innovation.

Chart 4. The average values of the opinions on the level of innovativeness for managers opting for different responses regarding the employee appraisal system including the criteria related to creativity and innovation, as compared to the results of the total sample

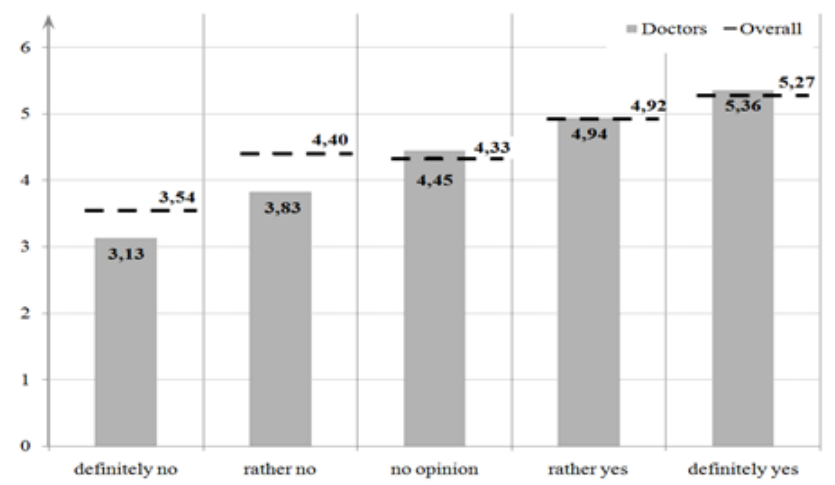


Source: own elaboration based on empirical research.

As the distribution of data indicates, the managers who confirmed that their hospital used the employee appraisal system including the criteria related to creativity and innovation (responses “definitely yes” and “rather yes”) highly rated hospital innovativeness (the average values of responses at 5.72 and 5.25). On the other hand, those who did not confirm that their hospital used the employee appraisal system (responses “definitely no” and “rather no”) or did not express any opinion on this issue rated innovativeness low (the average values of responses at 3.21 and 4.58). Accordingly, a higher opinion about the employee appraisal system is accompanied by a higher rating of the innovativeness of a hospital, which confirms the correlation between the two variables.

Another group the opinions of which were analyzed were doctors. Their average responses are presented in Chart 5. The analysis of the data on the doctors’ opinions leads to similar conclusions as in the case of the managers’ opinions. The doctors who confirmed that their hospital used the employee appraisal system including the criteria related to creativity and innovation (responses “definitely yes” and “rather yes”) equally highly rated hospital innovativeness (the average values of responses at 4.94 and 5.36). On the other hand, those who did not confirm that their hospital used the employee appraisal system (responses “definitely no” and “rather no”) or did not express any opinion on this issue rated hospital innovativeness equally low (the average values of responses at 3.13 and 3.83). The doctors’ negative opinions, however, are lower than the managers’ opinions, which may indicate the stronger awareness of the former with respect to the necessity of linking employee appraisal with hospital innovativeness.

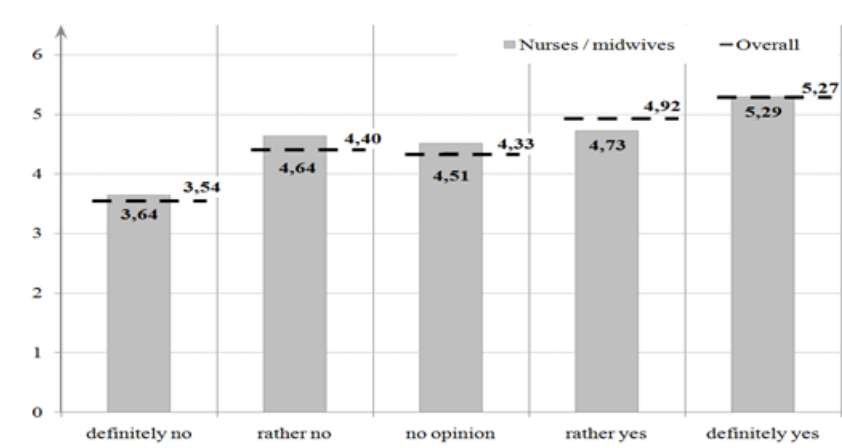
Chart 5. The average values of the opinions on the level of innovativeness for doctors opting for different responses regarding the employee appraisal system including the criteria related to creativity and innovation, as compared to the results of the total sample



Source: own elaboration based on empirical research.

Another group of the respondents were nurses and midwives. Their average responses are presented in Chart 6. The distribution of the data concerning the nurses' opinions are similar to the ones coming from the managers and the doctors. The nurses and midwives who confirmed that their hospital used the employee appraisal system including the criteria related to creativity and innovation (responses "definitely yes" and "rather yes") highly rated hospital innovativeness (the average values of responses at 4.73 and 5.29). On the other hand, those who did not confirm that their hospital used the employee appraisal system (responses "definitely no" and "rather no") or did not express any opinion on this issue rated the innovativeness of the hospital low (the average values of responses at 3.64 and 4.64). It should be noted that the values for their negative opinions are higher than in the case of the opinions of the doctors and managers, which, in turn, may lead to the conclusion about their weaker awareness of the relationship between the employee appraisal system and hospital innovativeness.

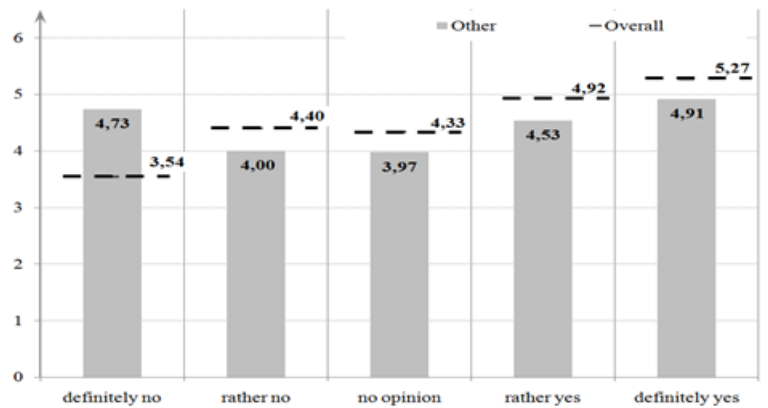
Chart 6. The average values of the opinions on the level of innovativeness for nurses opting for different responses regarding the employee appraisal system including the criteria related to creativity and innovation, as compared to the results of the total sample



Source: own elaboration based on empirical research.

The last group of respondents was the group of other hospital staff (Chart 7). The analysis of the presented data indicates that the opinions within this group on the link between the employee appraisal system and hospital innovativeness are the most varied. This is probably caused by the greatest diversity of this group, which comprises both medical workers (e.g. medical analysts, operating theatre nurses, pharmacists) and administrative staff (e.g. accountants, maintenance workers). However, the average values of the negative opinions are higher than in the other occupational groups, while the average values of the positive opinions are lower. This may indicate that the awareness of these employees concerning the relationship between the employee appraisal system including the criteria related with creativity and innovation is the lowest.

Chart 7. The average values of the opinions on the level of innovativeness for other hospital staff opting for different responses regarding the employee appraisal system including the criteria related to creativity and innovation, as compared to the results of the total sample



Source: own elaboration based on empirical research.

Closing remarks

Pro-innovative organizational culture is quickly becoming a priority in the pursuit of organizational success. It looks for new ideas, concepts, and knowledge in order to create innovation giving competitive advantage over other organizations. Yet, pro-innovative organizational culture requires the departure from the old HRM practices and policies ensuring organizational stability to the new practices that motivate employees to seek innovative knowledge needed at the times of constant change characterizing the modern organization. The employee appraisal system including the criteria related with creativity and innovation plays an important role in such an environment. Such a system may become a crucial tool motivating employees to change and adopt pro-innovative behaviors. As behaviors are the manifestations of their way of thinking and hierarchy of values, the periodic appraisal system may contribute to the formation of pro-innovative organizational culture.

