

the Journal of Behavioral and Applied Management

September 2004

Vol. 6, No. 1

The official journal of the
Institute of Behavioral and Applied Management

2 [From the Editor](#)

John Humphreys

Articles

4 [Keeping the Faculty: Issues of Socialization, Justice, and Commitment to the Workplace](#)

Robert Wharton, Paula Potter, and Linda E. Parry

21 [Observer Effects of Repatriate Assignments: A Justice Framework](#)

Denise Dunlap-Hinkler and Ronaldo Parente

37 [Generations and Motivation: A Connection Worth Making](#)

Francis L. Jeffries and Tanya L. Hunte

Case Studies

71 [D & H Management, LLC: Parts A & B](#)

Herbert Sherman and Daniel James Rowley

82 [Moment of Truth: A Whistleblower's Dilemma in the Financial Services Industry](#)

Donald H. Schepers and Harry Rosen

From the Editor

Welcome to JBAM! I think you will find this a stimulating issue whether you are an academic or practitioner, but before I summarize the contents; I would like to take this opportunity to make an important announcement, as well as offer the readership a brief look at the current operational statistics of the journal.

In an attempt to offer our authors the widest possible dissemination of their work, I am very pleased to announce the *Journal of Behavioral and Applied Management* has signed an agreement with EBSCO Publishing, Inc. EBSCO project managers will soon assign our publication to a particular product group. Once this product decision has been made, JBAM articles will appear in the EBSCO periodical database. I think this is an exciting development that will enhance the reputation of the journal as well as the quantity and quality of submissions.

Of course, this will necessitate the addition of more willing and capable reviewers. Many of you are going way above and beyond the call of duty with respect to review and I send my sincere appreciation for the work you do on behalf of JBAM. For those who have offered your expertise on occasion, please consider becoming a more active participant in the review process and bring your colleagues into the fold as well.

What has not changed, however, are the objectives of JBAM. Consistent with my predecessors, it is my intent to see that the journal continues to be developmental in nature while maintaining academic excellence. An indication of this premise is that while initial acceptance is less than 5%, we have also rejected only 30% of submissions without offering some form (very major to very minor) of revision and resubmission. Currently, we are eventually publishing roughly 25% of submitted manuscripts.

We will also continue to publish superior cases and article topics that might not fit into some other venues or formats. With this thought in mind, I invite you to peruse the Fall 2004 issue. Our first article is "Keeping the Faculty: Issues of Socialization, Justice, and Commitment to the Workplace." Robert Wharton, Paula Potter, and Linda Parry explore the effect of professional loyalty on socialization to the organization, perceived fairness, and commitment. Like many professional fields (e.g., medicine), those in the professoriate often feel competing allegiances to both the profession and the organization which may influence their organizational commitment. Employing a sample of 235 public university faculty members, the authors found that faculty cosmopolitanism influenced the degree of socialization, perceptions of fairness, and commitment to the university. This effect, however, was conditional on the type of socialization and the nature of commitment.

The second article, by Denise Dunlap-Hinkler and Ronaldo Parente, is "Observer Effects of Repatriate Assignments: A Justice Framework." The authors have developed a descriptive structure of the challenges faced by multinational firms in motivating top employees to accept international assignments. Conceptually, they present a justice

framework to assess how perceived repatriation influences observer evaluation of distributive justice, how this influence impacts observer willingness to accept assignments, and how identification with returning expatriates moderates observer willingness to serve in the international arena.

Our third article is “Generations and Motivation: A Connection Worth Making.” Most work motivation research has focused on various aspects of how the motivational process impacts follower behavior. Unfortunately, many established models are limited as they do not account for individual differences or leadership feedback. In this article, Frank Jeffries and Tanya Hunte extend Locke’s (1991) sequential paradigm by illustrating how generational differences affect employee motivation. Further, the authors provide guidance for attracting, motivating, and retaining various generations of workers.

In addition, we are offering something different with respect to this article. In order to make the journal review process more transparent, we have also published the authors’ response to the reviewers. Based upon the response, readers will be able to infer what questions, concerns, and/or suggestions were raised by the peer review and view the authors’ revisions and perspectives. At JBAM, we believe it is important that we serve as a forum to increase the knowledge of our readership. It is our hope that this example of competent review and appropriate response and revision will serve as an example to others who will contribute to the success of the journal.

As some of you have noticed, we did not publish any teaching cases in our Spring 2004 issue. So for those of you in search of teaching materials, we offer two excellent cases in this issue. The first is titled “D & H Management, LLC: Parts A & B.” In this case, authors Herb Sherman and Dan Rowley document various problems and decisions often associated with small, entrepreneurial startups, in this instance a real estate management company.

Our second case is by Donald Schepers and Harry Rosen. “Moment of Truth: A Whistleblower’s Dilemma in the Financial Services Industry” details an ethical and legal predicament with tremendous personal and organizational implications.

Both of these cases are very timely in the current environment. Please be aware that JBAM does not print the teaching notes associated with the cases we publish. Please contact the case author(s) to request teaching notes.

Finally, to all of the readers of JBAM, thank you. Please continue to send your comments and suggestions as to how we can make this journal serve your needs even better.

As always, on behalf of the IBAM leadership and the *Journal of Behavioral and Applied Management*, thank you for your assistance and support.

John Humphreys, Editor

Keeping the Faculty: Issues of Socialization, Justice, and Commitment to the Workplace

Robert Wharton, Paula Potter, and Linda E. Parry
Western Kentucky University

ABSTRACT

This study explores the effect that loyalty to one's profession has on socialization to the organization, perceptions of fairness, and commitment. A one hundred and five item self-report survey included measures of socialization, commitment, distributive justice, procedural justice, interactional justice, and cosmopolitanism. Two hundred and thirty-five faculty from a public university participated in the study. Based on the results of the study, cosmopolitanism influences degree of socialization, perceptions of fairness, and commitment to the university – but the effect is conditional on the kind of socialization and the nature of organizational commitment. Implications for management and research are discussed.

Introduction

Baby boomers are getting older. This fact is already having an impact on not only medical and pharmaceutical organizations but also higher education. Retirement specialists estimate that 40% of the current faculty in U.S. universities will retire within the next ten years (Clery & Lee, 2001). This fact leaves administrators scrambling to try to recruit and retain new members. Recruiting new faculty can be an arduous task. Nevertheless, finding new employees that fit into the organization's current or desired culture can be controlled with extensive searches, careful evaluation of candidates, and greater inducements for desirable applicants.

However, retaining faculty can be a more difficult task. Studies indicate that faculty perceives their quality of work life has declined (Johnsrud & Heck, 1998). Although faculty reports satisfaction with their profession, they reveal dissatisfaction and disappointment with their institutions (Boyer, Altback, & Whitelaw, 1994). Economic realities have forced faculty members to face the pressure of balancing teaching, research and service with fewer resources. As a result there is increased pressure for institutions of higher education to better understand the makeup of a college professor's work life and engage in efforts to retain faculty.

Higher levels of organizational commitment may increase the likelihood that faculty stay at an institution. Moreover, socialization may enhance organizational commitment. Socialization serves many functions. It teaches people the culture, rules and procedures of the institution. Socialization gives people the chance to know each other and build relationships. It fosters a feeling of being treated with dignity and respect, which

comprise the underlying components of interactional justice. Additionally, as members understand the system, their perceptions of procedural fairness and equitable distribution of rewards can be increased.

Universities have a vested interest in socializing their faculty. Most universities have a socialization process. They provide orientation programs and role models, a department structure to control members and a reward system that uses recognition and approval (O'Reilly, 1989). Universities also interpret organizational events for employees and send signals to reinforce cultural values such as using logos and having organizational ceremonies such as commencement (Pfeffer, 1981).

However, faculty members do not necessarily buy into the university's socialization efforts. Faculty members have allegiances to both their profession and the university. Often they are recruited from graduate programs that have spent many years socializing people into their profession. During this time, faculty members think of themselves as fulfilling such roles as a "management scholar" rather than working for any particular organization. Consequently, the degree of socialization conducted within the institution that faculty members subsequently join tends to be far less than the professional socialization that has already occurred in graduate programs. This makes it difficult for administrators to socialize faculty to their institution.

Organizational behaviorists have previously explored the impact of socialization on commitment (Mathieu & Zajac, 1990). This study extends their work and explores the impact that loyalty to one's profession has on the degree of socialization; perceptions of organizational justice; and organizational commitment.

Literature Review and Hypotheses

Commitment

Employee commitment refers to the psychological attachment of workers to their workplaces (Allen & Meyer, 1990). Organizations and employees reap benefits when members have strong commitment to the organization. If employees have a high level of commitment to an organization, they may be more eligible to receive both extrinsic rewards, such as wages and benefits, and psychological rewards in the form of greater job satisfaction (Mowday, Porter & Steers, 1982).

Organizations value commitment because it reduces employee tardiness, absenteeism, and turnover (Cotton & Tuttle, 1986). Considerable evidence across a wide variety of samples and performance indicators suggests that employees with strong commitment to the organization will be more valuable employees than those with weak commitment. Importantly these studies provide performance measures such as sales figures, operational costs, supervisor's rating and overall performance that are independent of self-report performance measures (Meyer & Allen, 1997). In addition, committed employees are more likely to engage in extra-role behaviors such as innovative problem

solving (Katz & Kahn, 1978). Such creativity can help organizations gain a competitive edge in turbulent and challenging environments.

Previous research supports the notion of organizational commitment as a unitary dimension (Caught, Shadur & Rodwell, 2000). In other studies organizational commitment appears to be multidimensional (Angle & Perry, 1981; Zeffane, 1994). Some of the different types of commitment that have been identified include attitudinal and calculative (Hall, Schneider & Nygren, 1970). However, neither attitudinal nor calculative commitments are entirely separate concepts. Measurements of one construct contain elements of the other.

Currently the most well known components of commitment have been described as affective, continuance, and normative (Meyer & Allen, 1991). Affective commitment refers to the emotional attachment to, identification with, and involvement in the organization. An example is the employee who remains with the organization because they want to stay. Continuance commitment reflects an awareness of the costs associated with leaving the organization. Continuance commitment describes an employee who remains with the organization because of a need to stay. For instance, the employee that stays at an organization because of its health benefits. Normative commitment taps into what has been described as an employee's moral obligation to remain with the organization. An employee with a high level of normative commitment stays with the organization because they feel they ought to do so (Meyer & Allen, 1997). An employee might feel obligated to stay at an organization if the organization paid for the employee's graduate study.

In this study we use the Organizational Commitment Questionnaire (Mowday, Steers & Porter, 1979). Although a number of researchers have used this instrument to measure commitment, there is little agreement whether this scale is multidimensional or unidimensional (Caught, Shadur & Rodwell, 2000). However, regardless of whether the organizational commitment questionnaire measures single or multiple factors, researchers agree that it measures commitment to the institution.

Cosmopolitans and Locals

Faculty are the dominant form of professionals within a university. They arrive at the university already socialized to their profession. Because of this professionalism, they have a greater number of job options, are less likely to become entrenched in any one company, and show less commitment to the organization (Mowday et. al, 1982). Gouldner (1957) in his seminal study of professionals concluded that some organizations have two main categories of workers. Cosmopolitans are people who identify with their specialized craft. They have an extremely professional outlook. Cosmopolitans think of themselves primarily as engineers or accountants rather than as employees of a specific organization. Locals have great loyalty to the organization but have little commitment to a broader community of specialists.

In universities, it is unlikely that all faculty members are cosmopolitans. Age, marital status, tenure, ability, competence, and personal background can influence loyalty to the institution (Mathieu & Zajac, 1990). Consequently, some members will be more local in their outlook. In this study we focus on commitment to the institution. Although we recognize the conceptual debate as to whether commitment is a unitary or multidimensional construct, we focus on commitment as a unitary dimension in this study. Consequently, when looking at the impact of cosmopolitanism on commitment to the institution, we hypothesize:

Hypothesis 1: Faculty members with a more local orientation will report greater commitment to their university.

Socialization

It is important to understand whether organizational commitment is a sentiment that is amenable to intervention by the organization. Socialization refers to the process by which an individual acquires the norms, beliefs, values, attitudes and language characteristics of an organization (Van Maanen & Schein, 1979). Socialization is fundamental to organizations because it ensures the continuity of central values, providing new employees with a framework for responding to events in their work environment and coordinating with other employees (Bauer, Morrison & Callister, 1998). Since most universities have socialization processes in place, we propose that:

Hypothesis 2: Faculty members reporting greater levels of socialization will also report higher levels of commitment.

If faculty attitudes toward or against commitment are based solely (or largely) on prior cosmopolitan or local predispositions, then the impact the organization has on socialization is minimized. However, we believe that as faculty become local, they will be increasingly open to socialization to the institution. This belief is in keeping with Gouldner's cosmopolitan/local construct that suggests cosmopolitans will identify with their career or profession, while locals will orient themselves to their immediate community or employer. Therefore, although cosmopolitans may be less open to organizational socialization, we hypothesize:

Hypothesis 3: Faculty members with more local predispositions will report greater levels of socialization into the organization.

Organizational Justice

Organizational justice has three components: procedural justice, distributive justice and interactional justice. Procedural justice pertains to people's perceptions about the fairness of the process used to determine outcomes. Procedural justice's emphasis that individuals pay particular attention to and place importance on procedures holds implications for organizations. Research established that individuals will be most satisfied with their outcomes when the procedures used in the decision making process

are deemed to be fair (Thibaut & Walker, 1975). Employees determine fairness in procedures based on several tenets. For instance, employees ascertain fairness based on whether they have an opportunity to voice their opinion, the decision maker's lack of bias and in the event of an unfavorable outcome, what procedures exist to challenge the decision.

Procedural justice research clearly and consistently documents the importance people place on procedures. In fact, studies have shown that even in the case of unfavorable outcomes, if the opportunity for input is present, the perception of procedural fairness is evident (LaTour, 1978; Lind, Kurtz, Musante, Walker & Thibaut, 1980; Tyler, Rasinski & Spodick, 1985). Explanations for this finding can be derived from the self-interest and group-value models (Lind & Tyler, 1988; Tyler, 1987; Tyler, 1989). The self-interest model proposes that the opportunity for input is valued because it provides a way to influence or control the outcome. Thus input is viewed as a means to an end for the purpose of benefiting the individual's self-interest. On the other hand, the group-value model contains the argument that an opportunity to provide input represents a value-expressive component. Simply put, people value the chance to express their views not to control the outcome but rather to have their opinions heard.

Distributive justice focuses on the perceived fairness of the outcome. Specifically, these perceptions pertain to rewards received from the organization as well as decisions and ends achieved by the organization (Homans, 1961). According to equity theory, employees determine fairness of the outcome based on their expectations and comparisons to outcomes received by others (Adams, 1965). Employees experience job satisfaction when outcomes are thought to be fair. Conversely, employees who perceived their outcome as unfair will engage in psychological or behavioral activities to compensate for the inequity. These activities could include negative attitudes about the organization and decreased work inputs. Therefore, distributive justice perceptions can impact organizational commitment, because organizational commitment directly concerns employee work effort, loyalty and attitude about the organization.

Interactional justice focuses on the treatment, namely dignity and respect which people receive from decision-makers during the process of determining an outcome (Bies & Moag, 1986). This includes if the employee feels the decision-maker dealt with them in a kindly manner and showed them dignity and respect. It also includes perceived honesty and truthfulness of the decision-maker.

Past research reflects perceptions of fairness influence organizational commitment (Colquitt, et al, 2001; Folger & Konovsky, 1989). Understandably, if an employee perceives that he or she is treated fairly by the organization or a representative of the organization, (i.e., manager, administrator, or decision-maker) then the employee is more inclined to hold favorable attitudes about the organization. Such attitudes can lead to commitment to the organization. The reverse can also be observed. If members feel that the organization is treating them unfairly, they will be less committed to the organization. This would be true regardless of whether the injustice was procedural, distributive, or interactional in nature. Thus, we hypothesize:

Hypothesis 4: Faculty that perceive greater levels of organizational justice will report higher levels of commitment to their organization.

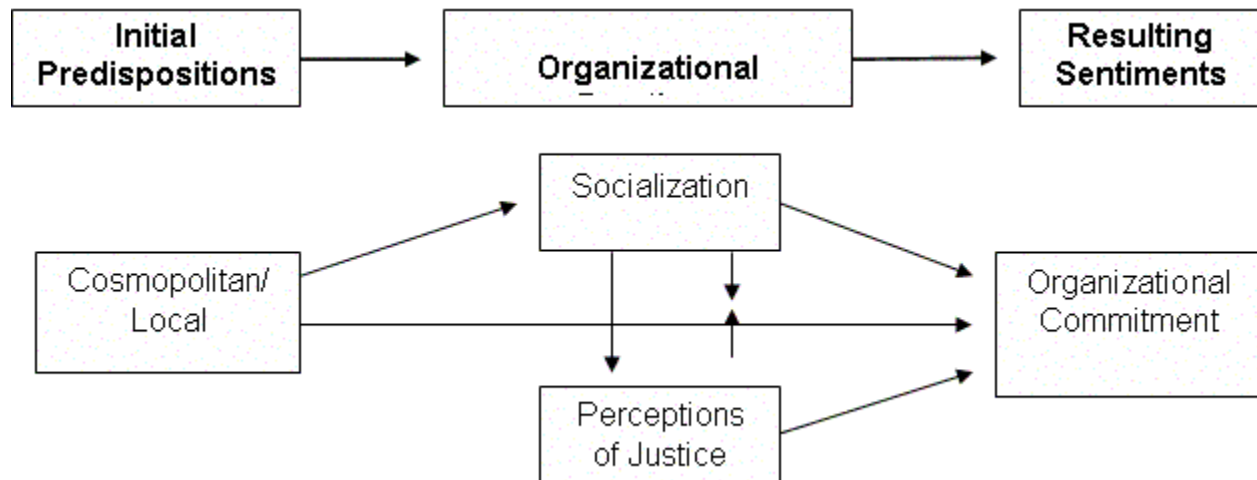
In order to remain in any organization people need to understand how the system operates. Socialization can give members knowledge of the organization's rules. It also allows them to understand not only who makes the decisions but also how those decisions are made thereby providing a means to determine perceptions of organizational justice. With knowledge, members can make decisions as to the fairness of the policies and the extent to which they are applied equally. Since socialization is fundamental to understanding the organization, we hypothesize:

Hypothesis 5: Faculty members reporting greater levels of socialization will also report higher levels of perceived organizational justice.

Previously, we hypothesized that faculty who are cosmopolitans will report less socialization than their counterparts who are local and express a lesser degree of loyalty to the university. However, effective socialization, while easier to develop among locals, builds commitment among all employees. Socialization makes it increasingly likely that members will understand, and perceive as just, the actions and policies of the organization. Such perceptions support feelings of organizational commitment. Therefore, while a faculty member's cosmopolitan/local orientation sets a predisposition towards or against organizational commitment, we hypothesize that the organization itself can take actions that can have the effect of either building or weakening feelings of commitment.

Hypothesis 6: Universities can influence the effects of cosmopolitan/local orientation on organizational commitment through socialization and through organizational justice.

Consequently, given our hypotheses, we suggest that being a cosmopolitan or local creates a predisposition towards organizational commitment, and it will also impact the degree of socialization into the organization. Socialization, in turn, affects perceived levels of justice within the organization, and both, consequently, contribute to one's level of commitment to the institution. This can be diagrammed as:



Methods

A self-report survey was mailed to 625 faculty in a medium-sized, comprehensive, public university in the southern U.S. via inner-campus mail. We asked the faculty to complete the questionnaire and return it to us in three weeks. A self-addressed envelope was included with the survey. As an incentive to complete the survey, we attached raffle tickets. We kept matching tickets. We explained to the recipients that we would draw two tickets in three weeks. We would post the “winning” numbers on email. Anyone holding those tickets could then contact us for their prize - a \$25 gift certificate from the local shopping mall. People did not have to return the survey to be eligible for the drawing. By having the winners contact us, we protected the anonymity of all respondents.

The questionnaire had 105 items. In the first section, we used the Organizational Commitment Scale developed by Mowday, Steers and Porter (1979) to measure commitment. The Organizational Commitment Scale “has received the most thorough and generally positive evaluation” for measuring commitment (Meyer & Allen, 1997, p. 123). This section contained 15 statements. Respondents could indicate their agreement with the statement on a seven point Likert scale that ranged from 1 (strongly disagree) to 7 (strongly agree). Section two contained 35 statements that measured the degree of socialization. This section had a five point, strongly disagree to strongly agree, Likert scale (Chao, O’Leary-Kelly, Wolf, Klein & Gardner, 1994). Section three used a ten-item scale developed by Gouldner (1957) to measure degree of cosmopolitanism vs. localism. Section four contained a 23-item organizational justice scale to measure procedural, distributive and interactional justice perceptions (Rahim, Magner, & Shapiro, 2000). The fifth and final section contained fifteen demographic questions and seven questions asking the respondents about their experience at the university.

The layout of the questionnaire was given special attention to ensure that respondents would not confuse the seven point Likert scales with the five point Likert scales. All five

sections of the questionnaire were clearly titled one through five and appropriately spaced with directions typed in bold font for each numbered section. In addition, each section contained columns clearly labeled with the corresponding Strongly Disagree to Strongly Agree scales.

Twelve questionnaires were returned by the postal service because they were not deliverable due to the faculty member's retirement or withdrawal from the university. Two email messages were sent to all faculty reminding them to send in their survey. Two hundred and thirty-five faculty responded representing a 38% response rate.

Forty-five percent of the respondents were female. The respondents had been at the university an average of 11.6 years. The average age fell in the 45-60 year range. Thirty percent of the respondents had been at the institution as undergraduates. Table 1 contains the demographics of the respondents.

Table 1. Descriptive Statistics

Years at Institution	N = 232	mean = 11.64	s.d. = 10.16
Years in State	N = 232	mean = 19.60	s.d. = 16.01
Undergrad at Institution	N = 232	30%	
Gender:			
Male	N = 128	55%	
Female	N = 105	45%	
Age:			
23-29	N = 5	2.1%	
30-45	N = 86	36.9%	
45-60	N = 117	50.2%	
60+	N = 25	10.7%	

Data Analysis

Bivariate correlation coefficients (see Table 2) strongly support each of the hypothesized relationships among the variables in the study. Each of the justice subscales – perceived procedural, interpersonal, and distributive justice – are directly associated with faculty reports of their level of commitment to the institution. Also, as expected, faculty who are most socialized into the life and values of their university report higher levels of commitment to their university.

Similarly, faculty members, who have higher scores on the measure of socialization into the organization, also report the most positive perceptions of justice at the institution. The relationship between socialization and perceived justice is strongest for procedural justice, but the coefficients are significant and in the predicted direction for distributive and interpersonal justice as well.

Cosmopolitanism has the predicted effect as well. The more cosmopolitan the faculty member's outlook, the less strongly they report being socialized into the fabric of university life. Cosmopolitans also report the most negative perceptions of the level of

justice at their university and, not surprisingly, dramatically lower levels of organizational commitment.

Next we entered the predictors of organizational commitment into a regression equation to see which variables seem to have the greatest predictive power when explaining faculty commitment (see Table 3a). Two variables, interpersonal justice and socialization, appear to be poor predictors of commitment while cosmopolitanism dominates the model. Despite its predictive power, coefficients between perceptions of both distributive and procedural justice and commitment remain significant. This suggests that organizational actions still have an important role in either softening the attitudes of the most cosmopolitan of faculty, or potentially in alienating even those with very local predispositions.

Table 2. Correlation Coefficients

		2	3	4	5	6	7	8	9
1. Organizational Commitment	Coefficient	.979	.607	.304	.768	-.651	.573	.363	.521
	Sig.	.000	.000	.000	.000	.000	.000	.000	.000
	N	235	235	235	235	234	232	234	231
2. Affective Commitment	Coefficient		.490	.274	.758	-.639	.596	.377	.543
	Sig.		.000	.000	.000	.000	.000	.000	.000
	N		235	235	235	234	232	234	231
3. Volitive Commitment	Coefficient			.355	.517	-.307	.190	.155	.240
	Sig.			.000	.000	.000	.004	.018	.000
	N			235	235	234	232	234	231
4. Socialization	Coefficient				.576	-.349	.148	.166	.240
	Sig.				.000	.000	.012	.006	.000
	N				235	234	232	234	231
5. Values Socialization	Coefficient					-.560	.438	.254	.470
	Sig.					.000	.000	.000	.000
	N					234	232	234	231
6. Cosmopolitanism	Coefficient						-.365	-.233	-.391
	Sig.						.000	.000	.000
	N						232	234	230
7. Distributive Justice	Coefficient							.373	.505
	Sig.							.000	.000
	N							232	229
8. Interpersonal Justice	Coefficient								.440
	Sig.								.000
	N								230
9. Procedural Justice									

Out of the fifteen items in the organizational commitment scale, two items factored separately and appear to measure a volitive commitment to embrace the goals of the organization and to put forth the effort to make the institution successful (e.g., “I really care about the fate of this university.” “I am willing to put in a great deal of effort beyond that normally expected in order to help the university be successful.”)

The other thirteen items captured a more affective emotional commitment to stay at the institution (e.g., “I am extremely glad that I chose this university to work for...”). Separately the sub-indices correlate at .490 but the affective commitment to the

organization subscale correlates very closely with the overall index (.979) compared to the volitive commitment to actively support the goals of the organization (.607). The items in the affective sub-index have a high coefficient of reliability (alpha = .93), while the coefficient of reliability is somewhat lower for the volitive sub-index (alpha = .68). Both sub-indices share the same pattern of significant correlations with the indicators of cosmopolitanism, socialization, and justice (Table 2), although the coefficients with the volitive sub-index are generally weaker.

Table 3a. Regression Model: Predictors of Overall Organizational Commitment

	B	Std. Error	Beta	t	Sig.		
(Constant)	5.588	.664		8.418	.000		
Distributive	.254	.045	.298	5.691	.000		
Interpersonal	.052	.038	.069	1.386	.167		
Procedural	.142	.051	.151	2.760	.006	Adjusted R²	.572
Socialization	.137	.105	.061	1.308	.192	F	62.02
Cosmopolitanism	-1.110	.124	-.447	-8.967	.000	sig.	.000

Not surprisingly, therefore, the regression model predicting an affective commitment to the organization is very similar to that for the overall commitment index (see Table 3b). However the predictors of the volitive commitment (Table 3c) are somewhat different. Socialization is now the leading predictor of this commitment to embrace organizational goals and the negative effects of cosmopolitanism are reduced (though not totally eliminated). Perceptions of justice seem to have no relationship to volitive commitment to embrace organization goals after controlling for socialization and cosmopolitanism.

Table 3b. Regression Model: Predictors of Affective Organizational Commitment

	B	Std. Error	Beta	t	Sig.		
(Constant)	5.657	.737		7.671	.000		
Distributive	.301	.050	.312	6.069	.000		
Interpersonal	.068	.042	.079	1.621	.106		
Procedural	.186	.057	.175	3.259	.001	Adjusted R²	.586
Socialization	.068	.117	.027	.588	.557	F	65.48
Cosmopolitanism	-1.213	.138	-.433	-8.820	.000	sig.	.000

Table 3c. Regression Model: Predictors of Volitive Organizational Commitment

	B	Std. Error	Beta	t	Sig.		
(Constant)	4.035	.964		4.186	.000		
Distributive	.033	.065	.037	.507	.613		
Interpersonal	.018	.054	.023	.334	.739		
Procedural	.086	.074	.089	1.155	.249	Adjusted R²	.151
Socialization	.631	.152	.271	4.146	.000	F	9.10
Cosmopolitanism	-.375	.180	-.147	-2.085	.038	sig.	.000

We also note that subscales of the socialization measure behave differently and that all are not equally effective predictors of commitment. In particular, the “values” subscale (measuring agreement with the values and goals of the institution) seems to be a more

critical dimension of socialization than the index as a whole. When entered into the regression models in place of the broader socialization index, it appears that acceptance of the university's goals and values is the crucial factor in explaining organizational commitment – although cosmopolitan sentiments and perceived distributive justice still play a role in explaining both the overall (Table 4a) and the affective (Table 4b) dimensions of commitment.

Table 4a. Revised Model: Predictors of Overall Organizational Commitment

	B	Std. Error	Beta	t	Sig.		
(Constant)	2.331	.535		4.356	.000		
Distributive	.185	.037	.217	5.038	.000		
Interpersonal	.049	.030	.064	1.595	.112		
Procedural	.045	.043	.048	1.057	.291	Adjusted R²	.718
Values	.868	.080	.493	10.827	.000	F	116.83
Cosmopolitanism	-.653	.107	-.263	-6.080	.000	sig.	.000

Table 4b. Revised Model: Predictors of Affective Organizational Commitment

	B	Std. Error	Beta	t	Sig.		
(Constant)	1.926	.609		3.164	.002		
Distributive	.230	.042	.239	5.501	.000		
Interpersonal	.062	.035	.073	1.799	.073		
Procedural	.081	.048	.076	1.667	.097	Adjusted R²	.713
Values	.909	.091	.458	9.970	.000	F	114.30
Cosmopolitanism	-.711	.122	-.254	-5.816	.000	sig.	.000

The effect on volitive commitment to stay, though, is dramatic and overwhelming (Table 4c). Faculty who make a commitment to support the goals of the university build a bond with the organization regardless, apparently, of whether they feel the organization treats them justly, and regardless of the degree to which they come to the institution with either a cosmopolitan or local approach the world.

Table 4c. Revised Model: Predictors of Volitive Organizational Commitment

	B	Std. Error	Beta	t	Sig.		
(Constant)	2.548	.898		2.836	.005		
Distributive	-.050	.062	-.057	-.808	.420		
Interpersonal	.025	.051	.032	.492	.624		
Procedural	.006	.071	.006	.084	.933	Adjusted R²	.250
Values	.941	.135	.519	6.993	.000	F	16.19
Cosmopolitanism	-.02.9	.180	-.011	-.162	.871	sig.	.000

Discussion

In this study we hypothesized that the degree of socialization would depend on the degree of cosmopolitanism. The degree of socialization would then impact perceptions of justice, and ultimately, commitment.

We focused on commitment among faculty to their university. In previous studies, people who indicated commitment showed a strong acceptance of the goals of the organization and a desire to stay with the institution. Our study supports these findings. Nevertheless, is commitment a good predictor of actual behavior? Research has shown that employees with high career commitment consider leaving the organization when career growth opportunities in the organization are low (Bedian et. al, 1991). However, if the organization can intervene to socialize employees into the life of the university, it may be possible for the organization to build greater commitment among faculty with either local or cosmopolitan predispositions.

Since socialization into the values of the institution is important, through what mechanisms are these values inculcated and ultimately internalized? If organizations in general, and universities in particular, wish to develop and retain loyal employees, what specific action steps can they take to develop this critical sentiment? The solution may not be in a “one process fits all” but rather processes that are targeted toward the individual needs of its members. For example, faculty who tend to rate high on cosmopolitanism may need special direction on how they can develop, and perhaps, advance within their own career tracks in the institution.

Previous research has documented the deleterious effects to organizations when members experience low levels of organizational justice. Skarlicki and Folger (1997) found that workers who experienced low distributive, procedural and interactional justice would be more likely to speak poorly about the organization, be absent, tardy, less productive, and inefficient. Such behavior shows a lack of willingness to work for or contribute to the success of the organization. While all faculty members care about fairness issues, our study shows that cosmopolitans expect high levels of justice. Cosmopolitans may be especially sensitive because they hold elevated standards of justice for the organization to meet. Therefore, the onus falls on the organization to be particularly careful to ensure fairness in outcomes, procedures and interpersonal treatment.

As in any research, there are questions raised by this study. Most importantly is the nature of commitment. As indicated earlier, there is a debate as to whether the Organizational Commitment Questionnaire measures commitment as a unitary or multidimensional construct. We conceptualized commitment as unidimensional. However, two items of the commitment scale factored separately from the other items. These two items emphasized a faculty member’s conative orientation to the goals of the university and a willingness to put forth the effort to make the university a successful. The other items of the commitment scale factored separately and appeared to measure the faculty member’s emotional attachment to the institution. These volitive and affective factors were also observed in study of employees in retail banks in Hong Kong (Akhtar and Tan, 1994). However, Akhtar and Tan also found a third factor, which they labeled normative, that indicated a cognitive commitment on the part of employees. We did not find this factor in our study. There are many reasons for the differences in research findings. One may be the sample. We focused on highly educated professionals. The education of the bank employees varied from secondary school to university. The

difference in education impacts the degree of cosmopolitanism and consequently, it may impact not only the degree of commitment but the ways in which employees demonstrate commitment. Another reason for differences between the two studies may be the length of service of the respondents. Our respondents had an average of 11 years at the university. Forty-nine percent of the bank employees had stayed at the bank for one to five years. Also, this study was conducted in the United States and Akhtar and Tan's study was conducted in Hong Kong. Cultural differences could influence commitment to organizations. Further research needs to be conducted to investigate the factor structure of organizational commitment.

As with any research, there are limitations to this study. First, there are difficulties with self-report questionnaires. Respondents may misunderstand the questions or feel the need to not answer truthfully. In this study, some of the faculty did express concerns that the study was being conducted for the administration. This suggests a possible respondent bias. Furthermore, the study is attitudinal. At no time did we capture the actual behavior of respondents. We also did not survey people who have left the organization.

In addition, this study may not be generalizable to other industries or even other universities. This university had a high proportion of respondents who had attended the university as undergraduates. That could influence the commitment that they have towards the organization. Moreover, this study was done in a limited time frame (three weeks). A longer time frame would have increased reliability. Future studies in other organizations, using a multi-method approach is recommended.

References

Adams, J. S. (1965). Inequity in Social Exchange. In L. Berkowitz (Ed.) Advances in Experimental Social Psychology (Vol 2: pp. 267-299). New York: Academic Press.

Akhtar, S. & Tan, D. (1994). Reassessing and Reconceptualizing the Multidimensional Nature of Organizational Commitment, Psychological Reports, 75, 1379-1399.

Allen, N. J. & Meyer, J. P. (1990). The Measurement and Antecedents of Affective, Continuance, and Normative Commitment to the Organization, Journal of Occupational Psychology, 63, 1-18.

Angle, H. L. & Perry, J.L. (1981). An Empirical Assessment of Organizational Commitment and Organizational Effectiveness. Administrative Science Quarterly, 26, 1-14.

Bauer, T.N., Morrison, E.W. & Callister, R.R. (1998). Organizational Socialization: A Review and Directions for Future Research. Research in Personnel and Human Resource Management, 16, 149-214.

Bedeian, A., Kemery, E., & Pizzolatto, A. (1991). Career Commitment and Expected Utility of Present Job as Predictors of Turnover Intentions and Turnover Behavior. Journal of Vocational Behavior, 39, 331-343.

Bies, R. J. & Moag, J. F. (1986). Interactional Justice: Communication Criteria of Fairness. In R.J. Lewicki, B.H. Sheppard, & M. H. Bazerman (Eds.), Research on Negotiations in Organizations (Vol. 1, pp. 43-55). Greenwich, CT: JAI Press.

Boyer, E. L., Altbach, P.G., & Whitelaw, M.J. (1994). The Academic Profession: An International Perspective. Princeton, NJ: Carnegie Foundation.

Caught, K., Shadur, M.A., & Rodwell, J. J. (2000). The Measurement Artifact in the Organizational Commitment Questionnaire. Psychological Reports, 87, 777-788.

Chao, G.T., O'Leary-Kelly, A., Wolf, S., Klein, H., & Gardner, P. (1994). Organizational Socialization: Its Content and Consequences. Journal of Applied Psychology, 79 (5), 730-743.

Clery, S. & Lee, J. (2001) Faculty Retirement: Loss or Opportunity? NEA Higher Education Research Center Update, 7, 1-4.

Colquitt, J. A., Conlon, D. E., Wesson, M. J., Porter, C. O. L. H., & Ng, K. Y. (2001). Justice at the Millennium: A Meta-Analytic Review of 25 Years of Organizational Justice Research. Journal of Applied Psychology, 86 (3), 425-445.