Considering the strategic importance of employee appraisal for the formation of pro-innovative organizational culture, the article attempts to determine the impact of the employee appraisal system on building pro-innovative organizational culture in hospitals. The adopted assumption was verified based on the analysis of both qualitative and quantitative data. It was established that the researched hospitals

used periodic employee appraisal systems that included the criteria stimulating pro-innovative behaviors among employees and that employees were aware that the hospital had such a system in place.

The main problem was to determine whether the relationship existed between the awareness of the criteria stimulating innovation with the actual innovativeness of hospitals. Accordingly, the research results show that the highest average values of the opinions on the links between the employee appraisal system and hospital innovativeness came from the managers and doctors, respectively lower – the nurses and midwives, while the lowest were expressed by other hospital staff. In the case of negative responses, the lowest responses were expressed by the doctors and managers, higher averages came from the nurses and midwives and the highest – from other hospital staff. As a consequence, it can be stated that the occupational groups crucial from the perspective of hospitals (managers, doctors, nurses and midwives) are aware that employee appraisal is a tool that can be used to increase hospital innovativeness. Certain limitations affecting the study, however, should be defined. First of all, there are significant differences in terms of the sizes of the respondent groups, which could have affected the results (yet, it was not possible to collect more questionnaires from less numerous groups than doctors and managers are in every hospital). Moreover, the group comprising other hospital staff was strongly diversified, as it comprised both the representatives of medical professions and administrative staff. Finally, the study was conducted only in selected hospitals in two voivodeships. As a result, it cannot be seen as a significant research achievement, but it offers an opening for further empirical research in the area. There is a limited number of studies into the role of employee appraisal in the formation of pro-innovative organizational culture, especially in the subcultural context of healthcare organizations. Moreover, the study may be an important indication for hospital directors and HR specialists on how to improve their employee appraisal systems so that they can include the criteria related to creativity and innovation, so important for the formation of pro-innovative organizational culture.

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Staff Turnover as a Strategy of Knowledge Management: Empirical Evidence from Information Technology Industry in Sri Lanka

Abstract: Information Technology (IT) industry in Sri Lanka can be considered as one of the fast growing industrial sectors in current competitive, technological oriented and rapidly changing business environment. Generally, IT industry performance depends on knowledge management (KM) in firms in the industry. The concept of staff turnover (ST) has become as more important aspect in the context of knowledge management. As limited research studies are shown in literature about staff turnover and knowledge management in IT industry in Sri Lanka, this research explore the impact of staff turnover on knowledge management in IT companies in Sri Lanka. The survey method has been adopted using structured questionnaire in Likert scale to collect data. Respondents from different job categories and companies for the sample have been selected using stratified sampling method. After descriptive analysis of basic features of respondents of the survey, the causal relationship between staff turnover and knowledge management is analyzed using correlation analysis. The major finding emulating from the study is that there is a positive relationship between high staff turnover and weak knowledge management. Further, the study shows that organizational factors such as managerial style, lack of recognition, lack of competitive compensation system and toxic workplace environment significantly influence employee knowledge management. However, possible learning environment in the firm also directs employee turnover in IT industry in Sri Lanka.

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Key words: Information technology, knowledge management, staff turnover, software industry, Sri Lanka.

Introduction

Knowledge Management (KM) creates a new working environment where knowledge and experience can easily be shared and also enables information and knowledge to emerge along with a flow to the right people at the right time so that they can act more efficiently and effectively [Akhavan et al. 2009]. An elementary success factor of KM is to have a common understanding of the terms „knowledge management” and „knowledge sharing” and how they apply to your situation and needs. Some organizations choose not to use these terms at all because they are not accepted within the culture [Koenig and Srikantiah 2004]. KM is not a single process. It is collaboration of human resources, enterprise organization and culture, as well as the information technology, methods and tools. Furthermore O’Leary et al. [2001] describes a KM system that facilitates creation, access and reuse of knowledge, and its main goals are to promote knowledge growth, communication, preservation and sharing.

Employees’ turnover is a much studied phenomenon [Shaw et al. 2001] in human resource management literature. Yet, there is no standard reason as to why people leave organizations. The term “turnover” is defined by Price [1977] as the ratio of the number of organizational members who have left during the period being considered, divided by the average number of people in that organization during that period. Staff turnover (ST) is a major issue in any industry in the world [Long & Perumal, 2014]. In the IT sector, this can be considered as a common phenomenon. According to Alwis [2008], the problem of ST may arise in any industry as well as in the Public Sector. Therefore, skilled employees leave organizations and eventually knowledge assets will be lost. As a result, it is critical to implement an appropriate procedure to ensure that information and knowledge could be kept in the organization. Organizations invest a lot on their employees in terms of induction and training, developing, maintaining and retaining them in their organization. Therefore, management takes various measures to retain the staff in the organizations.

In Sri Lanka, the Information Technology sector can be considered as one of the major revenue generating sources. At the same time, over the past decades, the software industry in Sri Lanka has developed at a rapid space [CBSL Annual Report 2014]. Nature of the industry is always dynamic and the environment is ever changing. Likewise, a high ST is also visible in the industry. Especially, the software industry thrives on knowledge workers as recruiting qualified and experienced staff has been a focal point to development of IT industry [Herath and Ranasinghe 2011]. However no proper research has been done to identify the impact of ST

on organizational knowledge management in the Sri Lankan context. At the same time, very few researches have been conducted to investigate matter pertaining to IT sector in Sri Lanka. Hence it is worthwhile to link staff turnover and knowledge management together in an industry where very limited number of researches is conducted. Accordingly research problem of this study remains as in what ways staff turnover effect knowledge management of IT related companies in Sri Lanka.

The following objectives are served as objectives of this study.

- To identify the nature of employees who engage work in IT Industry in Sri Lanka.
- To recognize the organizational units most prone to staff turnover in Sri Lankan IT Industry.
- To analyze the effect of staff turnover on knowledge management and ranking of sub factors of staff turnover in Sri Lankan IT Industry.

Literature review of this article is divided basically into two parts. The first part consists with KM. The second part of the literature review is reserved for ST. The main argument which researchers are trying to build in the literature review is that ST of an organization is the main aspect in case of KM. In the event of building the argument, all sub sections of literature review provide with present knowledge of KM and ST which would support to conceptualize the research problem of this study.

KM is not a single process. It is of course a collaboration of human resources, enterprise organizational culture, information technology, methods and tools that support to organization to run their functions smoothly. Furthermore O'Leary et al. [2001] describes a KM system that facilitates creation, access and reuse of knowledge, and its main goals are to promote knowledge growth, communication, preservation and sharing. According to Montequin et al. [2006], making the transition becoming a firm that manages efficiently in all aspects of knowledge is not a trivial step, even less when talking about small and medium-sized enterprises (SMEs). Knowledge and KM are vital areas for most organizations nowadays, especially those that are knowledge intensive. Firms should develop the right circumstances to stimulate the development of knowledge. Implementing KM means something more than implementing a set of IT tools: it involves changes in the organizational structure, process and culture. The first step to change from a traditional company into a KM is to be aware of the knowledge of the organization. In addition to that, Yu-Chung et al. [2005] explains Knowledge as not easily measured or audited, so organizations must manage knowledge effectively in order to take full advantage of the skills and experience inherent in their systems and structures as well as the tacit knowledge belonging to the employees of the firm. KM can more effectively integrate and administer a firm's information technology base and assist in the development of a systematized information model.

When key factors of KM is considered different views researchers can be recognized. Bixler [2002] states that there are four pillars to support enterprise-wide KM initiatives: leadership, organization, technology and learning. Managers develop business and operational strategies to survive and position for success in today's changing environment, so leadership is needed. Those strategies determine vision, and must align KM with business tactics to drive the value of KM throughout the enterprise. For an organization to succeed, the value of knowledge creation and collaboration should be intervened throughout the enterprise. Operational processes must be aligned with the KM framework and strategy, including all performance metrics and objectives. Technology enables and provides the entire infrastructure and tools to support KM within the enterprise. Organization learning must be addressed with approaches such as increasing internal communications, promoting cross-functional teams and creating a learning community.

Four pillars of KM help to understand the factors with effect to KM. According to Stankosky and Calabrese [2005] leadership deals with the environmental, strategic and enterprise level decision making processes involving the values, objectives, knowledge requirements, knowledge sources, prioritizations and resource allocation of the organization's knowledge assets. It stresses the need for integrative management principles and techniques, primarily based on systems thinking approaches. Further the organization deals with the operational aspects of knowledge assets, including functions, processes, formal and informal organizational structures, control, measures, process improvement and business process reengineering. The adoption of technology deals with the various information technologies peculiar to supporting and/or enabling KM strategies and operations. That is one way used which relates to technologies that support the collaboration and codification of KM. Finally, learning deals with organizational behavioral aspects and social engineering. The learning pillar focuses on the principles and practices to ensure that individuals collaborate and share knowledge to the maximum. Emphasis is given to identifying and applying the attributes necessary for a "learning organization". According to Stankosky [2005], all four pillars must be balanced in order to avoid failing the whole system.

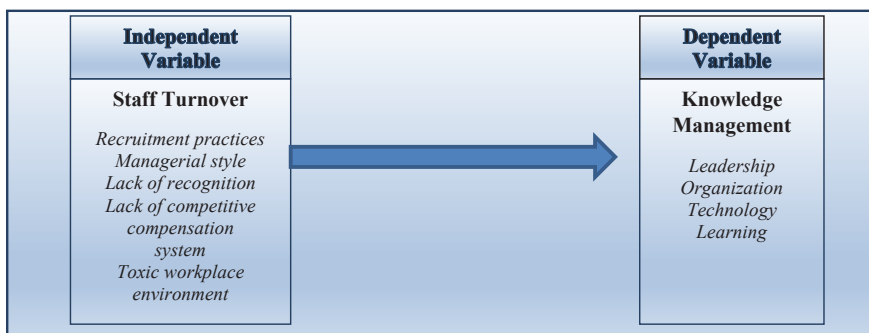
Turnover is defined differently in previous studies. One of the famous definition is "individual movement across the membership boundary of an Organization" [Price, 2001; Thwala et al., 2012]. Interestingly, a large number of studies in this field use turnover intentions of employees as a proxy for actual turnover of employees, given that they are the only variables that consistently and directly predict actual turnover [e.g., Hancock et al. 2013; Holtom et al. 2008]. Several meta-analyses have emphasized on managerial approaches to employee retention, focusing the appropriateness of positive organizational support, job satisfaction, and perceptions of external employment opportunities on turnover intentions [Berry, Lelchook & Clark 2011; Hancock et al. 2013, Long & Perumal 2014] explained that human

resource practices are more important than any other reason in case of ST in present day organization. According to their research findings human resources practices like recruitment practices, managerial style, lack of recognition, lack of competitive compensation system and toxic workplace environment have become top priorities of employees in case of turnover intention of their job.

Literature shows that some attempts to link the concepts of KM and ST. According to Foster [1999] the benefits of a KM programme, initiative, strategy or system can be many and varied, and cost justification may be difficult. More interestingly the survey of KPMG's study [cited in Penelope et al. 2001, p. 24] stated that 'the ability to leverage the intellectual capital of the organization can reap numerous benefits' and it lay emphasis on improved staff morale (making a search for, and access to information easier and quicker, thus permitting more time for innovation, higher quality work, and more accurate decisions often evidenced by a reduction in staff turnover or easier attraction of high-caliber recruits) which can be seen as a more important factor in the sense of KM. According to Stovel et al. [2002] human resource managers are effectively managing the people in their organizations through training and development, performance reviews, and the effective management of fluctuating workforce demands. Moreover there is a need for greater attention to be paid to the leveraging of human capital that exists within their knowledge-intensive workforce. In addition, research findings strongly suggest the need to increase KM behaviors such as the valuation and codification of organizational knowledge assets. Further Akhavan et al. [2006] stated that the benefit and importance of KM is clear to every organization and nowadays, many companies search for the main reasons and factors for being successful in KM system design and implementation through their organization.

Conceptualization (figure 1) of the study was developed based on the literature review above.

Figure 1. Conceptualization



Source: developed by the researcher based on literature.

The following hypothesis can be drawn from the conceptual framework.

H₀: Null Hypothesis

There is no strong positive relationship between high staff turnover and weak knowledge management.

H₁: Alternative Hypothesis

There is a strong positive relationship between high staff turnover and weak knowledge management.

The operationalization of the study is carried out based on the conceptual framework. Ultimately, operationalization is lead to test the hypothesis of the study.

Material and Methods

This study has focused on finding out the impact of ST on KM in companies in IT industry in Sri Lanka. According to Sri Lanka Information Communication Technology Association (SLICTA), the current total workforce involved in IT sector is around 60,000 in which 29,000 workers are directly involved in jobs in Sri Lanka. In addition, according to IT work force categories can be mainly divided into thirteen job sectors such as Database Administration and Development, Digital Media and Animation, Systems and Network Administration, Project and Program Management, Technical Support, Web Development, Solutions and Technical Architect, Business Analysis and Systems Integration, Programming and Software Engineering, Testing/Quality Assurance, Management Information Systems / IT Management, Technical Writing and Sales and Marketing.

The sample of this survey was designed based on the above information. The primary data was collected from randomly selected 34 software related companies and their employees which were categorized in 13 different jobs. 34 software related companies were selected using simple random sampling technique from the list of IT related companies given by the SLICTA. A questionnaire which covered all measurements in the conceptualization was sent to employees in different job categories. Those employees were selected based on stratified random sampling technique. The questionnaire was developed based on all constructs, indicators of variables of conceptualization. The questions were developed in five point Likert scale. Mainly, received responses from different mode of data collection can be seen by following table 1. Finally, this survey covered 119 responses from different companies from different job positions related to IT Companies.

Table 1. Mode of data collection and response rate

Method	No of questionnaires delivered	Percentages of delivery	Received	Return Rate
E-mail	130	24.5%	28	23.5%
Printed copies	150	28.3%	39	32.7%

Online invitations (survey)	250	47.1%	52	43.6%
Rejections on receipt			(20)	
Total	530	100%	119	100%

Source: developed by the researcher.

The fieldwork included analysis of secondary documentary sources in each organization to analyze and conclude the study. Documents were collected from the organizations' resource center, libraries of various universities, company reports, company newsletter and other printed materials (e.g. newspaper cuttings, journals, textbooks, conference reports, articles) that were made available for the purpose of the research.