Cotton, J. L. & Tuttle, J. M. (1986). Employee Turnover: A Meta-analysis and Review with Implications for Research. Academy of Management Review, 11, 55-70.

Folger, R. & Konovsky, M. (1989). Effects of Procedural and Distributive Justice on Reactions to Pay Raise Decisions. Academy of Management Journal, 32, 115-130.

Gouldner, A.W. (1957). Cosmopolitans and Locals towards an Analysis of Latent Social Roles. Administrative Science Quarterly, 281-306.

Hall, D. T., Schneider, B., & Nygren, H. T. (1970). Personal Factors in Organizational Identification. Administrative Science Quarterly, 15, 176-189.

Homans, G. C. (1961). Social Behavior: Its Elementary Forms. New York: Harcourt, Brace, & World.

Johnsrud, L. K. & Heck, R. H. (1998). Faculty Worklife: Establishing Benchmarks across Groups. Research in Higher Education, 39, 539-555.

Katz, D. & Kahn, R. L. (1978). The Social Psychology of Organizations (2nd. ed.). New York: Wiley.

LaTour, S. (1978). Determinants of Participant and Observer Satisfaction with Adversary and Inquisitorial Modes of Adjudication. Journal of Personality and Social Psychology, *36*, 1531-1545.

Lind, E. A. & Tyler, T. R. (1988). The Social Psychology of Procedural Justice. New York: Plenum.

Lind, E. A., Kurtz, S., Musante, L., Walker, L. & Thibaut, J. (1980). Procedure and Outcome Effects on Reactions to Adjudicated Resolution of Conflicts of Interest. Journal of Personality and Social Psychology, *39*, 643-653.

Mathieu, J. E. & Zajac, D. (1990). A Review and Meta-analysis of the Antecedents, Correlates, and Consequences of Organizational Commitment. Psychological Bulletin, *108* (2), 171-194.

Meyer, J. P. & Allen, N. J. (1991). A Three-Component Conceptualization of Organizational Commitment. Human Resource Management Review, *1*, 61-89.

Meyer, J. P. & Allen, N.J. (1997). Commitment in the Workplace. Thousand Oaks, CA: Sage.

Mowday, R.T., Porter, L. W., & Steers, R.M. (1982). Employee-organizational Linkages. New York: Academic Press.

Mowday, R.T., Steers, R. M., & Porter, L. (1979). The Measurement of Organizational Commitment. Journal of Vocational Behavior, *14*, 224-247.

O'Reilly, Charles (1989). Corporations, Culture and Commitment: Motivational and Social Control in Organizations. California Management Review, *31*(4), 9-25.

Pfeffer, Jeffrey (1981). Management as Symbolic Action: The Creation and Maintenance of Organizational Paradigms." In L.L. Cummings and B.M. Staw (Eds.), Research in Organizational Behavior, (Vol. 3: pp. 1-52). Greenwich, CT: JAI Press.

Rahim, M.A., Magner, N. R., & Shapiro, D. L. (2000). Do Justice Perceptions Influence Styles of Handling Conflict with Supervisors?: What Justice Perceptions, Precisely? The International Journal of Conflict Management, *11*(1), 9-31.

Skarlicki, D.P. & Folger, R. (1997). Retaliation in the Workplace: The Roles of Distributive, Procedural, and Interactional Justice. Journal of Applied Psychology, *83*, 434-443.

Tyler, T. (1987). Conditions Leading to Value-expressive Effects in Judgments of Procedural Justice: A Test of Four Models. Journal of Personality and Social Psychology, *52*, 333-344.

Tyler, T. (1989). The Psychology of Procedural Justice: A Test of the Group-value Model. Journal of Personality and Social Psychology, 57, 830-838.

Tyler, T., Rasinski, K, & Spodick, N. (1985). Influence of Voice on Satisfaction with Leaders: Exploring the Meaning of Process Control. Journal of Personality and Social Psychology, 49, 72-81.

Thibaut, J. & Walker, L. (1975). Procedural Justice: A Psychological Analysis. Hillsdale, NJ: Erlbaum.

Van Maanen, J. & Schein, E.H. (1979). Toward a Theory of Organizational Socialization. In B.M. Staw (ed.), Research in Organizational Behavior (Vol. 1, pp. 209-264). Greenwich, Ct: JAI Press.

Zeffane, R. (1994), Patterns of Organizational Commitment and Perceived Measurement Style: A Comparison of Public and Private Sector Employees. Human Relations, 47, 977-1008.

Observer Effects of Repatriate Assignments: A Justice Framework

Denise Dunlap-Hinkler
Temple University

Ronaldo Parente
Salisbury University

ABSTRACT

A theoretical framework and research propositions are developed, from a justice perspective, to assess how the perception of repatriation assignments may create an “observer effect” within the organization. The “observer effect” is hypothesized to influence the multinational corporation’s (MNC) pool of candidates who are willing to go abroad. Identification with repatriated individuals is hypothesized to moderate the relationship between observers’ distributive justice evaluations of repatriate assignments and their willingness to accept future international assignments. Conclusions and implications for managers and researchers conclude the paper.

Introduction

Since the collapse of the Berlin Wall and the reduction of many international trade barriers, multinational corporations (MNC) have dramatically increased the expansion of their operations internationally. Expanding overseas requires a greater commitment of managerial resources for assignment transfers to subsidiary or joint venture operations (Hammer & Martin, 1992). The success of these expansion plans often is dependent upon being able to staff or place competent, first choice candidates on these assignments. However, there is a growing reluctance among employees to accept expatriate assignments (Swaak, 1995a). As a result, it is more difficult for human resource (HR) managers to fill these types of positions with their “best” candidates (Frazee, 1998; Harvey & Wiese, 1998).

When asked about their greatest international expansion challenges, 89% of international HR managers said that staffing qualified American job candidates was their foremost concern, according to the 1999 Windham International/NFTC survey (Pratt, 1997). Increasingly companies must look to their second, third, and often fourth (or beyond) candidates for such positions (Swaak, 1995b). This placement problem increases human resource expenditures and delays business objectives such as transferring internal company knowledge, competence, norms, or know-how to educate and develop local talent abroad (Harvey & Wiese, 1998; Mc Nerney, 1996; Torbiorn, 1997).

The primary focus of our research is to develop a conceptual framework that describes the challenges that MNCs face when trying to motivate their employees to accept international assignments. Despite the insurmountable cost of expatriate failure, according to Snell (1992), “there is virtually no way to identify performance problems post hoc” (p. 297). Thus, our goal is not to preface an empirical study that is capable of measuring performance directly, but rather to develop research propositions that examine how repatriate job assignments may influence observer willingness to go abroad. A major contribution of this study is that it extends previous research on the perceptions of repatriation assignments by focusing on how they affect observer behavior, rather than repatriation behavior, within the organization.

The inability to identify and place returning expatriates or repatriates in rewarding job positions may undermine the success of a company’s attempt to staff highly competent candidates on international assignments. Most organizations have difficulty identifying potential jobs for repatriates because 76% of organizations, according to the Organizational Resource Counselors’ (ORC) 1998 annual survey, have no formalized repatriation policies (Latta, 1999). Moreover, only 30% of firms surveyed by KPMG Peat Marwick have effective measures to calculate the value of expatriate assignments (Peak, 1997). Consequently, because organizations do not have formalized repatriation policies or have effective measures to calculate the value of expatriate assignments, nearly 62% of placement decisions regarding returning expatriates depend solely on job availability at the time they return (Latta, 1999).

Placing employees in poorly planned repatriation assignments not only inadequately utilizes the valuable foreign experiences gained while working abroad, such as knowledge regarding local market conditions, but also creates career uncertainty among observing employees. Observers are third party organizational members that take note as to the consequences of going abroad. They have a vested interest in the repatriate assignments of fellow co-workers. Unfortunately, they often witness co-workers placed in positions that derail their careers (Borstorff et al, 1997; Feldman & Thompspon, 1992; Tung & Miller, 1990). A number of studies indicate that nearly 67% of returning expatriates felt that they were placed in assignments that negatively impacted their careers. Moreover, 20% of these employees wanted to leave their companies after they were placed in these assignments (Adler, 1991). Further, not being able to carefully select and train the “best” candidates for overseas assignments may negatively impact performance. The MNC’s ability to get the “top” performers or the “best” employees to accept international assignments depends on the employees’ perception that the rewards of the assignment fully compensate for their personal costs.

The above discussion suggests that observer effects may impact the MNC’s ability to send the best and most competent expatriates abroad. This difficulty to transfer competence overseas, in turn, may potentially create performance problems. Preventing performance problems is of importance considering the high number and costs associated with unsuccessful American expatriate assignments. Currently, according to the Center for International Briefing, the failure rate of American expatriate managers ranges from 25% to 40% depending upon assignment location (McDonald,

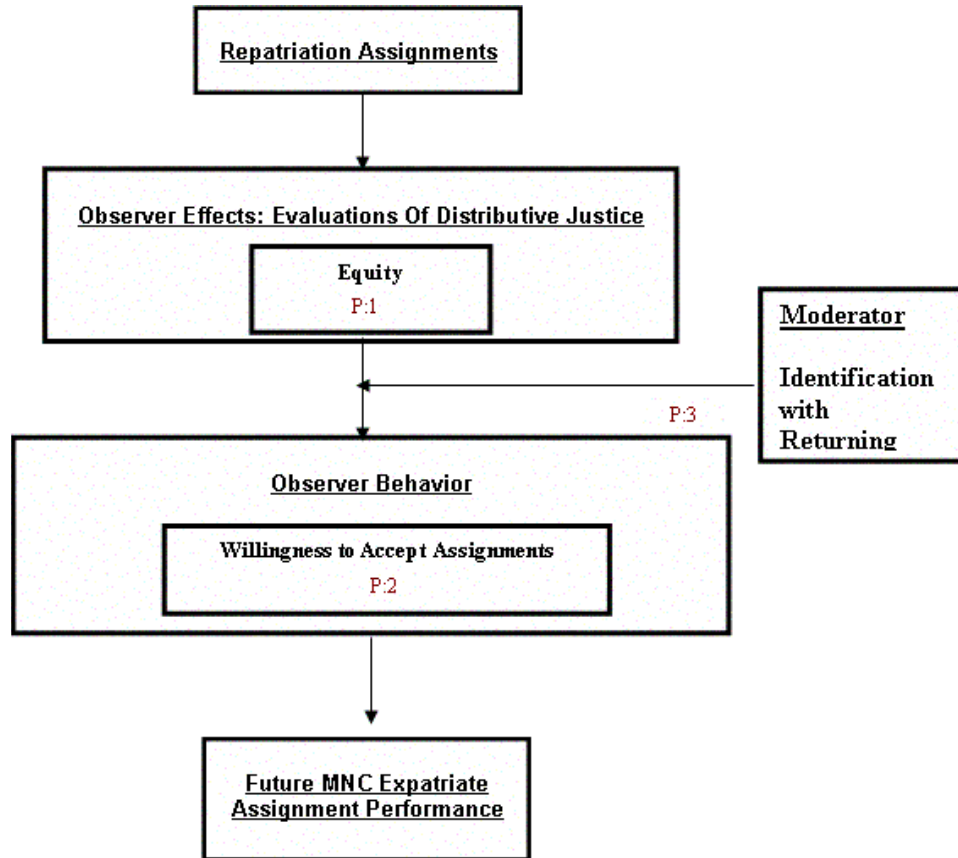
1993). Moreover, it is estimated that American expatriates fail on their international assignments three to four times more frequently than do European or Japanese expatriates (Schneider and Asakawa, 1995).

The total cost for these expatriate failures has been estimated to cost nearly \$2.5 billion a year for U.S. corporations (Ashamalla, 1998). In addition, according to recent estimates, one U.S. failed assignment can cost as much \$1 million (Shaffer & Harrison, 1998; Shannonhouse, 1996). These figures only include identifiable costs associated with compensation, training, development, and orientation seminars (Swaak, 1995b). They do not include hidden costs such as lost business opportunities, damage to the organization's reputation, potential damage to customers, suppliers, and even host government officials as well as reductions in market share, productivity, and competitive position (Black, Gregersen, & Mendenhall, 1992a; Shaffer & Harrison, 1998; Stephens & Black, 1991).

Observations or knowledge regarding these repatriation difficulties confirm employees' concerns that expatriate assignments are not valued or rewarded by MNCs. To date, the researchers are unaware of any empirical study that has investigated the relationship between employees as observers of repatriation assignments and their willingness or intention to accept international assignments. The results, from the Korn & Ferry's (1981) study, do however shed light on the likely nature of this relationship. They found that nearly 57% of surveyed HR executives believed that knowledge regarding repatriate difficulties discouraged others within the organization from accepting future international assignments.

This study utilizes a justice framework to empirically assess (1) how the perception of repatriation assignments influence observers' evaluations of distributive justice, (2) how these evaluations influence observers' willingness to accept future international assignments and (3) how the observer's identification with the returning expatriate moderates the observers' corresponding willingness to accept international assignments. Finally, it is hypothesized that identification with repatriated individuals who receive repatriation assignments will moderate the relationship between the observers' evaluations of distributive justices and their willingness to go abroad. These relationships are illustrated in Figure 1 and reviewed in the following sections.

Figure 1: Conceptual Framework



Theoretical Background and Research Propositions

Repatriation Assignments

During the 1960s and 1970s, expatriates spent five or more years in their overseas assignments. Since the 1980s, the trend has been for corporations to offer shorter-term assignments. Today, the length of a typical assignment lasts between three and five years (Black, 1992). Offering shorter-term international assignments has dramatically increased the number of repatriates in today's organizations. As a result, academic attention has shifted its focus toward understanding the process of repatriation because, according to Black and colleagues (1992b), "repatriation is perhaps the least carefully understood aspect of global assignments" (p. 14). Recent empirical evidence suggests that this reentry process is neither easy nor natural (Adler, 1991; Hammer, Hart, & Rogan, 1998; Kendall, 1986).

Some researchers even suggest that readjusting to the "home" culture, for returning employees and their families, is more difficult than adjusting to a new foreign culture (Adler, 1991; Martin, 1984). One reason why repatriates and their families experience

readjustment difficulties is because while they were learning about a new culture, for the past three to five years, their home culture did not remain frozen in time. Some repatriates return to find their culture's laws, fads, music, sports, and other basic aspects of life considerably changed. Others may return to find their companies completely changed because of downsizing or restructuring.

As most repatriates are unprepared for these changes, they experience a form of re-entry culture shock (Ashamalla, 1998; Mendenhall, Punnett, & Ricks, 1995; Martin, 1984). Descriptions of these readjustment difficulties as well as the variables that affect repatriation adjustment are well documented in the literature (Austin, 1986; Hammer, Hart, & Rogan, 1998; Martin, 1984; Smith, 1991). Moreover, according to Hammer and colleagues (1998), these difficulties are "often costly and dysfunctional to the effective functioning of both the returning employee and the organization" (p. 68). Black, Gregersen, and Mendenhall (1992a) developed a group-specific, theoretical framework that identified four essential variables that affect repatriation adjustment and employee turnover of these employees: individual, job, organization, and non-work variables. According to the authors, each variable warrants "separate theoretical and empirical investigation" (p. 740). This study is limited to exploring only the job variable as outlined by Black, Gregersen, and Mendenhall (1992a). The job variable, hereafter referred to as repatriation assignment, refers to the job assigned to returning expatriates.

The status attached to the jobs that repatriate employees receive is critical. This status is noteworthy because most expatriates have historically fulfilled key roles in overseas offices such as managers, experts, and trouble-shooters (Mendenhall, Punnett, & Ricks, 1995; Torbiorn, 1997). Repatriates anticipate that they will receive commensurately rewarding positions that adequately reflect their newfound knowledge and experiences. Unfortunately, there is often a mismatch between the reality and preconceived job expectations of repatriates (Torbiorn, 1994). According to ORC's 1998 survey, only 15% of returning expatriates receive rewarding or promotion-related job assignments (Latta, 1999). Moreover, most repatriates, nearly 77%, receive demotions or unrewarding lateral job assignments (Black, Gregersen, & Mendenhall, 1992b). Consequently, 50% find their former international assignments more satisfying in terms of autonomy, authority, and job responsibility than their current repatriate job assignments (Adler, 1991; Mendenhall, Punnett, & Ricks, 1995). This reality often creates dissatisfaction as well as feelings of unfair treatment among repatriate employees (Borstorff et al, 1997; Torbiorn, 1994; Torbiorn, 1997).

Observer Effects: Distributive Evaluations of Justice

Repatriates may not be the only ones that may perceive their new and perhaps unrewarding job assignments as unfair. Observers may also react to the fairness of these assignments or outcomes. When making justice evaluations, the two most frequently discussed justice levels are (1) the distributive (outcome) level and (2) the procedural (process) level. Observers most frequently refer to whether or not the returning expatriate received a fair deal or outcome based on some relative comparison

standard such as how other repatriates were treated in the past. Outcomes, however, are not the only issues that observers consider when making their evaluations of justice. They also consider the procedure (Sheppard, Lewicki, & Minton, 1992) through which repatriation assignments were allocated. Nevertheless, because organizational due process is usually conducted in private, it is unlikely that observers will gain sufficient knowledge about the process through which the repatriate assignment or outcome was determined. Therefore, it is conceivable that distributive rather than procedural evaluations of justice will be the most important salient determinant of justice determined by the observer (Trevino, 1992). Accordingly, the study focuses on distributive justice evaluations.

When evaluating the perceived fairness of repatriation assignments or outcomes, observers may consider three distributional rules or standards of distributive justice. They are: (1) equity (repatriate assignments should be assigned based on individual performance or inputs), (2) equality (repatriate assignments should be rewarded equally regardless of individual inputs), and (3) need (repatriate assignments should be distributed based on relative individual circumstances or needs) (Gilliland, 1993; Sheppard, Lewicki, & Minton, 1992). The most predominant and common approach, cited in the literature, for evaluating the fairness of distributions or outcomes is the distributive rule of equity (Gilliland, 1993; Trembaly et al, 1997; Trembaly et al, 1998). Thus, for purposes of this study, the distributive outcome of equity will be examined.

According to the equity distributive rule of justice, individuals should receive repatriation assignments or outcomes that are consistent with their level of input or overall contribution to the organization. The level of input that expatriates and their families give to international assignments is daunting. They must sell their houses, uproot their families, find new schools for their children, leave their families and support networks, learn to adjust to different cultures, and possibly learn other languages. Due to the level of input that expatriates and their families give to international assignments, it is expected that unrewarding or demotion assignments upon repatriating will be seen as unfair to observers because the relationship between inputs and outcomes is not balanced. Accordingly, it is hypothesized, based on the equity distributive rule of justice, that:

Proposition 1. The perceived or real status of the jobs assigned to repatriates will influence the perceptions of the observers that the equity dimension of distributive justice has been met.

Observer Behavior: Intention to Accept Future Assignments

Distributive justice evaluations of repatriate assignments are thought to influence observer emotions, attitudes, and behaviors (Gilliland, 1993, Trevino, 1992). Of the possible range of observer outcomes that may result from witnessing employees placed in unrewarding repatriate assignments, the one most critical for our purposes is the observer's willingness to accept future expatriate assignments. To the researcher's best knowledge, no researcher has empirically examined the relationship between

observers' justice evaluations of repatriate assignments and their own willingness to go abroad. However, research on layoff survivor or observer behaviors is relevant to this study because it supports the notion that there is a relationship between observers' justice evaluations and subsequent work behaviors (Trevino, 1992). By studying the effects of layoff outcomes on survivor or observer work behaviors, researchers found a positive correlation between perceptions of injustice and observer work behaviors such as absenteeism, turnover, and productivity (Brockner et al, 1987; Brockner, 1990; Brockner et al, 1990).

Therefore, based on the above discussion, it is expected that perceptions of repatriate assignments will affect work behaviors such as the employee's decision to go abroad. For instance, if observers perceive repatriate assignments as unfair, then they may believe that their organization does not support or value international experience. As a result, they may be less willing to accept risky, future assignments because according to deterrence theory (Zimring & Hawkins, 1973), "people attempt to maximize rewards and minimize costs" (Borstorff et al, 1997; Gilliland, 1993; Meier & Johnson, 1977, Trevino, 1992, p. 650). Alternatively, if observers evaluate repatriation assignments as just, then they may perceive attaining international experience as something that is desirable (Borstorff et al, 1997; Torbiorn, 1997). Consequently, these observers may be more willing to accept future international assignments. Thus, it is hypothesized that:

Proposition 2. The level of perceived distributive justice will influence the levels of observers' intentions to accept international assignments.

Moderating Variable: Identification with Returning Expatriate

One factor that may influence or moderate this proposed relationship is the extent to which observers identify or feel "connected" with the repatriate employee. According to Deutsch (1985), people sometimes are willing to tolerate injustices when they are targeted to people who are not in their scope of justice or moral community. By utilizing balance theory (Heider, 1958), we can predict the extent to which identification with a returning expatriate will influence observer behavior.

To apply this theory, consider the observers (Party O), repatriate employees (Party E), and multinational organizations (Party M) as representing three points of a Heiderian balance triangle. According to consistency theorists, like Heider, people attempt to reduce imbalances that occur between their behaviors and beliefs, which are referred to as "unit relationships." For instance, if the multinational organization acts unfairly to the repatriate employee, Party M is considered to have a negative "unit relationship" with Party E. The system now is said to be unbalanced because one of the products from the three points of the triangle is negative. However, if the observer and repatriate parties have a positive unit relationship, which could occur if Party O includes Party E in their scope of justice, then the observer party can establish balance by establishing a negative relationship with Party M, the multinational organization. In which case, the observer party (O) is likely to act unfavorably to the multinational organization party (M) (Brockner, 1990; Brockner & Greenberg, 1990).

Numerous factors may ultimately influence whether or not people include others in their scope of justice (Opotow, 1988). It is anticipated that the closer the psychological bonds between individuals, the more likely people will identify with others or will include them in their scope of justice (Brockner, 1990). To apply this theory to repatriation assignments, observers would more likely identify with repatriate employees if they have (or had) a close working or personal relationship with these employees, share similarity in roles, or have a dispositional tendency to be more empathic to other people (Brockner, 1990; Trevino, 1992).

Brockner and colleagues' (1987) found that those who closely identified with laid-off employees had the most negative reactions in terms of reduced work performance and lowered organizational commitment. These results may have occurred because when observers see themselves as similar to these "harmed" employees, they are more likely to empathize or show favoritism to them. Empathy diverts responsibility for the layoff away from the employee and increases the likelihood observers will view the outcome as unjust and thus, they will react more negatively (Brockner, 1990, Brockner et al, 1987; Cohen, 1982; Trevino, 1992). Accordingly, it is anticipated that closely identifying with returning expatriates will moderate the relationship between observer's evaluations of justice and their willingness to go abroad. Based on the above discussion, it is hypothesized that:

Proposition 3. The level of identification with returning expatriates will influence observers' willingness to accept future international assignments.

Discussion and Implications for Managers

Accepting an international assignment, in and of itself, is a tremendous responsibility. It entails leaving behind all that is familiar and comfortable. Expatriates and their families must learn to live in a culture that is anything but "home." They must adjust to the fact that people in different host cultures think, behave, and believe differently than people in their own home culture. Adjusting to these differences is an arduous task (Mendenhall, Punnett, & Ricks, 1995). Moreover, a willingness to relocate overseas does not guarantee the acceptance of international offers or the completion of assignments. There is, however, substantial empirical research indicating that "willingness" is perhaps the best predictor of future behavior (Brett & Stroh, 1995; Hulin, 1991). Further, it has been shown that when expatriates reluctantly accept international opportunities that they are more likely to experience adjustment difficulties, which have been linked to expatriate failure and poor job performance (Brett & Stroh, 1995; Feldman & Thomas, 1992; Mendenhall, Punnett, & Ricks, 1995; Nicholson, 1993).

If employees are reluctant to accept overseas assignments, then HR managers may be unable to place, according to Brett & Stroh (1995), "the right people with the right skills,

in the right place, at the right time” (p. 405). This dilemma may create performance problems because the demands created by today’s global marketplace have increased the urgency to send more resources overseas that have the “right” skills, abilities, and motives to foster and create competence in local operations (Snell, 1992; Torbiorn, 1997). In light of the necessity for expatriate resources and the already high cost of expatriate failure due to inappropriate selection, nearly \$2.5 billion a year, inattention to the issue of repatriate assignments may be too costly to ignore (Ashamalla, 1998). Next, we discuss some important managerial and theoretical implications from our conceptual framework.

Implication for Theory

The purpose of our theoretical development was to address the repatriation phenomenon as it relates to the behaviors of observing, future expatriate candidates. This study argues that the repatriation process is not an isolated event that only affects returning expatriates. It may also influence the perceptions of observing employees. Observers that witness repatriate employees being placed in diminished assignments with reduced responsibility will perceive their organizations as not valuing or supporting overseas assignments. These perceptions are likely to create an unwilling pool of competent resources to participate in corporate international transfers. Thus, a primary focus of our conceptual framework was to shed light on the importance of how the “observer effect” influences future employee behavior. Our research contributes to management theory by developing a theoretical framework based on existing theories in the justice literature that offers researchable propositions, which explore the relationship between employees as observers of repatriation assignments and their willingness to accept international assignment transfers.

Implications for Managers

A source of competitive advantage for most MNC expansions is the internalization of firm-specific competence or knowledge through the distribution and control of human resources. To staff competent resources on overseas assignments, requires a heavy reliance on HR selection decisions (Torbiorn, 1997). HR managers must be able to select from a willing pool of managerial resources to implement organizational stated objectives such as the transfer of know-how to set up local operations (Brett & Stroh, 1995; Torbiorn, 1997).

Most expatriates fear that distance barriers will negatively impact their visibility within the organization. Such “out-of-sight, out-of-mind” fears are reality based since few international HR managers have effective repatriate policies to handle their return home to the organization (Borstoff et al, 1997; Latta, 1999; Peak, 1997). Consequently, after employees have completed their expatriate assignments, they often do not have rewarding positions to return to that appropriately considers the level of input that they have given to these assignments. If observing employees perceive repatriate assignments as being unjustly determined and are thus less eager to go abroad as a result, then this dilemma could negatively affect human resource selection planning and

coordination (Ashamalla, 1998; Borstoff et al, 1997; Torbiorn, 1997). In other words, this staffing difficulty, according to Brett & Stroh (1995), may force "...companies...to look elsewhere for managerial talent to implement their global strategies" (p. 405). Thus, firms may have to reluctantly send employees that do not have the requisite skills (i.e, technical expertise, managerial and decision making ability, cultural empathy, language ability, interpersonal skills, or personal motive) to perform well on international assignments (Ashamalla, 1998; Phatak, 1997; Snell, 1992).

The complexity and costly nature associated with the expatriation-repatriation cycle requires that HR managers develop a good understanding of the most salient factors connected to this process. Our framework, on managing international assignments, suggests that the observer effect is a real phenomenon that requires further empirical investigation. By applying our theoretical framework, managers should have a deeper and more comprehensive picture of how the repatriation process not only affects repatriated employees, but also influences the perceptions and behaviors of observing employees. It is hoped that by examining how observers evaluate repatriate assignments and subsequently how these perceptions influence future employee willingness to go abroad that HR managers may in turn develop better repatriation policies that improve potentially negative human capital resource implications associated with the "observer effect."

Limitations and Future Research

An important limitation of our research is that our theoretical framework has not yet been empirically tested. Therefore, future researchers should attempt to develop measurements for our constructs and collect empirical data from MNCs to test our framework.

Given how the overall lack of formalized MNC repatriation policies and practices is negatively influencing the placement of today's repatriate employees, another opportunity for future investigation that deserves attention is the role that HR control systems play in the evaluation of international assignments. Control systems, according to Snell (1992), can be defined as "any process that helps align the actions of individuals with the interest of their employing firm" (p. 293). To achieve this intended outcome requires the utilization of different control systems. In Ouchi's seminal work, done in 1977 and 1979, he identified three primary control systems: (1) behavior control, (2) output control, and (3) clan or input control (Hamilton & Kashlak, 1999; Ouchi, 1977; Ouchi, 1979; Snell, 1992).

In terms of developing sound repatriate evaluation tools, behavioral control systems would focus on closely monitoring and evaluating the repatriate employee's performance based on policies and procedures that were initiated top-down (Snell, 1992). Output control systems are viewed more as a more decentralized form of control in which repatriated managers would be evaluated on the basis of quantifiable performance targets or measures such as market share, revenues, and profitability (Hamilton & Kashlak, 1999; Snell, 1992). Input control systems would regulate the

knowledge, skills, abilities, values, and motives of repatriate employees, which according to Snell (1992) are the antecedent conditions of performance. According to Snell (1992) the choice of which control mechanism that HR managers choose to administer depends upon (1) the availability of output measures and (2) the knowledge of the transformation process (Eisenhardt, 1985; Hamilton & Kashlak, 1999; Hamilton & Muralidharan, 1999; Snell, 1992; Thompson, 1967).

Considering that few HR managers have crystallized output or “repatriate” performance standards and/or complete knowledge of the transformation process for their newly repatriated employees, the most appropriate approach for evaluating international assignments according to Snell (1992), would be to rely on the firm’s level of “input control” through socialization, training, and development practices. While observing employees may not be privy to the specific details of such procedural evaluation processes or decision tools, their outcome may nonetheless result in repatriates being placed in assignments that are more positively perceived by observers.

In conclusion, companies that elect not to reexamine the effectiveness of their international assignment and repatriation policies may ultimately interfere with their goal of finding, staffing, developing, and maintaining international competence (Torbiorn, 1997). This outcome may occur because of the premise, “you get what you reinforce” (Luthans & Stajkovic, 1999). According to this rationale, if multinational organizations continue to reinforce repatriation plans that offer returning expatriates career options that are narrow, misleading, and unrewarding (Torbiorn, 1997), then observers will continue to be reluctant to accept future assignments because they perceive them as hurting one’s career. Thus, without sound repatriation policies today’s HR managers may continue to cite staffing competent expatriate resources as one of their greatest international expansion concerns (Pratt, 1997).

References

- Adler, N. *International Dimensions of Organizational Behavior*, (2nd ed.), Boston: PWS-Kent 1991.
- Ashamalla, M. International human resource management practices: The challenge of expatriation, *Competitiveness Review*, 8 (2), 1998, pp. 54-65.
- Austin, C. N. (Ed.). *Cross-Cultural Reentry*, Abilene, TX: Abilene Christian University Press 1986.
- Black, J. S. Socializing American expatriate managers overseas, *Group and Organization Management*, 17, 1992, pp. 171-192.
- Black, J.S., Gregersen, H. B., & Mendenhall, M. E. Toward a theoretical framework of repatriation adjustment, *Journal of International Business Studies*, 4, 1992a, pp. 737-760.
- Black, J.S., Gregersen, H.B., & Mendenhall, M. E. *Global Assignments: Successful Expatriating and Repatriating Managers*, San Francisco: Jossey-Bass 1992b.
- Borstorff, P.C., Harris, S.G., Field, H. S., & Giles, W. F. Who will go? A review of factors associated with employee willingness to work overseas, *Human Resource Planning*, 20 (3), 1997, pp. 29-34.
- Brett, J. M., & Stroh, L. K. Willingness to relocate internationally, *Human Resource Management*, 34 (3), 1995, pp. 405-424.
- Brockner, J., Grover, S., Reed, T., DeWitt, R., & O'Malley. Survivors' reactions to layoffs: We get by with a little help from our friends, *Administrative Science Quarterly*, 32, 1987, pp. 526-541.
- Brockner, J., DeWitt, R. L., Grover, S., & Reed, T. When it is especially important to explain why: Factors affecting the relationship between managers' explanations of a layoff and survivors' reactions to the layoff, *Journal of Experimental Social Psychology*, 26, 1990, pp. 389-407.
- Brockner, J. Scope of justice in the workplace: How survivors react to co-worker Layoffs, *Journal of Social Issues*, 46 (1), 1990, pp. 95-106.
- Brockner, J., & Greenberg, J. The impact of layoffs on survivors: An organizational justice perspective, In J. S. Carroll (Ed.), *Applied Social Psychology and Organizational Settings*, (pp. 45-75), Hillsdale, New Jersey: Erlbaum 1990.

- Cohen, R. L. Perceiving justice: An attributional perspective, In J. Greenberg & R. L. Cohen (Eds.), *Equity and Justice in Social Behavior*, (pp. 119-160). New York: Academic Press 1982.
- Deutsch, M. *Distributive Justice*, New Haven, CT: Yale University Press 1985. Do not be an ugly American manager, (1995, October 16), *Fortune*, p. 225.
- Eisenhardt, K. M. Control: Organizational and economic approaches, *Management Sciences*, 31, 1985, pp. 134-149.
- Feldman, D. C. & Thomas, D. C. Career management issues facing expatriates, *Journal of International Business Studies*, 23, 1992, pp. 271-293.
- Feldman, D. C., & Thompson, H. B. Entry shock, culture shock: Socializing the new breed of global managers, *Human Resource Management*, 31, 1992, pp. 345-362.
- Frazee, V. An unhappy spouse is the number one deal breaker, *Workforce*, 3, July 1998, pp. 8-9.
- Gilliland, S. W. The perceived fairness of selection systems: An organization, *The Academy of Management Review*, 18 (4), October 1993, pp. 694-724.
- Hamilton, R. D., III & Kashlak, R. J. National influences on multinational corporation control systems selection, *Management International Review*, 39, 1999, pp. 167-189.
- Hamilton, R. D., III & Muralidharan, R. Aligning multinational control systems, *Long Range Planning*, 32 (3), 1999, pp. 352-361.
- Hammer, M. R., Hart, W., & Rogan, R. Can you go home again? An analysis of the repatriation of corporate managers and spouses, *Management International Review*, 38 (1), 1998, pp. 67-86.
- Hammer, W. B., & Martin, J. N. The effects of cross-cultural training on American managers in a Japanese-American joint venture, *Journal of Applied Communication Research*, May 1992, pp. 161-182.
- Harvey, M., & Wiese, D. Global dual-career couple mentoring; A phase model approach, *Human Resource Planning*, 21, 1998, pp. 33-48.
- Heider, F. *The psychology of interpersonal relations*, New York: Wiley 1958.
- Hulin, C. L. Adaption, persistence and commitment in organizations, In M. Dunnett & L. Hough (Eds.), *Handbook of Industrial and Organizational Psychology*, (2nd ed.), 2, Palo Alto, CA: Consulting Psychologists Press 1991.

- Kendall, D. W. Repatriation: An ending and a beginning, In Austin, C. N. (ed.), *Cross-Cultural Reentry*, (pp. 133-140). Abilene, TX: Abilene Christian University Press 1986.
- Korn & Ferry. International study of repatriation of the American international executive, 1981, pp. 1-21.
- Latta, G. W. Expatriate policy and practices: A ten-year comparison of trends, *Compensation and Benefits Review*, 31 (4), July/August 1999, pp. 35-39.
- Luthans, F., & Stajkovic, A. D. Reinforce for performance: The need to go beyond pay and even rewards, *Academy of Management Executive*, 13 (2), 1999, pp. 49-57.
- Martin, J. N. The intercultural reentry: Conceptualization and directions for future Research, *International Journal of Intercultural Relations*, 8, 1984, pp. 115-134.
- McDonald, G. ET go home? The successful management of expatriate transfers, *Journal of Managerial Psychology*, 8, 1993, pp. 18-29.
- McNerney, D. J. Global staffing: Some common problems and solutions, *HR Focus*, 73, June 1996, pp. 1-5.
- Meier, R. F., & Johnson, W. T. Deterrence as social control: The legal and extralegal production of conformity, *American Sociological Review*, 42, 1977, pp. 292-304.
- Mendenhall, M., Punnett, B. J., & Ricks, D. A. *Global Management*, Cambridge, Massachusetts: Blackwell Publishers 1995.
- Nicholson, N. The adjustment of Japanese expatriates to living and working in Britain, *British Journal of Management*, 16 (4), June 1993, pp. 119-135.
- Opatow, S. *Outside the realm of fairness: Aspects of moral exclusion*, Paper presented at American Psychological Association meeting, Atlanta, Georgia 1988.
- Ouchi, W. G. A conceptual framework for the design of organizational control mechanism, *Management Science*, 16, 1979, pp. 833-848.
- Ouchi, W. G. The relationship between organizational structure and organizational control, *Administrative Science Quarterly*, March 1977, pp. 95-113.
- Peak, M. H. Darned expensive to take for granted, *Management Review*, 86, 1997, pp. 9-11.
- Phatak, A. V. *International Management Concepts & Cases*, Cincinnati: Ohio, South-Western College Publishing 1997.
- Pratt, N. Relocation managers focus on cost control, *Compensation and Benefits Review*, 29, March/April 1997, pp. 14-18.