The correlation (Pearson) analysis is used as the main data analysis model to test the hypothesis. The relationship of independent and dependent variables were identified in a function. The following mathematical array shows the development of correlation model for this study. The correlation between the above dimensions, variables and the concepts can be explained as in the equation below. When considering the variable ST passion towards staff turnover, Ave_RP, Ave_MS, Ave_R, Ave_CCS and Ave_TWE satisfies ST. Therefore, mathematical development of function can be stated as below.

$$ST = Ave_RP + Ave_MS + Ave_R + Ave_CCS + Ave_TWE$$

$$Ave_ST = (Ave_RP + Ave_MS + Ave_R + Ave_CCS + Ave_TWE) / 5$$

$$Ave_KM = (Ave_L + Ave_O + Ave_T + Ave_LEA)/4$$

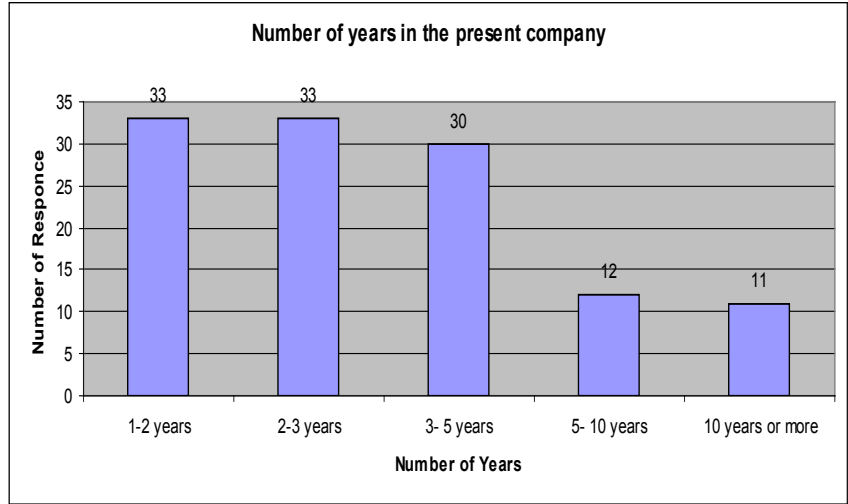
Data analysis and results

Descriptive analysis of primary data in the sample

Initially, responses and individuals of the sample were analyzed descriptively. It has been found in the sample of data that nearly 41.2% respondents are male and 58.8 % of them are female. Respondent's ages are distributed in the range of 18 to 55. The highest group of respondents is reported (73.1%) in the age group of 21- 34 years. This is significant since it shows that most of the respondents are young and they can be considered as catalyst in the development of the industry. The level of education in the Sri Lankan IT work force has more bachelors compared to other educational categories. That is an average of 64.7%, the second highest educational qualification is postgraduate degree. Two participants have obtained professional qualification in Microsoft product qualifications. The analysis further shows a percentage of breakdown of the respondent's line of department. The highest number of employee category who participated in our survey is Programming

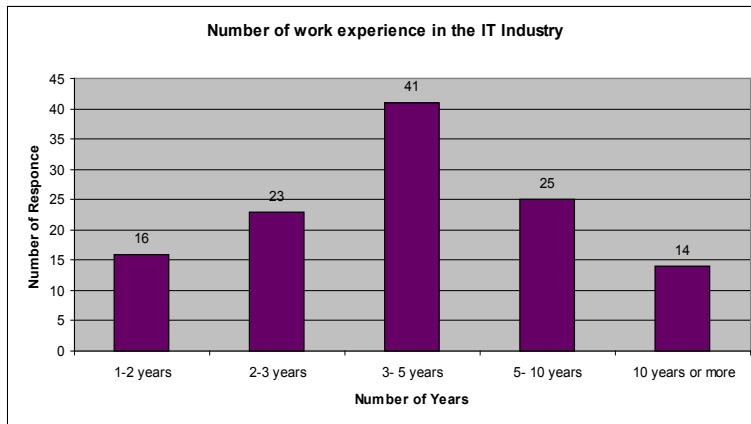
and Software Developers. It reports that 33 participants from that employee category covering 27.7% of the sample. Another 11.8% is from software Quality Assurance. Two persons represent from IT support and Business Analysis and Systems Integrations. Only nine respondents are from the Project and the Program Management field. The analysis of work experiences of respondents reports that 39% of respondents have more than 5 years of experience in the industry. And, some respondents who are working in the same organization more than 10 years are around 9.2%. 25.2% of respondents have continued their service without breaking in the same organization at least 3 to 5 years. Employees continuous service less than 2 year period in the same organization reports 27.7% o. Following figure 2 indicates respondent’s work experience in the industry.

Figure 2. Respondent’s years of working in the firm



Source: developed by the researcher.

The rapid growth of IT industry related product and services, knowledge expertise has a major role in Sri Lankan IT industry. As figure 2 illustrates, as the salient feature of the graph, only eleven respondents have continued working for the same organization for more than 10 years. And only another twelve respondents have been successful in rendering their cooperation to the same organization more than five years.

Figure 3. Respondent's work experience in the IT industry

Source: developed by the researcher.

The growth of any industry allow workers to move among firms in the industry. It is a common problem in a modern world due to different choices of employees. Figure 3 shows that the respondent's work experiences in the industry were. Forty-one respondents who represent the highest number of work experience in the industry reports only 3 to 5 years. Only Fourteen respondents have been working more than ten years in the industry. This analysis directs that experienced employees are not retaining and moving from IT industry to another industry. This would create a negative impact to IT business as lack of experienced employees in any industry makes drawbacks to relevant business.

Statistical analysis of indicators and hypotheses testing

In the analysis of data collected from survey, the test for goodness of data is performed for both independent and dependent variables. The inter-item consistency reliability or the Cronbach's Alpha reliability coefficient of each independent and the dependent variables was obtained to measure the goodness of data. The Cronbach's Alpha received was between 0.7–0.8 ranges and the internal consistency reliability of the measures used in this study can be considered to be good.

Comparing the two concepts of the study, staff turnover (ST) and the knowledge management (KM) have considerably justifiable by mean values. It implies that the responses for independent variable are closer to the middle end (neither agree nor disagree). However the mean value responses for the dependent variable dimensions of Organization (Ave_Organization) and the independent variable Toxic Workplace Environment (Ave_Toxic_Work_Env) place around 3.7. It implies that the responses for two dimensions are closer to the top end (Agree). Further, the results show that the standard deviations of dimensions are quite small and therefore the responses for ST and KM lie closer to the mean.

Data analysis of responses indicates interesting summary that mean and standard deviation of agreement in their responses in each statement. Roughly 74% (Agree and strongly agree) of the responders concern their organizations have a sense of community. The mean value was 4.01 and standard deviation as 0.987 and the author sets point 4 as agreed level. This clearly depicts that the Sri Lankan software organizations have a sense of community. As a result of sense of community in organization which is very important to attract people to industry, it would create refocusing people on shared values, and create an environment of support in which employees are fully engaged.

Another interesting figure is reported the mean value of 4.00 and standard deviation of 0.966 for the question ‘whether the organization culture encouraged me to work’. Approximately 82% respondents are expressed that either they agree or strongly agree. It is made to a conclusion that organization culture plays a major role in case of turn over intention of employee in the IT sector.

The third highest mean value is 3.88 (1.001) is reported by organization “learning culture” among the employees. It shows that it is important to establish the perceptions of staff toward the dimension of culture in enhancing organizational learning readiness. In addition, managers of software industry should find the results of this study useful in designing work shifts intended to promote organizational learning practices.

Hypothesis Testing

As stated at the beginning of the chapter the research project has been designed to test one hypothesis. The hypotheses are tested using a statistical analysis techniques; Pearson correlation. Each hypothesis has been broken down to null hypothesis and alternative hypothesis as shown above to test them easily.

Table 2. Correlation of staff turnover and knowledge management

Correlation analysis			
		Knowledge management	Staff turnover
Knowledge management	Pearson Correlation	1	0.233*
	Sig. (2-tailed)		0.011
	N	119	119
Staff turnover	Pearson Correlation	0.233*	1
	Sig. (2-tailed)	0.011	
	N	119	119
*. Correlation is significant at the 0.05 level (2-		Tailed).	

Source: developed by the researcher based on the survey results.

As shown in table 2, as the significance level is less than 0.05, which is shown 0.011, the researcher can reject the null hypothesis. Therefore, the outcome of the correlation analysis indicate that there is a strong positive relationship between high staff turnover and weak knowledge management. In the other way, alternative hypothesis is accepted reviewing that positive relationship between high staff turnover and weak knowledge management. But according to the results of correlation, it is clear that it is not strong positive relationship.