Schneider, S., & Asakawa, K. American and Japanese Expatriate Adjustment: A psychoanalytic perspective, *Human Relations*, 48, 1995, pp. 1109-1125.

Shaffer, M. A., & Harrison, D. A. Expatriates' psychological withdrawal from international assignments: Work, non-work, and family influences, *Personnel Psychology*, 51, 1998, pp. 87-118.

Shannonhouse, R. Overseas assignment failures, *US Today/International Edition*, November 8 1996, p. 8A.

Sheppard, B. H., Lewicki, R. J., & Minton, J.W. *Organizational Justice: The Search for Fairness in the Workplace*, New York: Lexington Books 1992.

Smith, C. D. *The absentee American*, New York: Praeger 1991.

Snell, S. A. Control theory in strategic human resource management: The mediating effect of administrative information, *Academy of Management Journal*, 35 (2), 1992, pp. 292-327.

Stephens, G. K., & Black, S. The impact of spouse's career-orientation on managers during international transfers, *Journal of Management Studies*, 28, July 1991, pp. 417-429.

Swaak, R. A. Expatriate failures: Two many, too much cost, too little planning, *Compensation and Benefits Review*, 27, November/December 1995a, pp. 47-56.

Swaak, R. A. Expatriate management: The search for best practices, *Compensation and Benefits Review*, 27, March/April 1995b, pp. 21-30.

Thompson, J. D. *Organizations in action*, New York: McGraw-Hill 1967.

Torbiorn, I. Dynamics of cross-cultural adaptation, In G. Althen (Ed.), *Learning Across Cultures*, Washington, DC: NAFSA Publications 1994.

Torbiorn, I. Staffing for international operations, *Human Resource Management Journal*, 7 (3), 1997, pp. 42-52.

Trembaly, M., Sire, B., & Pelchat, A. A study of the determinants of the impact of flexibility on employee benefit satisfaction, *Human Relations*, 51 (5), 1998, pp. 667-688.

Trembaly, M., St.-Onge, S., & Toulouse, J. M. Determinants of salary referents relevance: A field study of managers, *Journal of Business and Psychology*, 11 (4), 1997, pp. 463-484.

Trevino, L. K. The social effects of punishment in organizations: A justice perspective, *Academy of Management Review*, 17 (4), 1992, pp. 647-676.

Tung, R. L., & Miller, E. L. Managing in the twenty-first century: The need for global Orientation, *Management International Review*, 30, 1990, pp. 5-18.

Zimring, F. E., & Hawkins, G. *Deterrence*, Chicago: University of Chicago Press 1973.

Generations and Motivation: A Connection Worth Making

Francis L. Jeffries
University of Alaska Anchorage

Tanya L. Hunte
AMEC Earth and Environment

ABSTRACT

Most work motivation research focuses on the specific aspects of the motivational process (i.e., needs, goal setting, etc.) that impact employee behavior. Locke's (1991) model provides the framework to relate important motivational theories chronologically, but does not include feedback loops or the impact of differences on motivation for the sake of simplicity. Our adaptation of the model illustrates how generational differences affect motivation and explains how intermediaries (managers and/or human resource professionals) can apply the model in developing attraction, motivation, and retention strategies for various generations of workers.

Introduction

Research on motivation has long been of interest to academicians and practitioners alike resulting in an abundance of motivation theories (Bandura, 1986; Deci, 1995; Deci & Ryan, 1985; Hackman & Oldham, 1980; Herzberg, 1959; Locke; 1991; Locke & Latham, 1990a; Maslow 1970; Miner, 1978; Vroom, 1964; Weiner, 1986). These contributions have had a significant positive influence on management theory and organizational performance. However, there remains a need to better integrate our knowledge regarding the influence of generational differences in determining attitudinal and motivational drivers. By integrating research on generational differences and motivational theory, we develop an adaptation of Locke's (1991) model. This adaptation of the model demonstrates how generational differences act as an influence on work motivation and explains how intermediaries (i.e., managers and human resources professionals) can capitalize on generational differences when attracting, motivating, and retaining workers.

Below we will first briefly describe Locke's (1991) theory. Next, we will identify general characteristics of four generations that are currently entering, leaving, or comprising the bulk of the workforce. We will then develop the adaptation of the model focusing on two generations (Boomers and X'ers) in order to illustrate our points and demonstrate application of the model and close with a discussion of the implications of the model for practitioners.

We would like to make it clear before we proceed that any two of the generations would work as well in this paper as an example. We chose Boomers and X'ers because they

currently comprise the bulk of the workforce and there is a substantial body of research on the characteristics of both generations.

As always, there are risks associated with making statements regarding general characteristics of any groups. One common criticism is that by grouping people into generations and describing general characteristics we are stereotyping. We do not assert that individual attitudes or behavior can be accurately predicted by using generational cohort as a dependent variable. However, we do agree with Lancaster and Stillman (2002) who address the issue by correctly asserting that life events have an impact on people and this does influence behavior. These events will have an impact by shaping assumptions and beliefs of the individual. Having an awareness of this aids managers in anticipating and accommodating potential and generally predictable differences. Zemke, Raines, & Filipczak (2000) address the same issue by stating that all of the persons in a particular generational cohort are individuals. Yet many of the differences and assumptions of those individuals can be explained by understanding characteristics and attitudes of their generational cohort. So, while some may call it stereotyping, and it may be to a degree, an understanding of generational differences and their implications in the workplace does aid in fostering greater understanding between management and employees.

Understanding generational characteristics gives one a starting point from which to move to a greater understanding of one's employees and their individual motivators. These can be used to influence behavior in a positive way. Attracting and retaining X'ers will require adapting to their characteristics (Hall, 2003; O'Bannon, 2001; Rodriguez et. al. 2003; Ruch, 2000). Creating a motivational environment will require attention to the varying priorities of the other generations as well (Lancaster & Stillman 2002; Zemke, 2000). While there is a risk that some may misinterpret this work and attempt to stereotype individuals based on the descriptions of generational characteristics, we caution against it.

Another criticism of work related to generational differences in the workplace regarding attitudes and behavior is that the research is not generally applicable except in the United States. While this may have been so for Traditionals and Boomers, there is research showing that this may be changing (Howe & Strauss, 2000; O'Bannon, 2001). O'Bannon (2001) performed a study that involved work attitudes on a sample of 2,500 students in 11 countries and found a significant consistency in responses in responses. This sort of result may be limited to developed countries with significant capability in terms of access to the media and the internet, but it is worth noting that it is an emerging trend that may make generational research applicable across a much larger population than before. Howe & Strauss (2000) cite studies also that support the contention that the Millennial generation truly transcends national borders.

As for this research, the application is admittedly oriented more toward the United States primarily because the Traditionals and Boomers are products of the historical, social, political, and economic conditions of the United States. But, as noted above, globalization is already influencing generations across borders (Howe & Strauss, 2000;

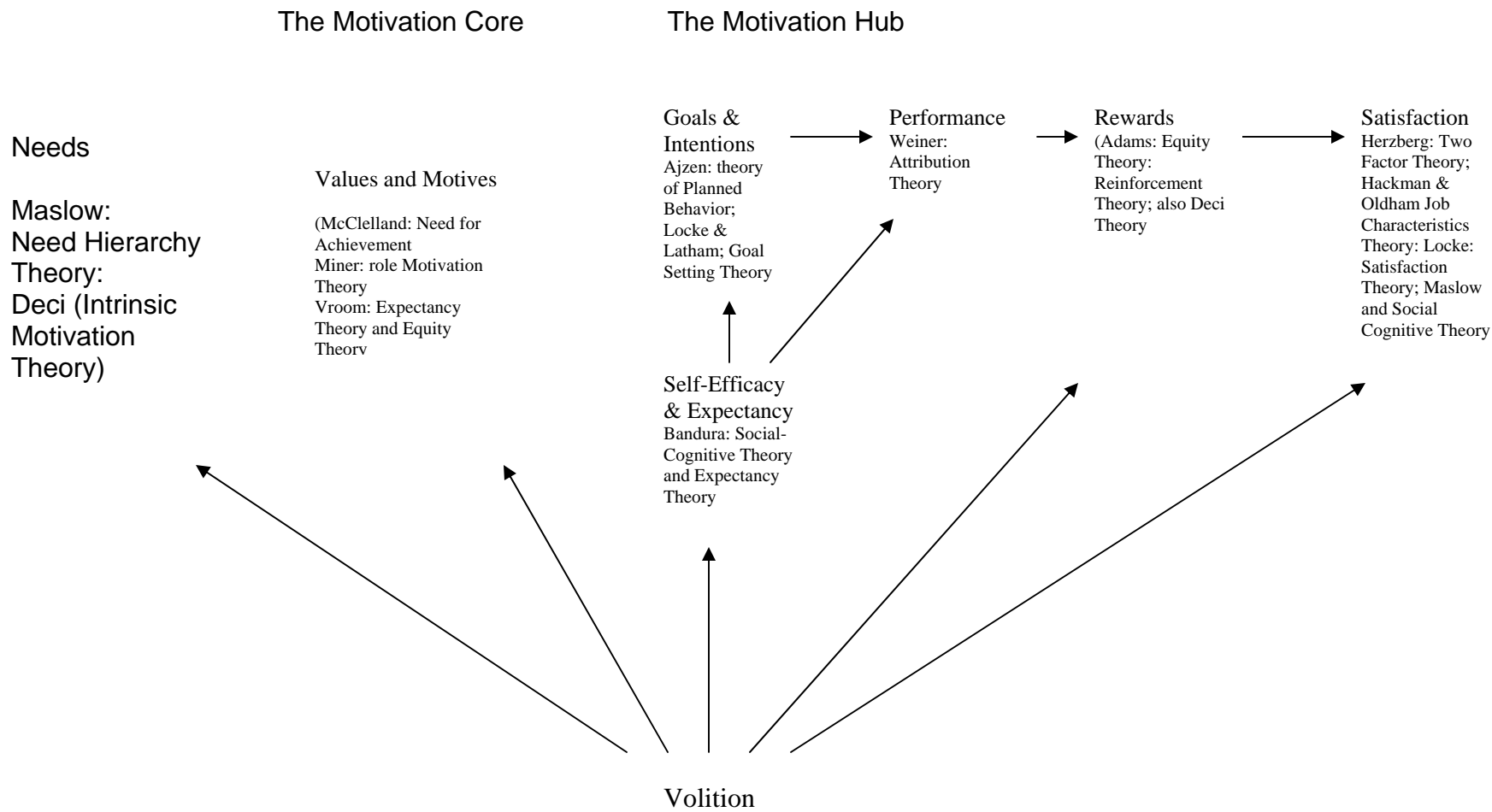
O'Bannon, 2001) and this gives us good reason to believe that the model may become more generally applicable in many developed countries in the years to come.

Finally, much of what has been written on generations assumes that older generations will manage younger generations. While this is certainly the case many times, there are many situations where people from younger generations are managing members of older generations. The trend of older workers to delay retirement will contribute to this phenomenon. We believe that understanding generational characteristics is of value in both managing older employees as well as younger employees. We have attempted to approach the model in a way that facilitates its use in either situation. Next we will describe the model.

Locke's Motivational Sequence

Locke (1991) combines key motivation theories into a sequential framework illustrating the causal effects of each aspect of motivation (see Figure 1). The sequence begins with needs as the antecedents to the values and motives that appear in the motivational core using Maslow's (1970) Needs Hierarchy and Deci's Need Theory (Deci & Ryan, 1985).

Figure 1
The Motivation Sequence (Locke, 1991)



The next segment in the sequence is the *motivational core*. Locke (1991) describes it core as the essence of the sequence noting that it makes each person a unique individual and that choices and actions are guided by values. The main theories included are: McClelland's Need for Achievement Theory (1961; 1971), Miner's Role Motivation Theory (1978), Vroom's (1964) Expectancy Theory, and Adam's (1963) Equity Theory.

The action center of Locke's framework is the *motivational hub* where goals or intentions and self-efficacy are the most direct and immediate motivational determinants of performance. It is here that people put their values and feelings of self-confidence (or lack of) into action and make the judgements about their work performance (attribution) that affect future action. The central theories applied here are Goal Setting Theory (Locke & Latham, 1990), Weiner's (1986) Attribution Theory, and Social Cognitive Theory, (Bandura, 1986). Here he also includes a cognitive theory, the Theory of Planned Behavior (Ajzen, 1975).

The last two sections of the framework discuss how the rewards and punishments people receive as consequences of work performance impact job satisfaction. Locke includes Adam's (1963) Equity Theory and Reinforcement Theory (Skinner, 1971) under rewards. Herzberg's (1959) Dual Factory Theory, Hackman and Oldham's (1980) Job Characteristics Theory, and Locke's (1976) Satisfaction Theory are included under satisfaction.

While Locke (1991) discusses how individual values relate to personal identity, he does not acknowledge the impact differences have on the individual aspects of motivation (i.e., needs, values, goals, etc.) or the motivational sequence as a whole. From an application perspective, the sequence also fails to address how practitioners (intermediaries) can effectively influence the population(s) they wish to motivate (although he does point out that intermediaries will be ineffective influencing the Motivational Core (values/motives)). Because our adaptation of Locke's (1991) framework deals with generational differences, we will explain the relevant generational theories and characteristics below.

Generational Theory

Generations, or "cohort groups" share common experiences in the social and historical process at a similar stage of life predisposing them for a common mode of thought and experience and a common mode of behavior (Mannheim, 1952). This definition is similar to Strauss' (1991) belief that generational characteristics are determined by the parental nourishment received and the social moments (either a secular crisis or spiritual awakening) experienced during the course of a generation's lifecycle. Strauss' (1991) historically based theory describes the cycles that contribute to the development of four generation types. The cycle begins with underprotection where parents, driven by the desire to overcompensate for the flaws they remember from their own childhood, demonstrate increasing nurture over the next generation. The subsequent generation

then overprotects its children and this finds the next generation of parents engaged in a period of decreasing nurture.

Strauss and Howe (1991) have identified 18 cohort generations since the birth of America. They discovered and characterized four types of peer personalities that follow a recurring pattern in a fixed order, the generational cycle. The personality of the generational cohort group emerges as a result of decisive social events that affect each generation differently depending on the stage of life each is in at the time of the event(s).

Stages of life are defined as youth (0-21 yrs) where the cohort group is dependent, growing, learning, being nurtured, and defining values. Next is rising adulthood (22-43 yrs) when the cohort group is focused on activity, this is characterized by working, starting families, serving institutions, and testing values. This is followed by midlife (45-65 yrs) where leadership, is a primary activity. Parenting, teaching, directing, and using values are central activities. Finally, there is elderhood (66-87 yrs) Activities in this stage are stewardship such as supervising, mentoring, and passing on values (Strauss & Howe, 1991).

Responses to historical events that alter the social environment are influenced by the stage of life a cohort group is in at the time of the events. Also, a cohort's collective response is shaped by how and when they were raised, resulting in considerable variance in interpretation of the event and the resulting response/behavior from one generational cohort group to another.

The four types of generations that are identified in the recurring cycle are named Civic, Adaptive, Idealist, and Reactive (Strauss & Howe, 1991). Civics are aggressive institution builders when young and institution defenders when old. Adaptives are elder focused conformists when young and junior focused pluralists later in life. Idealists rebel against elder built institutions in youth and mature into moralists. Reactives are risk takers in youth and are pragmatists as adults.

At the present time in the workforce there is the Silent generation also called Veterans or Traditionals, (adaptive, 1925-1945), the Boomer generation (idealist, 1946-1964), the Xer generation (reactive, 1964-1980), and the Millennials (civic, 1981-2000) at various stages of their working lives in (and out of) the work force.

Silent or Traditionalist

The millennial cycle in which we currently exist began with the "adaptive" Silent generation who, growing up as the overprotected children of "civic" GIs, matured first into risk-averse conformists and later into indecisive arbitrator-leaders with less respect than their civic elders. There are about 52 million in this generation. Reacting to suffocating childhoods, Silents indulged Boomer "idealist" children who, while narcissistic during rising adulthood, became both cultivators of principle and morality

and visionary elders. Continuing the cycle of permissiveness, boomers produced “reactive” Xers who, growing up as underprotected and criticized youths, matured into risk taking, alienated adults positioned to become pragmatic leaders (Lancaster & Stillman, 2002; Strauss, 1991).

Baby Boomer

Boomers as the 80 million individuals born between 1946 and 1964 (Lancaster & Stillman, 2002). Significant social events (the first man on the moon, the civil rights movement, the women’s movement, the assassinations of public figures, student activism, and the anti-war movement) experienced during the boomer life span contributed to the formation of common “modes of behaviour, feeling, and thought” (Mannheim, 1952: p.291). These “commonalties” include a strong need to pursue what “contributes to their personal development and status” despite a strong social conscience or having “always had their way in public policy and a marketplace of job and personal opportunity characterized by prosperity” (Tecker, 1991: p.3). This assertion is supported by Schrammel (1998) who found that between 1979-96, the greatest gains in employment and earnings among young adults occurred when most members of the cohort were boomers.

Generation X

Popularized by Douglas Coupland’s novel of the same name, the phrase “Generation X” describes the 46 million individuals born between the years 1965 and 1980 (Lancaster & Stillman, 2002). Embracing the label and tenets espoused in Coupland's work, the term “Generation X” became synonymous with an MTV generation of cynical twenty-somethings lacking in ambition, education, and economic opportunity. The strongest Xer characteristic is that they suffer more negative affect for jobs than their baby boomer counterparts (Lancaster & Stillman, 2002; Manolis, 1997). According to Schrammel (1998), Xers have been far less successful (in terms of earnings and other labor market measures) than their boomer counterparts. Not only were young adults in 1996 more likely than their 1979 boomer counterparts to be employed in lower-paying occupations, real median earnings between 1979 and 1996 decreased by 15 percent.

Millennials or Nexters

These are the 76 million people born between 1981 and 1999 (Lancaster & Stillman, 2002). Howe and Strauss (2000) describe this generation as affluent, educated and ethnically diverse. They understand and focus on teamwork and good conduct as well as achievement and modesty. They have been the most watched over generation in

our history and have respect for following the rules accepting authority. They are smart and believe in the future.

An additional characteristic worth noting is that they are truly becoming a world-wide group in the more developed countries due to the availability of technology and communication. This generation has been exposed to the freedom to move across borders and has been exposed to travel. Add to this the growing influence of multilateral agencies focused on common societal problems across borders and one has the first generation that truly may transcend national and cultural boundaries. Millennials are found in East Asia, China, all of Europe, Russia, Latin America and North America.

As employees, it is predicted from early research that they are looking for careers and job stability. They are able to organize and get what they want as McDonalds found out recently when a teenager organized a strike forcing them to yield to all but one of the groups requirements Howe & Strauss (2000). Workplace behavior and attitudes have not yet been researched as the graduating class of 2000 was the first of the millennials to complete high school. However, the general attitudes of civic-mindedness, teamwork, career orientation and respect for authority show potential for some very positive contributions from this generation.

Adapting the Motivational Sequence

Locke's integrative framework (see Figure 1) organizes the key motivational concepts into a chronological sequence. In addition to illustrating the causal effects of the different aspects of motivation, his framework can also be used to examine factors that influence parts of the motivational sequence. However, an area not addressed by his framework is the effect that differences (in this case generational differences) have in determining the antecedents to action (values and attitudes) or how those differences affect the entire motivational sequence.

The purpose of adapting Locke's sequence is to demonstrate the role that differences play throughout the motivational sequence and to discuss how this extended model (see Figure 2) can be applied to different generations in today's workplace. To this end, we will illustrate both the effect life experiences have on creating generational differences and how these differences influence each aspect of the sequence. To demonstrate how managers and HR professionals can influence attraction, motivation, and retention, we will also introduce the role of the intermediary and indicate the points at which appropriate interventions can influence these factors among workers.

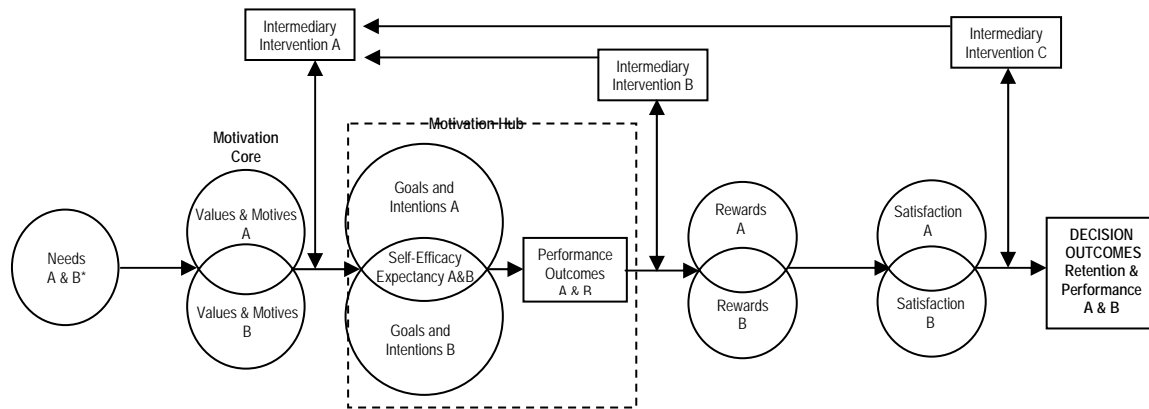
Generational Inputs

The extended sequence is designed to accommodate input from two distinct generational groups. This is important because although Population 2000 has prepared

businesses for the influx of Hispanic and other minorities into the workplace, little attention has been paid to generational differences. Because today's business climate calls for "flexible, technoliterate workers who think like entrepreneurs, take charge of their own careers, and quickly adapt to ever-changing responsibilities" (Tulgan, 1997: p.1), the target population for many of these efforts has come to include a growing number of Xers (Tulgan, 1996). In recognition of this important demographic variable, the extended model uses two generational inputs (see Figure 2, Xers "A" and Boomers "B") to initiate the sequence.

Figure 2

The Motivational Sequence Applied to Attraction, Motivation and Retention of Generation X



* A relates to Xers and B relates to Boomers

The Motivational Core

Locke's sequence begins with needs (Figure 2, C) as antecedents to the values that make up the motivational core. There is empirical evidence supporting the idea that the experiences of a population influence how needs are prioritized by that group (Burke, 1994, Manolis, 1997; Stoneman, 1998; Straus and Howe, 1991). Within the context of Maslow's theory we contend that in general boomers prioritize esteem and ego status needs, the needs of primary importance to Xers are security and self-actualization (Hill, 2002; Lancaster & Stillman, 2002; O'Bannon, 2001; Zemke, Raines, & Filipczak, 2000). Given the strong independent and entrepreneurial characteristics of many Xers (Cooke, 1998; Losyk, 1997; Stoneman, 1998; Tulgan, 1996), we also assume Xers have an increased need for autonomy in the workplace (Deci & Ryan, 1985; O'Bannon, 2001). Though there is evidence that needs may be prioritized differently by various cohort generations, we concur with Locke (1991) that need priorities are not hard wired and so we represent needs with a common module in this model.

The life experience of the cohort group plays a large part in influencing perceived needs and values (Burke, 1994, Hicks & Hicks, 1999; Lancaster & Stillman, 2002; Mannheim, 1952; Manolis, 1997; Rodriguez, Green, & Ree, 2003; Stoneman, 1998; Tulgan, 1996; Strauss, 1991; Zemke, et.al., 2000). For example, growing up in an environment of increased crime and declining economic opportunities, Xers experienced "the social and interpersonal insecurities of the 1980s as well as the dismantling of the infrastructure and safety net that [silents] and boomers took for granted as their pass to success" (Stoneman, 1998; p. 46). As a result, Xer values, attitudes, criteria for satisfaction, and definitions for success differ vastly from their boomer counterparts.

Over the last few years there has been a deluge of information about the work values and attitudes of Xers. The most critical comments have come from boomers who see Xers as lazy, disloyal, and unwilling to pay their dues (O'Bannon, 2001). Despite these stereotypes, permissive latchkey childhoods and early exposure to technology taught Xers to be independent problem solvers able to effectively manage today's information overload. Further, as the generation responsible for more than 70 percent of all new start up businesses in America today (Bagby, 1998), the slacker label ascribed to Xers has also been proven more myth than reality. Despite their entrepreneurial spirit, Xers "disdain the workaholic, slave-to-the job mentality of their parents and bosses" (Losyk, 1997: p.42). They are searching instead for ways to individually apply their talents on their own terms: "I want material success, but I also want balance in life. My dream is to live life as an entrepreneur ... on my own terms, with my own skills, resources, and competencies" (Stoneman, 1998: p.49). Multiple researchers substantiate these Xer attitudes and describes, in order, the work issues of paramount importance to Xers as: a balanced life style, flexible scheduling, challenging tasks and projects, frequent performance feedback, accommodating family responsibilities, rewarding loyalty with loyalty, and high ethical standards (Burke, 1994, Hessen & Lewis, 2001; Lancaster & Stillman, 2002; O'Bannon, 2001; Rodriguez, et. al., 2003; Ruch, 2000; Zenke, et.al. 2000). These values are a far cry from what Herzberg (1959) found among

professionals who, instead of being motivated by environmental factors and working conditions, were motivated by things like achievement, opportunity for advancement (presumably within the company) and increased responsibility.

Given the divergence of attitudes between boomers and Xers, the motivational theories Locke addressed in his *motivational core* may not adequately address the needs of many Xers. For example, the criteria used in role motivation theory (Miner, 1978) to identify the values that characterize successful line managers (i.e., valuing authority figures, liking competition, and desiring to impose one's wishes on others) were developed within a traditional (read: boomer) framework. But as both the role and generational characteristics of the traditional line manager continue to evolve, the criteria used to identify such values may no longer be applicable. For instance, Xers' distaste for authority makes them less likely to value authority figures based solely on their position within a corporate hierarchy (Losyk, 1997).

In addition to their feelings about authority, Xers are also less likely to equate management positions with financial security and career success. Instead of climbing the organizational ladders that lead to management positions, Xers find success and security through embarking on entrepreneurial endeavors and acquiring highly marketable skills that can be easily transferred within organizations and across industries (Hessen & Lewis, 2001; Lancaster & Stillman, 2002; Ruch, 2000; Zemke, et.al. 2000). Thus, as the number of Xers entering the workforce increases, the ability to identify employees with the characteristics of the traditional line manager will become increasingly difficult. Although the implications of this extend beyond motivation to the structural components of how businesses are organized, it is clear that the characteristics that once defined managers must evolve along with the demographics of the workplace.

From Attraction To Motivation: Intermediaries in the Motivation Process

One of the most important reasons for adapting Locke's (1991) sequence is to introduce the role of the intermediary and illustrate the three critical points at which the intervention of an intermediary, usually a manager or human resource professional, can facilitate the process of attracting, motivating, or retaining employees. From this perspective, the role of the intermediary is similar to that of the leader described by House's Path Goal Theory (1971) that focused on the relationship between leadership behaviors and outcome measures. According to House's Path Goal Theory (1971), leaders should find ways to increase payoffs to subordinates for work-goal attainment and make attaining these pay-offs easier by clarifying how to achieve the goal, providing resources and reducing obstacles, and increasing the opportunities for personal satisfaction during the process of goal achievement. Given this role, the first opportunity the intermediary has to influence the motivational sequence occurs after the newly configured *motivational core* where understanding the needs and values of a cohort group is the key to developing effective recruitment strategies.

Understanding both the elements and the dynamics of the motivational core will be useful for the intermediary during the goal setting process. Because goals (and the self-efficacy that contributes to the development of these goals) are regarded as the most direct and immediate motivational determinants of performance, the role of the intermediary is to demonstrate the degree to which goals are consistent with the values and objectives of both worker and organization. By providing this intermediate step between valence (and instrumentality) and action, the intermediary can help employees navigate the pathways which lead to organizational and individually valued outcomes (Schriesheim & Neider, 1996).

Whether the goal is organizational efficiency, increased performance, improved work attitudes, or commitment to customer service, work motivation theories are geared toward improving the performance outcomes that impact organizational success. In Locke's (1991) sequence, the action or performance that enables this success begins with the goal setting process. Viewed as the action center of the entire sequence, goals were placed within the *motivational hub* consisting of goal, performance, self-efficacy, and expectancy theories. The extended model, however, dismantles this structure and separates goal setting from the performance element of the sequence. This change was made to illustrate the fact that while generational differences have a decided impact on goal setting, specific performance outcomes are not generationally specific. What is specific, however, is the way in which different groups approach task performance and thus, how performance outcomes are achieved.

Because generational differences impact how work is performed (O' Bannon, 2001; Rodriguez, et. al. 2003; Ruch, 2000), an important motivational factor intermediaries must consider is how to accommodate different work approaches. One element where differences loom large is in the area of time. Where schedule driven boomer managers relate time spent on the job with successful performance, Xer managers are results oriented preferring to let people manage their own time as long as they are producing results. This bias also translates to the Xer need for autonomy and preference for working independently, resulting in a potential clash between corporate America that has been remaking itself into team-working organizations, and a whole generation of entrepreneurs saying they want to do it on their own (Stoneman, 1998). Thus, Xer employees require a management style that promotes choice, a key component in creating atmosphere for autonomy (Jurkiewicz, 2000; Lancaster & Stillman, 2002; O'Bannon, 2001; Woodward, 1999). Other relevant differences in how work is performed between boomers and Xers are time to accomplish a task, decision making, and work hours. Xers prefer challenging tasks with short completion times, boomers like longer time lines. Boomers like consensus building and participative management, Xers like autonomy. Xers like flexible schedules and to limit time on the job to make room for a personal life, boomers like fixed schedules and are more apt to be on the job overtime (Jurkiewicz, 2000; Lancaster & Stillman, 2002; O'Bannon, 2001; Woodward, 1999).

In this environment the role of the manager or other intermediary is to transcend the superior/subordinate relationship and find ways to promote and support human autonomy within the workplace. An environment of autonomy allows self motivation to flourish and leads to authentic creativity, responsibility, healthy behavior, and lasting change (Deci and Flaste, 1995). Thus, the question is no longer how to motivate employees, but how to create conditions within which they will motivate themselves.

Instead of designating a specific area to address the theories of Weiner, Vroom, and Bandura, these theories are included with the performance element of the sequence. Because the attributions made (and the self-efficacy and expectations these attributions change or reinforce) in the evaluation of the performance outcome that was achieved, both Weiner's (1986) and Bandura's (1986) theories remain within the performance element of the dismantled hub.

Intermediary and Feedback & Evaluation

Although it has been easier to empirically test the impact of path-goal leadership on employee satisfaction than on performance, research continues to show that leaders who provide support and help to mitigate the effect of situational constraints, have a statistically significant positive impact on performance (Klein & Kim, 1988; Schriesheim, 1996). An example of the kind of support the intermediary can provide is found in the evaluation process. Because the population of workers that expect performance feedback continues to grow, intermediaries using two-way feedback and evaluation methods of communication will benefit both the worker and the organization in a number of important ways. First, helping workers interpret performance experiences and outcomes broadens attribution scripts that in turn affect subsequent goal setting and performance (Weiner, 1986). If an external attribution is made, the intermediary can address the issue(s) (resource problems, etc.) and effect a renewed attempt with a higher expectation of success on the part of the worker. If an internal attribution is made it may be due to lack of knowledge, skill or ability. These may be addressed by an intermediary as well thorough investment in the worker to address the perceived shortcoming resulting in a renewed attempt to succeed at the task. Second, being open to feedback from Xer employees can help managers tap into Xer motivation by identifying what Xers view as effective or demotivating management practices. Third, because Xers view feedback as part of their learning and development (Cook, 1998; Tulgan, 1996), prompt and constructive feedback may have an indirect impact on retention by providing a reward deemed extremely valuable by Xer employees (Cook, 1998; Hessen & Lewis, 2001; Lancaster & Stillman, 2002; O'Bannon, 2001; Tulgan, 1996; Woodward, 1999; Zemke, et. al.; 2000). Finally, information gathered during the two-way communication can be channeled to the parts of the organization that influence attraction, motivation, and retention efforts (Caudron, 1998; Cook, 1998; Kennedy, 1998).

Another example of how intermediaries can influence motivation, satisfaction and performance occurs is the extent to which they can successfully complement those elements missing in a work situation. However, the degree to which an intermediary can complement these missing elements successfully is moderated by the characteristics of employee (Xer or Boomer) and environment. (Rodriguez, et.al., 2003; Schrieschem & Neider, 1996). Workplace analysis identifying characteristics associated with generational diversity can help the intermediary make better decisions based on work preferences and organizational objectives. A practical approach for this type of analysis includes diagnosing workplace functions which cause employees attracted to a particular industry or job function to be motivated, perform at high levels, and to be satisfied, identifying the degree to which these functions are provided by sources other than the leader (co-worker, environment, etc.), and modifying leader or intermediary behavior accordingly (Rodriguez, et. al., 2003; Schriesheim & Neider, 1996).

From Motivation To Retention: Rewards and Satisfaction

A direct outcome of performance is the reward. It is important to note that rewards may be material or may be in the form of praise, feedback or other non-monetary forms. Here we see that specific values influence how rewards are perceived. This perception determines the level of satisfaction experienced as a result of the reward and it contributes to the decision making process where an employee evaluates the rewards (both motivation and hygiene factors) making a decision about whether to continue, increase, or decrease performance efforts, or leave organization entirely. Given the importance of these employee decisions to business, an intermediary involved in the development and administration of the reward system must understand: 1) the link between rewards and satisfaction, 2) the extent to which generational differences influence the value placed on specific awards, and 3) how that value in turn impacts employee satisfaction.

Another issue of importance and concern is the potential effect that external rewards may have on intrinsic satisfaction and motivation in this context. Some claim that by providing external rewards and/or feedback a manager risks diminishing the satisfaction of the employee and reducing intrinsic motivation. However, recent research shows that the intrinsic satisfaction a person gains from doing a good job may be positively influenced by praise and/or recognition. Lindenberg (2001) performed a study that demonstrated that intrinsic satisfaction is derived from two bases, enjoyment and obligation. Employment creates an environment for obligation based intrinsic satisfaction and within a context of clear norms and standards it can create substantial intrinsic motivation. The more an activity serves to satisfy an individual's goals of physical and social well-being the stronger the intrinsic motivation to perform the activity for any length of time. Thus, by providing a positive environment for the individual to achieve personal goals of physical and social well-being (earning a good income and advancing in one's career), providing feedback and rewards in this context will very likely add to intrinsic motivation and intrinsic satisfaction (Lindenberg, 2001; Rawsthorne & Elliott, 1999).

While the complexity associated with trying to identify “generation appropriate” rewards sounds staggering there is information available to help managers accomplish the task. For instance, human resource professionals across the country have amassed a great deal of information about the rewards preferred by the Xer employees. Among these rewards, time is perhaps the most valued. Time is now being called the new money. We are finding that employees who wouldn’t change jobs for more money will change jobs for more time off (Kennedy, 1998). In addition to time, Xers want scheduling flexibility, autonomy in doing their work, portable health and retirement plans, and coaching, training and mentoring opportunities that allow them to develop transferable skills they can use across industries and careers (Bagby, 1998; Burke, 1994; Hessen & Lewis, 2001; Hill, 2002; Jurkiewicz, 2000; Kennedy, 1998; Lancaster & Stillman, 2002; O’Bannon, 2001; Ruch, 2000; Tulgan, 1996; Zemke, et. al. 2000).