Discussion and conclusion

This study focuses to reveal the relationship of ST and KM. More precisely, it reveals the impact of staff turnover as a strategy of knowledge management in IT Industry in Sri Lanka. Three objectives, namely, to identify nature of employees who engage in Sri Lankan IT Industry, to recognize the organizational units most prone to staff turnover in Sri Lankan IT Industry and to analyze the effect of staff turnover on knowledge management and ranking of sub factors of staff turnover in Sri Lankan IT Industry, were achieved by this study. First and the second objectives of the study were achieved in the descriptive analysis of data. The co-relation analysis was used to achieve the third objective.

The co-relation analysis shows that the positive relationship between staff turnover and weak knowledge management. It further rejects the null hypothesis of the study recommending firms in the IT sector to concentrate more on keeping IT staff in the firm in order to maintain better knowledge management in the firm. This is further specified in the descriptive analysis of different job categories in IT sector in the analysis of second objective. The analysis further shows that how employees more prone to leave the firm in line with their experience in the industry. As a whole, in order to better knowledge management, a pool of experienced employees in the industry is recommended by the study. Further, the study shows that organizational factors such as managerial style, lack of recognition, lack of competitive compensation system and toxic workplace environment significantly influenced employee knowledge management in software industry. At the same time, the analysis shows that if the person who is doing the same job role over a long period in the same organization in the IT industry, then that person becomes a prized asset to the organization. Those people's deep domain knowledge is highly important to organization performance as well as sustainability of organization. According to the analysis this is further supported by creating learning culture in IT related companies in the IT Industry.

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The Realities and Illusions of the XXIst Century Social Contract

STRUCTURED ABSTRACT:

Purpose – The paper aims to clarify the relationship between the rise of the sovereign debt in the G20 and the relative underpayment of labor versus capital.

Design/methodology/approach – The historic analysis of successes and failures of demand management in the leading market economies. Provide data to support and illustrate the claims made in the paper.

Findings – The argument presented in the paper is that the root cause of the rapidly rising sovereign debt lies in the demand deficiency originating in the cumulative effect of lagging labor compensation relative to productivity gains. Developed market democracies desperately need policies to mend the failing social contract between labor and capital. The real solution of the debt is to address demand deficiency, increase labor participation and wages, or basically, introduce a new social contract between labor and capital.

Research limitations/implications – The detailed analysis of demand management policies would have to be country specific which goes beyond the scope of the paper.

Practical implications – The paper implies that G20 policies go into a wrong direction and increase the risk of chain debt defaults in the leading market economies.

Originality/value – This paper fulfils an identified need to study the root cause of the demand deficiency syndrome and the need to introduce long term policies needed to restore growth in the market economies.

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Key words: debt, wages and productivity, social contract, demand deficiency

Article Type: General view

Introduction

The principal high-income economies – the US, the Eurozone, Japan and the UK – have been suffering from chronic demand deficiency syndrome. More precisely, their private sectors and consumers have failed to spend enough to bring output anywhere close to a potential GDP. Their governments had to put in place ultra-aggressive monetary policies, large fiscal deficits, or both, to remedy their invalid social contract.

The management of the demand shortage has always been an essential problem of democratic capitalism. To procure more demand governments resorted to broad interventionism which included various forms of social distribution, budget deficits, immigration, market expansion, induced inflation and currency devaluation. In the last 7 years, however, governments more and more often turn for rescue to sovereign debt market [Wolf 2014].

The argument presented here is that the root cause of the rapidly rising sovereign debt lies in the demand deficiency originating in the cumulative effect of lagging labor compensation relative to productivity gains. Since the 2008 financial crisis, the lag between wage increases and productivity accounted for at least 75 percent of the \$25 trillion new government debt in the OECD countries. The public and household debt in Japan reached 400 percent of GDP, in France 280 percent, in Spain 313, in Greece 317 percent of GDP, and in the USA 233 percent of GDP [McKinsey 2015]. The new debt cannot be only credited to fiscally irresponsible governments or misconceived public institutions as suggested by the institutional economics literature produced under the auspices of, among others, the World Bank and the IMF [Stefania, Ashoka 2006, von Hagen 1996, 2010]. Governments had to step up borrowing not only because of the long recession cycle but also to replace the missing demand of labor. Developed market democracies desperately need policies to mend the failing social contract between labor and capital. The solutions to the demand deficiency and the debt need to start with resolving the deepening relative underpayment of labor.

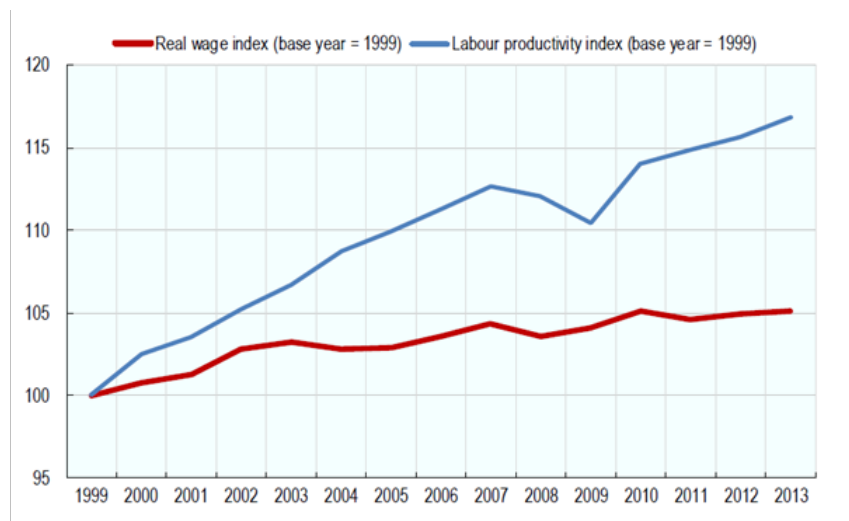
Capitalism's Achilles Heel

Democratic capitalism intended to resolve conflict between capital profits and wages through, labor contracts, minimum wage and collective bargaining. Every time when technology increased productivity, the labor would lose jobs and wages and capital would raise its profits. Macroeconomic stability required workable wage policies to support demand. That is why democratic capitalism promised some degree of distributional fairness at least between scourges of unpredictable recessions. This model does not hold anymore according to the

recent evidence from the G20. Between 1979 and 1990, in 34 leading market economies data published by the OECD productivity rose annually by an average of 1.4%, while compensation averaged increases by only 0.5%. The 1990s were better: Productivity gains accelerated to 2.1% yearly, and compensation to 1.5%. But because compensation grew at less than three-quarters the rate of productivity, the gap continued to widen. Since 2000, annual productivity gains have actually increased to 2.3%, compensation rose by only 0.9%, and the gap widened still more. In 2012 (the latest year for which data have been released), labor received only 58% of total output, the lowest by far in the entire postwar period [OECD 2012, Galston 2014]. In addition, recent studies by Oxfam and Thomas Picketty point out to the truly alarming capital and wealth concentration [Oxfam 2015, Picketty 2014]. The populist voter backlash in Greece, rising debts in Southern flank of Eurozone, Japan, France and Ireland should be convincing enough that unless developed democracies address the issue of wages and public sector spending they will enter the phase of remarkably slow rates of growth, debt defaults and social malady.

In all OECD G20 countries, workers have lost both income, as well as purchasing and political power to claim a larger share of the pie at the expense of capital. At the same time capital enjoyed higher returns as well as gains in political influence to protect itself against higher taxes. Since wages are stagnant in real terms, internal demand must increasingly rely on debt policies to restore lagging aggregate demand.

Picture 1. REAL WAGE AND PRODUCTIVITY INDEX IN THE G20



Source: OECD, G20 labor markets: outlook, key challenges and policy responses
International Labor 2014, Report prepared for the G20 Labor and Employment
Ministerial Meeting Melbourne, Australia, 10-11 September 2014.

For some 40 years the lagging demand initiated many rounds of anti-deflationary policies and currency devaluations as long as such option was available. The European demand management also included expansion of the welfare state, immigration and enlargement to post-communist Eastern Europe. In the 1980's and 1990's U.S both the neo-Keynesians and neoliberals tried to procure new demand by various incarnations of debt policies: deficit spending and public debt but also, financial deregulation and private debt [Foley 2014].

Before 2008 neoliberals strongly argued for financial deregulation and a constant interest rate calibration towards a “normal rate of unemployment”. The ensuing crisis exposed not only the risks of deregulation but also by the fallibility of the “zero lower bound” and “pushing on the string” approaches. First, it was impossible to pay people to borrow more as the cost of money approached zero and, second, since the interest rate impact is asymmetric, it could stop expansion but definitely it could not stop severe contraction. Instead of using labor income policies the central banks resorted to quantitative easing which Milton Friedman compared to tossing money from the helicopter because of its undefined target.

Rising OECD G20 debt is proof of the losing battle to find the right policy mix to face widening gap between wage and productivity, decreasing consumption demand and aging population. In the last two decades corporations besides investing in labor-saving robots also gained full freedom to offshore and use cheaper foreign labor leaving much of the domestic consumption at the mercy of demand-side interventionism. To sustain 70 percent of GDP the U.S. policymakers resorted to induced inflation, public debt, private debt, as well as an assortment of redistributive fixes. However, it should be noted, the success of this policy depended in the U.S. in 40 percent on foreign savings, otherwise the interests rates or higher taxes would have prohibited any growth. What was a good solution for the U.S. does not have to be an optimal solution for other G20 countries. The global debt market is different than a decade ago. Too many G20 governments decided to imitate the U.S. quantitative easing as well as selling their sovereign debt as a default solution. Japan is holding the debt level of a developing country. The European Central Bank (ECB) instead of developing a viable plan to deleverage Southern Europe insists on austerity measures deepening the debt crisis. The ECB has no plan or resources to face chain defaults which may jeopardize the Euro 18. The EU is left with few good policy ideas to restore growth and deleverage.

The End of the most effective EU Demand-side interventionism

Since the late 1980's the EU found missing demand in single market, single currency and enlargement. The admissions of Greece, Spain and Portugal were fundamental to the creation of unlimited access to lesser developed Europe's southern flank. The demand boost lasted as long as Spain, Greece, Italy, and Portugal were net receivers of the cohesion and structural funds from Brussels.

Germany, France, Great Britain were all the largest net payers to the EU budget as well as the net exporters and financiers in the region. Besides subsidies from Brussels, Greece and Spain could sell more debt to Northern Europe's sovereign funds and corporate investors. The Socialist governments in Greece and Spain used sovereign debt to pay for the public sector welfare state, expand administration, subsidize state sector and delay privatization of transportation and utilities.

In 2004 the EU, in the middle of recession, opened the door to Eastern Europe. The EU Single Market was expected to extend the famous German export-focused demand model. At home the German Social Democrats (SPD) promoted cost lowering and scaling down of the welfare-state. The SPD Agenda 2010 reforms made it easier to create low-wage jobs and reduced pension benefits. Its focus was on restraint in higher-paid jobs and weakening of the traditionally strong German union's collective bargaining. In addition, many German manufacturers relocated their production to lower labor cost Hungary, Poland and the Czech Republic. But squeezing wages as a growth strategy was short lived at best from the demand point of view. Lower wages put a pressure on consumption. The resulting gap was met by a combination of investment, social policies, government spending, and especially rise of net exports. Germany prospered because it undertook the tough reforms needed to ensure competitiveness. However, assuming that low productivity Greece, Spain, Italy and Portugal could manage internal demand by the combination of export, labor migration and austerity measures was overly optimistic. Deficit spending and by sovereign debt became a default solution for Spain, Italy and Greece.

The EU broke its "rule-based" debt policies by the Maastricht Treaty exceptionalism. In 1989 Bonn impatriated the former German Democratic Republic into the homeland but also into the EU membership. Overnight, East Germany, a 16.6 million people country, became EU member skipping all formalities of the EU admission process. Over the next 10 years German government spent \$2.6 trillion which came both from ECB low cost funding and public debt at home. Since Germany's public debt reached 70 percent of the GDP and exceed the Maastricht Treaty's 60 percent debt limit, the Greek and Spanish governments felt that they also could violate the debt to GDP rule. The EU Commission also looked the other way when Portugal, Ireland, Italy but also France 3 percent budget deficit convergence criteria. The Greek government has perfected the skill of dodging the Maastricht Treaty convergence rules by reaching 317 percent total household and public debt in 2014.

The admission to the EU of 9 Eastern European states to the EU in 2004 was very timely in pulling the Eurozone out of recession. The EU businesses gained zero tariff access to 93 million new buyers. Western European producers could hire millions of qualified non-union workers at 50 percent discount compared to home and spend a fraction of the transport cost from the Chinese plants. Germans and

the French sold their old cars to Eastern Europeans making space for new cleaner engine brands at home. Western construction business joined forces to build new transport infrastructure, apartments and utilities using generous EU net funding of \$400 billion in two budget cycles. Department store chains Tesco, Praktiker, and Carrefour took over large segments first time mass consumer markets. German, French, Italian, Spanish and Dutch banks sold dozens of millions of credit cards, loans and insurance policies, swiftly taking over between 68 percent in Poland and 91 percent in Croatia of banking sector (Dainkov, 2015). Enlargement to the East was one the world's most effective demand-side interventionisms. 2004 enlargement doubled the EU growth from 1.5 percent in 2003 to 3.2 percent in 2006. In the last 11 years Eastern European GDP per capita tripled and reached from \$13,000 to \$19,000. However, as in the case of previous enlargements, rising income phased out EU structural and cohesion funding ending demand-side impulse coming from the new markets. For now, admission of Ukraine and Turkey to the EU is unpredictable. The EU has few other options to boost demand other than more immigration and more debt.

Immigration as a Demand-side booster

One of the main causes of European slow growth is the weak demand of a shrinking and aging population. Europe has tried to resolve its demographic disadvantage through immigration. Unlike a massive American illegal immigration, the EU's immigration is well controlled, orderly and very costly to government budgets. In France, the Netherlands, Benelux, Switzerland and the Nordic states, immigrants are provided quite generous state-funded welfare, job and language training. First generation immigrants get easily accustomed to monthly welfare paychecks and have ever increasing expectations of the providing state. When the support programs end many of them are unprepared to undertake a normal life and are angry at being abandoned by the system. They come from North African Muslim countries seeking a better life, anticipating an escape from poverty, oppression, and hopelessness. In Europe, if they are lucky, they find low-skill jobs, raise children and grandchildren. They have the right to an education and health care but they grow up in the ghettos that ring Europe's major cities, surrounded by families like theirs, literally on the margins of society. Unable to integrate fully, they have few opportunities for real economic advancement. They are consumers, add to the labor force, become examples of the generous multiculturalism which in reality means ghettoization, re-islamization and radicalization within western secular society. Europe is trying to replenish its low end job market without building a socially inclusive society. The results can become tragic as evidenced recently in the Paris attack.

By comparison Japan, unlike the EU, as an island and practically self-isolated in Asia, had no option of creating a Single Market or a Monetary Union with

its neighbors. In the early 1990's government deficit spending steroids proved ineffective as an antidote for imported US deflation. Until then, the Japanese liberal democratic government authorized spending trillions of yens to keep their workers on the job when the US technology imports did not materialize. The Bank of Japan, fully controlled by the Ministry of Finance and the Ministry of Economy, Trade and Industry, allowed the Keiretsu banks to ignore nonperforming loans, pay wages to underemployed workers on lifetime employment contracts, and maintain cartel pricing. The liberal government failed to see the need for competition therapy. Japanese cultural isolation, which preserved their national identity, also prevented them from adapting to rising low cost technology manufacturing at their doorstep in South Korea, China, Singapore, and Malaysia. Asia enjoyed a massive demographic advantage plus access to global capital and technology including Japan's. Instead of reforming the labor markets and forcing more competition, Japan let the government and household debt reach 519 percent of the GDP, protected labor markets from unemployment at the cost of deflation, allowed real estate prices to collapse, subsidized inefficient Keiretsu using government-controlled pension funds and dug the economy into a liquidity trap for two and a half decades. Japan became a case study of wrong policies at time of flagging aggregate demand. It is a warning scenario for all reform-averse democracies. Interventionism is as valuable as the ideas which drive them. After a 25 year stalemate the Japanese government started the debt reduction, immigration reform, competition policy reform and defense spending to stop the decline.