Decision Outcomes (Retention and Performance) and Intermediaries

The end of the extended model deals with the extent to which decision outcomes reflect the success of the motivational process. Because it is at this point the decision to continue, increase, or decrease performance efforts, or leave organization is made, intermediaries skilled in both influencing and evaluating retention decisions are key.

Tulgan (1997) uses Xer interviews as the basis for practical advice for intermediaries wishing to retain the investment made in Xer employees. Because the structure of today’s companies may be less focused on static positions with fixed job descriptions, these suggestions are also valuable for businesses with non-traditional staffing needs. First, building internal escape hatches gives people the chance to reinvent themselves and their careers within the organization (training and development). With today’s Xer employees viewing themselves as sole proprietors no matter where they work, training provides the Xers with an opportunity to trade skills, creativity, and hard work for a measurable increase in their self-based career security (Hessen & Lewis, 2001; O’Bannon, 2001; Tulgan, 1996). Ironically, because Xers more than any other generation understand the critical need to prepare for multiple careers, providing employees opportunities to gain new skills is often the very thing that prepares them to move on to the next employer. However, businesses can create personal retention plans, offer people opportunities to leave without leaving (flextime, sabbaticals, telecommuting, etc.), and tie the employees’ career goals to the opportunities within the organization. Thus, they can build renewable short-term loyalties with employees based on project oriented transactions (Burke, 1994; Kennedy, 1998; O’Bannon, 2001; Tulgan, 1997). These ideas are confirmed by Rodriguez, et. al. (2003) who stated that Xers desire challenging short term tasks, flex hours, a challenging job that is not necessarily secured, and portable benefits. Ruch (2000) identified characteristics of a targeted retention policy for Xers as: a manageable job, career management, good internal communication, freedom to balance work and life, clear objectives, and mentoring.

While success depends largely on the resources, philosophy, and structure of the supporting organization, a primary role of the intermediary is to gather, analyze, and disseminate the results of these retention efforts back to other intermediaries and decision makers at every level of the organization. This feedback in turn provides the information needed to build programs, incentives, and communication mechanisms that support attraction, motivation, and recruitment efforts at the key points within the motivational sequence.

Implications and Summary

The purpose for extending Locke's (1991) motivational sequence is to provide a timely and practical tool that capitalizes on the generational diversity that characterizes today's workforce. This is important given today's low unemployment and the smallest pool of workers since the 1930's (Losyk, 1997). The talent businesses find themselves competing for is often part of the generation X workforce (Tulgan, 1997). In a recent article Caudron (1998) described the importance of targeting advertisements that might prove helpful to intermediaries familiar with the values and work attitudes of Xer candidates. Recruitment strategies focused on Xer based values and work attitudes were more successful than traditional approaches promoting competitive salaries and good benefits. One example of a non-traditional approach is found in a Coopers and Lybrand advertisement headline that read "Sell your expertise, not your soul" and called for people who would "perform, not conform or sacrifice their character for their contributions". In addition to attracting 250 more applications than previous efforts, the HR staff hired more than five times the employees from the newer pool (Caudron, 1998). This is an excellent example of how intermediaries can apply the lessons learned by understanding the motivational core to the development of generationally specific recruitment strategies. Others that have been successful in crafting recruitment and retention strategies for Xers are American Express, the U S Army, Starbucks, General Mills, and Allergan (Lancaster & Stillman, 2002). While several organizations have recognized the advantage of targeted recruitment and retention strategies the trend above is not universal. Fewer than 20% of firms surveyed in 2001 by Watson Wyatt had recruitment and retention strategies (Lancaster & Stillman, 2002). For those that do have these strategies higher shareholder returns are realized (Lancaster & Stillman, 2002).

In addition to attraction, the introduction of the intermediary and associated feedback elements builds in an important communication component which can be useful in gathering and disseminating key information to both employees and decision makers at every phase within the sequence. While the communication aspect of the intermediary role needs further development, its inclusion in the extended model illustrates the need for built-in feedback mechanisms that can be used to evaluate the impact of motivational efforts on different work populations.

Finally, in emphasizing how life experiences influence peer personalities (Burke, 1994; Mannheim, 1952; Strauss, 1991), we have demonstrated how understanding these characteristics enhances the ability of the intermediary to predict the behavior of a

cohort group (Strauss, 1991). However, because it is the collective life experience of a cohort that contributes to the development of a peer personality, we caution against using this model to make broad assumptions about an individual or group based on single factors such as race, gender or ethnicity. This is not to say that these elements do not play a role in the determining differences, but it is an acknowledgement that single externally based characteristics such as race may be misleading and lead to faulty conclusions. For example, in describing the difference between genetic and cultural diversity Hamel and Prahalad (1994) describe the fallacy of believing that a group with similar education, socialization, and frames of reference are viewed as “diverse” solely on the basis of externally observable differences. They call companies that ‘worship cultural diversity yet enforce, by design or default, an orthodox set of perspectives and precepts...as competitively vulnerable as those that are myopically ethnocentric’ (Hamel & Prahalad, 1994: p.63).

Despite these caveats, we believe that in today’s environment where technological advances have made individual specialization more the norm than the exception, there is an increasing expectation for businesses to specialize. This expectation extends into the workplace where the same organizations that cater to the needs of the most obscure niche markets are also expected to address the varying needs of their increasingly diverse work population. Far from attempting to polarize any two populations by highlighting their differences, this model provides a practical framework for understanding and valuing the differences of distinct work populations within the same organization. We believe practitioners can use this model as a practical tool in capitalizing on the diversity that characterizes today’s workforce to achieve and sustain a competitive advantage.

We will close with a brief summary of the information we have found that addresses the various generations’ preferences (Hessen & Lewis, 2001; Hill, 2002; O’Bannon, 2001; Rodriguez, et. al. 2003; Ruch, 2000; Zemke, et. al., 2000) to aid practitioners in applying the model.

Motivating Traditionals

1. Be personal in communications, avoid impersonal e-mail/fax correspondence
2. Traditional perks and awards that can be displayed are desirable
3. Respect their background and experience
4. Ask before you coach, be tactful and respectful
5. Motivating Boomers
6. Use the personal touch e.g. “I need you to do this for me”
7. Provide public recognition for successes
8. Provide opportunities for them to prove themselves and their worth
9. Provide retirement plans and perks
10. Name recognition is important
11. Use consensus building and participative management

12. Reward their work ethic and long hours
13. Provide challenging tasks to accomplish with moderate time lines
14. Regular hours of work are generally preferred

Motivating Xers

1. Design jobs with a variety of challenging tasks with short completion times
2. Give them the freedom to plan and prioritize their work and use a flex-time approach.
3. Balance between work and life is a priority, avoid loading them up with weekend work
4. Avoid changing plans abruptly
5. Provide constructive feedback often and in a timely manner
6. Provide time to pursue their interests and make the work environment fun
7. Give them good technology to use and design jobs so that it can be used
8. Be sure that you are equitable with perks across all employees. Avoid any semblance of the “good old boy” network
9. Provide mentors and coaching and avoid office politics
10. Create individual development plans that show the employee the career path they can follow in the organization with specific goals along the way
11. Provide portable benefit plans

Getting generations to work together requires a lot of communication. It brings assumptions made by the respective parties to the surface and provides a way to address the unconscious criticism about the others by all involved. By using employees with varying backgrounds, experiences, viewpoints, and skills teams can be strengthened (Zemke, et. al., 2000).

While there is not a ‘magic bullet’ we can prescribe to attain the goal of creating a motivational environment for any given workplace, we have attempted to provide some insight as to how to use an adaptation of Locke’s model to address generational differences. By being aware of the general preferences of the respective generations managers have a good starting place from which to proceed to learn the preferences of the individual workers and craft an approach that will be effective.

BIBLIOGRAPHY

Adams, J. S. (1963). Toward an understanding of inequity. Journal of Abnormal and Social Psychology, 67(5), 422-436.

Bagby, M. (1998). Celebration X – how entrepreneurs won the youth vote. Success Magazine, 45(9), 22-24.

Bandura, A. (1986). Social foundations of thought and action: A social-cognitive theory. Englewood Cliffs, NJ: Prentice Hall.

Burke, R. J. (1994). Generation x: Measures, sex and age differences. Psychological Reports, 74(2), 555-562.

Caudron, S. (1998). Be cool – cultivating a cool culture gives HR a staffing boost. Workforce Magazine, 77(4), 50-61.

Cooke, R. (1998). Advice for working with generation X employees. Credit Union Magazine, 21(3), 37-38.

Deci, E. & Ryan, R. (1985). Intrinsic Motivation & Self-determination in Human Behavior. New York. -Wesley, Reading, MA: Plenum.

Hamel, G. and Prahalad, C.K. (1994). Competing for the Future. Boston MA: Harvard Business School Press.

Deci, E. L. with Flaste, R. (1995). Why We Do What We Do. NY: G.P. Putnam's Sons.
Hackman, R. J. and Oldham, G. R. (1980). Work Redesign. Boston, MA: Addison Business School Press.

Herzberg, F., Mausner, B. and Snyderman, B. (1959). The Motivation to Work, 2nd ed. NY: John Wiley & Sons, Inc.

Hessen, C. and Lewis, B. (2001). Steps You can take to Hire, Keep, and Inspire Generation X'ers. Leadership and Management in Engineering, Winter, 42-44.

Hicks, R. and Hicks, K. (1999). Boomers, X'ers, and Other Strangers. Wheaton, IL: Tyndale.

Hill, R. (2002). Managing Across Generations in the 21st Century: Important Lessons from the Ivory Trenches. Journal of Management Inquiry, 11(1), 60-66.

- Howe, N. and Strauss, B. (2000). Millennials Rising. NY: Vintage Books
- Jurkiewicz, C. (2000). Generation X and the Public Employee. Public Personnel Management, 29(1), 55-74.
- Kennedy, M. (1998). The Extras X'ers Want. Across the Board, 35(6). 51-52.
- Lancaster, L. C. and Stillman, D. (2002). When Generations Collide. NY. Harper Collins.
- Locke, E. A. (1991). The motivational sequence. Organizational Behavior and Human Decision Process, 50, 288-299.
- Locke, E. A. and Latham, G. P. (1990). A theory of goal setting & task performance. Englewood Cliffs, NJ: Prentice Hall.
- Lord, R. (2002). Traditional Motivation Theories and Older Engineers. Engineering Management, 14(3), 3-7.
- Losyk, B. (1997). Generation X—What they think and what they plan to do. The Futurist, 31(2), 37-44.
- Mannheim, K. (1952). Essays on the sociology of knowledge. NY: Oxford University Press.
- Manolis, C., Levin, A., and Dahlstrom, R. (1997). A Generation X scale: Creation and validation. Educational and Psychological Measurement, 57(4), 666-684.
- Maslow, A.H. (1970), Motivation and Personality, 2nd ed. NY: Harper & Row.
- Miner, J. (1978). Twenty years of research on role-motivation theory of managerial effectiveness. Personnel Psychology, 31, 739-760.
- O'Bannon, G. (2001). Managing our Future: The Generation X Factor. Public Personnel Management, 30(1), 95-109.
- Rodriguez, P., Green, M., and Ree, M. (2003). Leading Generation X: Do the Old Rules Apply? Journal of Leadership and Organizational Studies, 9(4), 67-75.
- Ruch, W. (2000). How to Keep Gen X Employees from Becoming X-Employees. Training and Development, April, 40-43.

Schriesheim, C. A. and Neider, L. L. (1996). Path-Goal theory: The long and winding road. Leadership Quarterly, 7(3), 317-321.

Schrammel, K. (1998). Comparing The Labor Market Success Of Young Adults From Two Generations. Monthly Labor Review, Department of Labor, 121(2), 3-7.

Skinner, B. F. (1971). Contingencies of reinforcement. East Norwalk, CT: Appleton-Century-Crofts.

Stoneman, B. (1998). Beyond Rocking the Ages, an Interview with J. Walker Smith. American Demographics, 20(5), 44-49.

Strauss, W. and Howe, N. (1991). Generations. NY: William Morrow & Co., Inc.

Strauss, W. and Howe, N. (2000). Millennials Rising. NY: Vintage Books.

Tecker, I. and Tecker, G. (1991). Big Boom Theory – The Senior, Present, and New Generations of Employees and Management and Marketing. Association Management, 43(1), 26-33.

Tulgan, B. (1996-7). Generation X—The Workforce of the Future. www.rainmakerthinking.com. Newsletters 1 (January, 1996), 7 (July 1996), 20 (August, 1997) and 22 (October 1997).

Vroom, V. (1964). Work and Motivation. NY: Wiley.

Weiner, B. (1986). An Attributional Theory of Motivation and Emotion. NY: Springer-Verlag.

Woodward, N. H. (1999). The Coming of the X Managers. HR Magazine, 44(3), 74-80.

Zemke, R., Raines, C., and Filipczak, B. (2000). Generations at Work. NY: AMA Publications.

Response to reviewers:

First we would like to thank the editor and the reviewers for their time and effort to read the manuscript and offer their comments for my consideration. We appreciate the feedback and we have incorporated it into this revised manuscript. We have made significant changes throughout the manuscript in response to the issues raised. Two major changes in particular are the literature review was expanded in response to your suggestions and we added specific recommendations for practitioners in the discussion at the end of the paper. Our specific responses to the criticisms offered are as follows:

Response to Reviewer 1:

1. *Locke's theoretical model (as well as the theoretical models of Maslow, Hertzberg, Vroom, etc) is culture-bound. Perhaps some discussion of cultural components may be appropriate following Hofstede's work.*

To date generational research has been culture-bound. Traditionals and boomers are a distinctly U.S. phenomenon and we doubt that the generational model is transferable across cultures yet. To verify this thinking we reviewed literature on motivation over the past 10 years to see what generational and cultural research has been done. We found only one study that specifically addressed the issue. O'Bannon (2001) found consistency in what Gen X'ers want in a work environment across cultures. He found in his study of attitudes of 2,500 members of the Gen X cohort across 11 countries that there was consistency in their responses to survey questions regarding: need for feedback, time off for community service, flextime, and balance between career and personal life.

The literature on generations has been steeped in the culture of the United States from the beginning (the time frames are based on events and the changes in generations in the U.S. to this point). However with the advent of the internet the political boundaries may not be a defining issue in the future. With the instant communication and news coverage that is available to the entire developed world it may be, as indicated above, that generational characteristics may transcend national borders in the future.

We agree that a discussion of cross-cultural generational issues would be interesting. However, we had a hard time getting our arms around how to approach the task. It seems that in order to adequately address it the manuscript would grow too long and the focus would be lost. We accept that cross-cultural application of the model may be limited, but are willing to accept that given that the bulk of the current workforce described in generational literature (traditionals, boomers, and Xers) is also culture-bound.

2. *The authors elect to focus on two generations, "boomers" and "x'ers." one wonders whether the emergent model has applicability to other generations beyond the two that the authors select.*

We focused on Boomers and X'ers because they are the largest components of the workforce currently. They are also the most researched and relevant for today's managers in terms of practical application. We have addressed the issue by being clear in the text (see p. 3-5) that the model is applicable across any generational gap and can be used to assist in strategizing on appropriate responses to motivational issues managing both down (older to younger) and up (younger to older) generational cohorts.

3. *There is an implicit suggestion of reciprocal loyalty between organizations and employees. The data clearly indicate that individuals (at least in the U.S.) not only change organizations over their work life, but change careers several times. This is not addressed in the model.*

The literature supports your assertion that today's workers, particularly Generation X, are more mobile than those in the past (Hessen & Lewis, 2001; O' Bannon, 2001; Ruch, 2000). We are not sure how one would demonstrate this in the model. We are attempting to provide a tool that will assist management to counter act the trend by providing input as to how to attract and retain employees. This is consistent with the theme of most literature on managing across generations regarding prescriptive advice regarding how to retain employees across generations. Zemke, Raines, and Filipczak (2000) in their book "Generations at Work" and Lancaster & Stillman (2002) cite numerous examples of companies that have adapted and retain their workers more effectively than others. We are not suggesting that turnover can be stopped, but rather that it can be slowed and that the costs of turnover can be reduced by attending to the priorities of the generations in the workplace.

4. *Economic cycles in addition to environmental variables, have an impact on organizational HR practices. Perhaps this could be addressed.*

We agree that economic cycles have an influence on the workplace. The most dramatic of these affecting a generation may have been the depression when nearly half of the workforce was unemployed. This had a dramatic impact on those who lived through it and affected their view of the value of a steady job. Loyalty to the company became a key ingredient of their value system as a result. The economic conditions of the past couple of decades influenced job attitudes as well. The propensity of X'ers to move around is fueled in part by the ability to find a job easily due to the relative (and soon to be absolute) shortage of labor due to the reduction in size to the workforce as Traditionals and Boomers retire. We chose not to address this specifically in the paper since it is covered rather well in the generational literature.

5. *The authors, in their concluding statements (see page 18) briefly mention the role of cultural diversity. Given the broad diversity of the emerging labor force, how would the authors suggest that their model be applied in the future?*

Our point in making the comment was that to apply the model to make generalizations based on a single trait would not be productive. The generational cohorts are the product of a collective experience of a multitude of events and conditions. Race is a single trait as is gender. To make generalizations or to prescribe an approach to motivation for an individual based on the single trait would be ineffective. Peer or cohort personalities on the other hand, though general in nature, give us a good starting point for understanding what may motivate a person from a particular generational cohort. To say that it will work in every single instance would not be correct or verifiable. To use it as a starting place to ask questions of individuals to determine what will provide motivation to accomplish organizational goals is an appropriate and beneficial use of the model.