The successes and failures of the demand management models happened in liberal democracies, which, in principle, have representative mechanisms to address fundamental long-term challenges. Ideally, the voters, assuming their collective interest, should be able to resolve the causes of the missing demand. Specifically, they should be able to defend employment and wages not necessarily through labor protectionism but through easing the worker adaptation to the changing market environment. It did not happen.

The Post-Keynesian U.S. Demand-side Policies

Until the 1970's, growth in the U.S. was fostered by post-war reconstruction, rising education levels, higher workforce participation rates, restored global trade, increasing investment, and the diffusion of new technologies. In the late 1970s the government understood that it was unable to deliver on their promises of the Great Society such as union pension hikes and old-age health-care for public-sector workers. To meet their obligations, governments needed growth and debt. Owing to the 1970s oil price shocks and inflation, the Reagan era was marked by tax cuts and interest rate hikes which appreciated the dollar, opening the gate to cheap imports and a pressure to raise nominal wages. Public debt turned out to be a convenient substitute for inflation. It enabled the government satisfy demands for social distribution. In the absence of domestic savings the Treasury had to resort

to a massive bond selloff to foreign investors, sovereign wealth funds. During the second Clinton administration (1996–2000) the debt relief came from the dotcom revolution. The Republican Congress introduced austerity measures to cut public spending which rose income inequality. This prompted the Clinton administration to deregulate the financial sector [Steeck 2011].

The 2000's were marked by a policy switch to “privatized Keynesianism” which, in effect, meant replacement of public with private debt (Colin Crouch, 2009). This time rather than the government borrowing money to fund social programs such as cheap housing and education, it was now individual citizens who, under a relaxed borrowing regime were allowed to take out loans at their own risk. The budget had a basic surplus; the top earners were spared higher taxes. The relaxed regulatory regime allowed financial services to promote itself to U.S.'s prime industry with many times higher profits than manufacturing. The burdens and the risks of demand adjustment were shifted from the government to borrowers. The problem was, however, that many of the borrowers lost jobs as some 16,000 enterprises closed nationwide in early 2000's due to “offshoring” and “outsourcing”.

Privatized Keynesianism marked a big demand policy turnaround. Financial liberalization replaced social policy, private debt replaced public debt, real estate appreciation replaced wage increases, and the financial sector replaced domestic manufacturing. The bailout of the financial sector and households which followed subprime mortgage crisis, in fact, was billed back to the U.S. government and world savings. While selling one trillion dollars debt to the Chinese and oil exporters represented a moderate risk for the U.S. or the dollar, adding 25 trillion to the world debt in the last 7 years makes a significant difference. The real issue is whether the world debt markets have already approached its maximum capacity and acceptable risk.

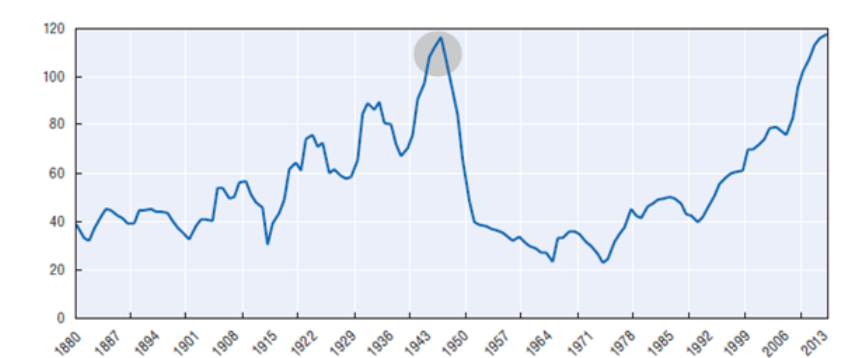
The Peace Time War Debt

In 2014 the average world debt reached 286 percent of the global GDP (McKinsey). For selected economies: Australia, Canada, France, Germany, Italy, Japan, Korea, Spain, United Kingdom and the United States, the GDP ppp-weighted average government debt ratio reached around 116 percent of GDP in 2013, the same level as in the 1940's. (Table 2). The G7 central government marketable debt-to-GDP ratio reached 90 percent in 2013, for the Euro area the ratio in 2014 has been 67.4 percent [OECD 2014]. The acceptable external debt limits are not known. According to an IMF study over the last 60 years study there were 633 cases of sovereign debt restructuring in 95 countries [Udaipur, Papaioannou, Trebesch 2012]. The total of 447 the restructurings were in the framework of the Paris Club, while only 186 cases were with private creditors. Restructurings are not uncommon, however, because of the size of the debt, extreme reductions in interest rates, weak bank capital controls, currency devaluations the probability of orderly restructuring is increasingly doubtful [Feibelman 2015].

The standard remedies for public-sector deleveraging proposed some 40 years ago such as interest rates hikes and capital controls do not apply today [Belke, Koesters, Leschke, Polleit 2004]. Since 97% of debt is issued in the five largest “global” currencies—the U.S. dollar, the euro, the British pound, the yen, and the Swiss franc, currency volatility raises the risk of currency mismatch [Galina B. Hale, Jones, Spiegel 2014]. It occurs when borrowers suffer balance sheet deterioration if the exchange rate of their home currency falls in relation to the issuing currency. Since 2014 the yen has fallen by 11 percent against the dollar and 17 percent against the euro. The euro has fallen by 20 percent against the dollar. Foreign exchange markets are a zero sum game and a country with a rising currency will be tempted to seek depreciation of its own, for fear of importing deflation that others try to reduce. That’s why competitive devaluations in the low interest environment are very likely.

The simplest solution to begin debt deleveraging would be to start with the reduction of the fiscal deficits and the public debt. Here, unfortunately there is no clear cut agreement among economists. Professor Paul Krugman offers a typical neoliberal position. He thinks that the debts represent the money borrowed from current adult taxpayers and that they may be let grow indefinitely with the growing GDP [Krugman 2012]. While it is statistically true, it does not explain the real cost of the debt to the borrower. The debt service money happens to be outside the home country economic multiplier and the risk thresholds raise the cost of present and future debts for the country. Media economics is good politics but bad explanation for indebted economics.

Picture 2. Gross public debt of selected countries 1880-2013*



OECD Sovereign Borrowing Outlook 2014, March 28, 2014

Notes: Historical debt levels, GDP-weighted average.

*Includes Australia, Canada, France, Germany, Italy, Japan, Korea, Spain, United Kingdom and United States.

Source: IMF Historical Public Debt Database; OECD Economic Outlook 94 Database; and OECD staff calculations. <http://dx.doi.org/10.1787/888932993617>

First, in the aftermath of the financial crisis the output has been below the growth trajectory predicted several years ago. As a result, government revenues are lower and expenditures higher. High debt levels increase the need to refinance regularly. Ten countries have fiscal and household debt ratios of more than 300 percent of GDP [McKinsey 2015]. If the average maturity of debt is five years, then 60% of GDP must be refinanced every year. If creditors lose confidence in debtors' ability or willingness to repay, a crisis can occur very quickly [Belke, Verheyen 2014]. Fiscal problems confronting industrial economies are larger than suggested by official debt figures. The possibility of a new global financial crisis rises from the fact that governments are lulled into complacency by the ease with which they have financed their deficits in the low interest environment created by quantitative easing.

Second, voter reaction has strong financial consequences. The recent Greek and soon the upcoming Spanish vote have already led to a sharp rise in risk premium on long-term bonds issued by several industrial countries. These votes suggest that markets no longer consider sovereign debt low-risk. The risk premium moves up with debt levels and down with the revenue share of GDP as well as the availability of private savings. Countries with a relatively weak fiscal system and a high degree of dependence on foreign investors to finance their deficits will face larger spreads on their debts. The good scenario is that high levels of public debt will drive down capital accumulation, productivity growth and long-term potential growth. The bad scenario is that governments which hold large sovereign debt with weak fiscal systems will plunge into a chain of defaults in the next 3-5 years.

A New Social Contract as a Debt Crisis Solution

Since the debt cycle is unstoppable and deleveraging not in sight, the probability a G20 sovereign debt crisis is very likely. The real solution of the debt is to address demand deficiency, increase labor participation and wages, or basically, introduce a new social contract between labor and capital. The position of the New Left is that the social contract completely broke up years ago and with it the hope to reform the political system. Western capitalism, they claim, favors owners of capital and exploits workers [Steeck 2011]. The mainstream studies by the Economic Policy Institute blame governments for not siding with the labor in collective bargaining [Bivens, Gould, Mishel, Shierholz 2014]. The theoretical models of social contract argue that the ongoing global diffusion of technology "exports inequality" across borders and makes it difficult for nations to maintain distinct institutions and social structures [Benabou 2012].

This brings us to a fundamental question whether there is, a theoretical or a practical, alternative scheme of social distribution which could deliver both growth to the economy and social justice to the workers. Has, for example, Chinese

state capitalism created such a system as some economists claim? [Moyo 2011]. After all, pragmatic communist autocrats in China have succeeded in moving 300 million peasants out of poverty and until last year achieving stellar growth rates of the economy. Social science with all its limitations may, if it does its work well, provide some facts and plausible interpretations. The conclusion of Chinese middle income trap studies is clear: cheap labor reserves are exhausted, demand of western consumers is slacking and so does the capital inflow. The economy is heading towards 7 percent rates and debt-to-GDP ratio is already reaching 300 percent mark. [McKinsey 2015].

Adam Smith some 240 years ago as well as contemporary experimental behavioral economists argues that animal spirit and greed are the most reliable foundations of human behavior. A rising number of billionaires among Central Committee of Chinese Communist Party members suggest a deep gap between an ideological narrative and reality (Pei, 2006). Since China is lacking mechanisms to mitigate the social costs of growth as well as independent labor representation it can hardly meet the requirements of an optimal participatory model of social distribution. According to Fukuyama, China does not operate under the constitutional “Rule of Law” but “Law of the Rules” arbitrarily imposed by autocrats whose ultimate objective is to stay in power. Such system does not guarantee either fair social contract or even the social order in the long run (Fukuyama, 2011). Thus a question if there is a better alternative to democratic capitalism remains open.

The bottom line is that democratic capitalism produces both competent and very incompetent governments which all promise better social contracts, repayment of debts and elimination of austerity measures. The hard fact is that populism is not a good solution to negotiate a fair payment for labor in the XXIst century. Here are some of the parameters of the contemporary labor – capital relations:

First, a truly fair social contract is hardly possible in a framework of the nation-state and even less so in a global economy. Once the world became open to free capital movement such contracts become invalid. There is always somebody somewhere who is going to work for less than at home. For all practical reasons labor is local and capital is global. Capital is far more mobile than labor and that's why marginal productivity of capital will always be higher than that of labor.

Second, the payment of the full value of labor in a classic sense is not possible. It would mean that all profits and productivity gains would be going to the worker. The whole logic of this argument does not hold in an economy that uses robotics in services and manufacturing. Since capital enables technological progress but does not create it, all profit should go not to investors but to inventors, software programmers and sophisticated machine operators. This argument does not withstand the test of economic logic or fairness. Investors and capital owners would not get the return for the risk at all.

Third, if we assume that profit is the compensation for risk rather than human labor, all those who live by selling daily their labor would be left out of the demand equation and thus cause gaps in aggregate demand, slow growth or a new budget debt or both. The nature of the modern economy is such that it gives premium to quickly implementable ideas. It's a long time since perspiration gave way to inspiration, and the instant wealth which it leads to is commonplace and socially acceptable. Since societies are made of large number of labor sellers this conflict must be resolved or the developed market economies will continue to fight overproduction and deflation with rising external debt until the collapse of the sovereign debt market.

Fourth, all debt-based policies developed after WWII have postponed but not eliminated conflict between return to labor and capital, social distribution and profit maximization. At the current stage the conflict has left national boundaries and become a global tug of war: rich nations consuming the savings of the poorer Chinese, overspending nations try to renegotiate their sovereign debt to other rich nations. This is not the failure of global financial equilibrium credit to monopoly capitalism as the New Left theorists purport but a dynamic factor price equalization predicted by the Heckscher-Ohlin model [Leamer 1995, Roubini 2011, Mitran, Ipate, Dragos 2014].

Fifth, the proliferation of quantitative easing also necessary to jump-start growth is destabilizing the sovereign debt market because they are applied at the same time by many countries. Broad use of quantitative easing will eventually debase leading world currencies and raise sovereign default rates. The flood of low cost money creates an effect similar to competitive devaluations. In the past competitive devaluations shut down international trade; competitive monetary easing may shut down the sovereign debt market with unpredictable consequences for world economy.

In conclusion, financial consolidation in democratic capitalism besides available technical solutions to lower the risk of borrowing and orderly deleveraging must include activist governments promoting better compensation for productive and efficient labor and taxes on capital.

What can policy makers do? The solutions are country specific. For the U.S., for example, it could be a serious long-term infrastructure program to raise productivity and economic efficiency of labor. It could involve better access to education, reduction of high-school dropout rate, high-quality technical training, expanding basic research to create new products and industries. Generally, the G20 average households must be allowed to have a share in the benefits of growth through various contractual algorithms linking wages and productivity. The new economic policies must bring about not only new minimum wage standards but also formulas of profit sharing between better educated labor and capital. Treating labor as an easily disposable factor of production does not commensurate with need to maintain a macroeconomic stability which, in turn, defines capital profits.

Whatever philosophical, economic or moral arguments the developed Western societies are going to endorse they need to understand that capital is an enabler, not the inheritable right to economic and political power. Taxes on capital profits are not penalties and should commensurate for the opportunities that the society creates for the entrepreneurs such as rule of law, education, safety, venture capital. It is discouraging that such common truths have to be restated in developed societies which lose their common sense and lessons of history. Excessive wealth concentration is socially disruptive and without exception leads to socio-political conflict. On the other hand taxation of wealth should be predictable, especially high inheritance tax. Such principle is consistent with the finality of human life and expectation of what we are going to contribute to the quality of life of future generations rather than only passing the opportunity to narrow, self-perpetuating oligarchy. There has been lot of confusion created in the last decades in the minds of business people, politicians and educators. The neoliberal narrative about the disincentive of taxes on capital to produce entrepreneurship, growth, competition is worth as much the communist propaganda about its ability to create an egalitarian society. Capitalist entrepreneurs must be energized and motivated by profits and wealth but at one point they also need to understand that they actually do owe something to other members of the society. Democracies which only breed and boast of rising number of myopic rich have a tendency to stagnate but they do not have to. The doomsday theorists on the Right as well as the New Left cannot offer a better solution besides talking about capitalism's self-destruction. Markets do work. Democracy, like capital, is an enabler, not a guarantor of the perfect vote investment every time. The birth of sharing economy, artificial money such as bitcoins, crowdfunding, crowdsourcing, is a symbol of the wage earners actually trying to get out of the confinement of the dependence on labor – capital relation. It is obvious that the political institutions of democratic capitalism need grassroots reforms.

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