Response to Reviewer 2:

1. *... did not see the model proposed by the author as an extension of the Locke's Motivational Sequence. The present author's model seems more like a reinterpretation of Expectancy Theory of Motivation. I believe the author would benefit a lot more if she or he presented the current model as such reinterpretation.*

Thank you for the correct observation regarding the model not being an extension. We have addressed this by reframing our treatment of the model as an adaptation of the model to fit the generational cohort context. The model as Locke approached it is greatly influenced by the Expectancy Theory of Motivation. We considered framing our adaptation of the model as a reinterpretation of the Expectancy Theory, but decided against it since the Motivational Sequence is basically that to begin with and we merely build on the work already accomplished to adapt it to a generational context.

2. *Many assertions and assumptions are made either explicitly or implicitly which might need some work.*
 - a. *Throughout the paper the assumption is made that business organizations should adjust their ways to employees' needs and not the other way around. organizations operate the way they do and change them more as a result of changes in technology, pressures from investors, strong competition from rivals, etc.*
 - b. *Very few changes are implemented in response to the needs of the workers (e.g.. Some mandated changes by the laws are an exception). With very few exceptions organizations operate generally in areas where they find plenty of people to hire (including global markets through outsourcing and other methods). And they tend to tell "how we do things around here," which job applicants either accept or reject.*

We agree with you that organizations may change more (at least in the short term) in response to changes in technology and pressure from competition and stakeholders. However we respectfully suggest that if it were truly the case that organizations do not change in response to employee needs/wants then the entire field of OB/OD would be superfluous.

In the past workers were treated as tools that could be employed to accomplish a job in the most efficient manner as per Taylor's Scientific Management. That changed as a result of gaining the understanding that workers may not be motivated only by money. Herzberg made this clear when he came up with empirical support for his motivation/hygiene theory. While many companies are indeed slow to change, the change does come in response to the needs/desires of the workers. O'Bannon (2001) notes that though the change is slow, Gen X is changing the work environment. Some examples are the abundance of health care plan options, ala carte benefit plans, and the prevalence of flex time, telecommuting, and other accommodations for workers that were unheard of only a few years ago. In their book "Generations at Work" Zemke,

Raines, & Filipczak (2000) name several examples of companies that have adapted to the needs/desires of their employees resulting in positive organizational outcomes.

The way things were done in the past where employers set the conditions and the workers were expected to conform to them may be a thing of the past soon. We are about to experience a serious shortage of labor as the Traditionals and Boomers leave the labor force (Rodriguez, Green, & Ree, 2003; Ruch, 2000). Because the Boomer generation is around 80 million people and Gen X is only 46 million Lancaster & Stillman (2002) predict an increase in demand of 35-50 year olds of 25% and a decrease in supply of them by 15% over the next 30 years. This will impact the ability of organizations to operate in areas where they find plenty of people to hire and tend to give the applicants a 'take it or leave it' employment proposition. This will be especially true in areas of knowledge work (where our economy is already well on its way to becoming a knowledge based economy). We believe that your comment accurately reflects how things were in the past and may be to some extent in the near future especially in lower paying jobs. However, we respectfully disagree that companies will be able to face the impending labor shortage without learning to adapt the needs/desires of their workers. The companies that understand this first will create a first mover advantage that will provide them a competitive edge and we believe it will be sustainable as others attempt to catch up. Already companies that have implemented formal retention strategies to address this issue (fewer than 20% of the organizations surveyed) are earning greater returns than those that do not (Lancaster & Stillman, 2002).

We have added text throughout the manuscript reflecting and reinforcing the above comments.

- 3. Approaches to understanding people's needs as suggested by this paper are probably more appropriate when applied to employees with very unique and highly desirable skills and capabilities with the potential to make exceptional contributions to the company's core operations.*

We agree to a degree. In entry level jobs there may not be a lot of utility in implementing some of the ideas in the paper. However as we become a more highly educated and skilled workforce the implementation of the ideas in the model will become more important. More of our jobs will be white collar and this will make the implementation of the ideas in the model applicable to a larger population of employees every year. There is evidence that the time to move is now per the example cited above. It is also important to note that Starbucks (Zemke, Raines, & Filipczak, 2000) and American Express (Lancaster & Stillman, 2000) have implemented recruitment and retention programs that incorporate ideas reflected in this manuscript. The employees involved are not what one would consider highly skilled workers, yet the accommodation of their preferences results in lower turnover and real bottom line improvement for the organization.

4. *How many members of these two generations actually work under the conditions identified in the paper. How many of them actually get their work preferences met? When considering all the studies cited that identified these generations' preferences, how many of them indicate whether these people would absolutely not work for organizations which do not provide all they want from their ideal jobs?*

Recent research shows that as a rule if Gen X'ers do not get what they want they will be gone in a very short period of time to look for another organization that will provide what they want (O'Bannon 2001; Hessen & Lewis, 2001). What seems to be happening is a shift in thinking that follows generational lines regarding loyalty to the company.

Traditionalists were loyal because they wanted to keep working having experienced the depression and knowing the hardships that unemployment brings. Boomers are career oriented and look to advance themselves generally within the organization and at this stage have significant 'side bets' (vested retirement and other benefits) where they currently work and so are less motivated to exit if things are not exactly right. X'ers in the other hand are career oriented, but see their career as a series of experiences broadening their skill set not necessarily within one company. In fact they generally see their career as a series of employment opportunities in different companies in different jobs instead of the old model of advancing from position to position in one company. The trend is to get what you want or leave to find it elsewhere.

5. *The major impact how work is performed is more the result of changes in technology than as a result of generational differences. Example, the level of automation has had a tremendous impacted how many jobs are performed today in comparison to how they used to be performed.*

We agree that technology impacts how work is done in a very dramatic way. As noted above, we are becoming a knowledge-based economy and as such the way work will be done in the future is going to be very different from today. This work will be done more and more by technoliterate Gen X'ers who as noted above will be driving changes in the workplace. Retention of workers in the face of a shortage of knowledge workers (Lord, 2002) will be key to remaining competitive in the future. Retention strategies involve accommodating worker preferences regarding working conditions, HR practices, employee development, supervisory practices, etc. rather than how the work is done on a technical level.

6. *Other factor affecting how jobs are performed is competition. According to many studies we are an individualistic society. This makes very difficult for business organizations to implement teamwork efforts. But this has not stop organizations from trying. Many are being very successful. Teamwork became a need because companies, mainly from other cultures, were applying it and obtaining great results with it. US companies had not other choice but to apply it too.*

Authors on generational differences note the competitive nature of boomers and the less competitive nature of X'ers (Hill, 2002; Lancaster & Stillman, 2002; Rodriguez,

Green, & Ree, 2003). Your point about the difficulty implementing teamwork-based approaches is well taken. Boomers have been known to be fiercely competitive due to the large population of workers in the cohort and the resulting need to compete for just about everything. However Gen X may not have an issue with teamwork the way the Boomers tend to. Several authors have identified team environments as attractive to Gen X'ers (Hessen & Lewis, 2001; Jurkewicz, 2000). Further, millennials are looking to be even more team oriented if the research by Howe and Strauss (2000) remains consistent with the attitudes of this cohort in the future.

7. *We tend to present our ideas in a way that is too isolated. This paper talks about employees as if management personnel were neither from the boomer or the Xers generations.*

This is a good point. We have revised the paper to address managing up and down generations with specific mention of it on p.5 and an attempt to revise it throughout to address this issue.

8. *Also, the most direct outcome of performance for an individual may not be the reward. One should first check the internal satisfaction of having accomplished something! Then, the rewards. Many people work for less in terms of rewards because they perform jobs that provide a whole lot on internal satisfaction.*

In response to your comment we have revised the manuscript to include intrinsic satisfaction as part of the reward discussion (see pp. 19-20). We agree that it is important first to be sure that the employee is engaged in work that s/he has an aptitude for and enjoys if one desires to create a climate where the employee will be motivated. It is also the case that appropriate recognition/rewards, while at times may not be as important to the individual, will still have a positive impact on satisfaction (Lindberg, 2001; Rawsthorne & Elliott, 1999). So while individuals work for the satisfaction of accomplishing something desirable, appropriate rewards are useful for recognition and increasing the satisfaction. To us one of the greatest risks is not recognizing the efforts and accomplishments of workers and thus appearing to take them for granted.

9. *Finally the anecdotal reference to Coopers and Lybrand may not be an experience that can be generalized. We don't even know if there was consistency between the slogans in the ad and the actual activities performed by the organization. It is like An Army of One! Is this true? Has the army really changed its ways to allow people to be "an army of one"?*

We would expect that the Army still operates as a unit. What they changed was their recruiting approach to appeal more to the generation that they are recruiting to join the Army. Another company that did the same was Prudential when they changed from 'get a piece of the rock' to 'be your own rock' to appeal to Gen X.

In response to your comment, we did further research and found more evidence that companies are adapting to accommodate the needs/desires of Gen X. Current

research supports the need to adapt to the needs/desires of Gen X to create an environment conducive to attracting and retaining them (Hill, 2002; Hessen & Lewis, 2001; O'Bannon, 2001; Rodriguez, Green, & Ree, 2003; Ruch, 2000). As noted above, Lancaster & Stillman (2002) found that fewer than 20% of organizations have formal retention strategies even though firms with retention strategies earn higher shareholder returns. This indicates that, even though the practice has not been universally adopted, developing retention strategies for the current generation is becoming a hot issue and the first movers are taking advantage of the greater returns associated with catering more to Gen X. We expect that as the Boomers retire and there is more competition for the shrinking labor pool that organizations will have to adapt if they will be at a serious disadvantage in the labor market.

10. I enjoy reading this paper because it really elicited all these questions. But the practicality of the model proposed is questionable as presented. I believe that this type of approach would be very useful for very unique and expensive employees as I indicated it above.

We respectfully challenge your assertion that the practical application of the model is limited to the very unique and expensive employees. While one may not want to apply the model universally to all workers from entry level to top management, it does (or soon will) apply to a major part of the population of the work force. The days of abundant labor are numbered and the nature of work is changing from unskilled labor to fairly highly educated knowledge workers.

If an employer considers turnover and employee satisfaction to be non-issues then the model has no application. If there are real costs associated with turnover that one desires to minimize, then the model will provide a useful way to look at one's situation and gain some understanding of potential avenues for improvement. We believe that the model could be applied across the board in most any employment situation either individually or as a tool to use when auditing an organization's HR approach.

Now if the question is: 'will it be applied to lower income workers?' the answer may more appropriately be maybe not (Starbucks and American Express may just be exceptions). Business has had a tendency in the past to wait until there is an absolute crisis before acting to resolve an issue. If an organization wants to anticipate the coming issues surrounding attraction, retention, and motivation of the workforce we believe that the model can be a useful tool. If the organization chooses to wait until the crisis arrives, then the model will have no application until that time. Either way it is available for use when the need arises and we are confident that it will.

Response to Reviewer 3:

1. *Little or no mention is given to the growing body of literature that highlights similarities between generational groups. For example, the statement “Within the context of Maslow’s theory we contend that while boomers prioritize esteem and ego needs, the needs of primary importance to Xers are security and self-actualization” is blatantly stereotypical in nature. Research conducted by the Center for Creative Leadership (2003) notes the following:*
 - *“Though there are some real differences (e.g., older people are more likely to be married and to be higher in organizational hierarchies than are younger people), there are at least as many similarities (e.g., almost everyone believes they are contributing to society in their current jobs) as there are differences. We recommend [based on this research] that people treat potential generational differences as they do every other possible demographic difference—very, very carefully, and without relying on stereotypes.”*

There seems to be a debate emerging slowly regarding generational cohort and life stages. The vast majority of the literature supports the approach taken by Howe and Strauss. In our research we found one empirical article that concluded that attending to life stages rather than generational cohort may work in developing HR strategies (Jurkiewicz, 2000). However, it is important to note that Strauss & Howe (1991) include a discussion of life stages and note the influence on cohort group. This is also noted in the manuscript on p. 8 (and is also in the original manuscript).

In response to your comment we have softened the language and provided additional citations in support of our assertion regarding the needs of primary importance to Boomers and Xer’s (Hill, 2002; Lancaster & Stillman, 2002; O’Bannon, 2001; Zemke, Raines, & Filipczak, 2000). While it may be “blatantly stereotypical in nature” that does not make it inaccurate. We find it would be difficult to function in life without stereotypes as a means to simplify managing all of the information that needs to be processed in a day. We do not recommend that managers blindly conclude that because an individual is of a certain age that s/he may assume that the person will exhibit all of the characteristics of that cohort group and only those characteristics. However, we do think that each cohort group shares common life experiences that create a frame or reference that will influence the way they will respond to events and situations in their life. The value of being familiar with this information is to gain some insight as to how different cohorts may interpret situations and respond to them.

2. *A major concern of this reviewer are the attitudes that are attributed to Xer’s versus Boomers concerning work priorities, life-style goals, and need for autonomy (pg. 9). A growing body of literature perceives age and generational cohort as a poor predictor of understanding motivational goal establishment (see*

Anderson & Hayes, Life Ties: A Re-Examination of Adult Development (Springer, 1996).

We were not able to find the citation as it is noted above. The closest title to it we could locate is: *Anderson & Hayes, Gender, Identity, and Self-Esteem: A New Look at Adult Development (Springer, 1996)*. Having reviewed the book we find no contradiction between it and the content of the manuscript.

We do not suggest that using generational cohort alone will yield accurate predictions of goal establishment. What we do suggest is that there will be differences between generational cohort groups in terms of generally preferred approaches to work and conditions of work that are good for managers to be aware of. There is little doubt that there are differences between generational cohorts given the abundance of empirical research literature on the subject. Having an understanding of these well researched differences and using them as a means of getting to know the general nature of the population of workers one interfaces with is a good starting point for moving on to personalized approaches to goal setting, career development plans, etc.

3. *Page 10 of the manuscript contains a variety of perspectives on Xer's perspectives on authority within an organization. It is here that the author(s) could have made a vital contribution by examining how different generational cohorts perceive job performance, employment satisfaction, and perceptions of work-place accomplishment. The CCL (2003) research study on generational career patterns indicates that all generational groups have similar attitudes regarding the relationship between pay and perceptions of "success." A major issue that goes unaddressed within the manuscript is that motivational drivers within a generational cohort is also predicated on whether they are an early or late Xer. See the work by Hicks Boomers, Xers, and Other Strangers: Understanding the Generational Differences That Divide Us.*

Perceptions of the various cohorts regarding job performance, employment satisfaction, and work place accomplishment is certainly worthy of study. However, to adequately address this issue it would require another manuscript. We chose to limit our focus and discussion to the topics already in the manuscript and save those for another paper.

Having read the book you reference above we are puzzled by what you are referring to in the book. The authors start the book by breaking down the events of the past 100 years into decades starting in 1900 and then go on to describe generations in the conventional terms generally accepted in the literature (more or less). In the section describing the generations there is no mention of within generation differences that we were able to perceive upon a careful reading. There was a discussion of a similarity of values between generations attributed to Christian values, but that is not germane to your point.

Other authors discuss 'cuspers', those who are at the earliest or latest years of a given generation. Those people will generally fit into one cohort or another, but may exhibit

characteristics of either cohort from time to time. We do not discuss them specifically since the topic is well covered in the generational literature.

4. *The authors note on page (12) that “Because generational differences impact how work is performed, an important motivational factor intermediaries must consider is how to accommodate different work approaches.” Although I disagree that the author(s) using current literature have proven the link between generational cohort and work performance, I believe that there is merit to evaluating different approaches to “promoting and supporting human autonomy.” Instead of focusing on Xer’s needing a “management style that promotes choice” it would have been more helpful to highlight how every generation contains individuals that are undergoing different life transitions that could benefit from a supportive intermediary. For example, there is no discussion within the paper that illustrates that each generation contains demographic groups (such as women, ethnic minorities) that require unique, and tailored support systems. Nancy Dailey (1998) in her book When Baby Boom Women Retire argues that females will need new work-role mentors to address the crushing impact of mid-life divorce, cross-generational care giving, and singleness to actualize their desire for “autonomy.”*

We have done some work to the paper to reinforce the differences in how the respective generations approach the performance of work (p. 17). We have also included a section at the end of the paper listing some of the preferences of the various generational cohorts regarding several aspects of the work environment.

Regarding the life transitions argument, we agree that life transitions require attention in order to fully meet the needs of one’s employees. However, this would be a within generation issue as opposed to a between generation issue in our estimation. Each generation will face the same transitions as they age and will need support as they progress through life. The approaches that are most appropriate may need to be tailored to fit the idiosyncrasies of the different generations. While we believe that it is certainly a subject worth writing about and is of great importance it would not be possible to do the subject justice given the necessity to respect page limitations. Therefore, we feel that it is beyond the scope of this manuscript and so respectfully desire to limit the discussion to between generation issues and leave the within generation issues to another time.

5. *According to the author(s) the purpose of extending Locke’s motivational sequence was to “provide a timely and practical tool which capitalizes on the generational diversity that characterizes today’s workforce.” In my opinion, to accomplish this goal the author(s) must address and reflect on the following points:*
 - *The current labor force for the foreseeable future is predicated on developing working environments in which all generational groups are*

able to be collaboratively motivated to ensure the cross fertilization of skills, talents, and knowledge.

Attention needs to be given to the idea that “identifying characteristics associated with generational diversity can help the intermediary predict ..different types of leader behavior” is very dubious. The current and future work force of the United States is predicated on leadership roles occupied by a vast diversity of age groupings and generational cohorts. We require a “practical approach” that addresses how to identify and motivate employees throughout the age spectrum. An issue that needs tremendous thought is how “intermediaries” will avoid age-discrimination and motivate the masses.

We agree that we need to develop work environments that are collaborative and synergistic. Appreciating and leveraging diversity creates the opportunity for synergy by recognizing the various group’s preferences as sources of strength rather than as limitations or obstacles. We believe that this is what we are attempting to do here. We have included language to make that more clear. For instance we specifically state that workers may be managing (or managed by) older or younger employees. We have included a list of the notable preferences by cohort found in the literature at the end of the paper to assist practitioners in identifying characteristics of cohorts that are likely to need attention. We have also provided examples of organizations that have successfully implemented plans that accommodate the preferences of the different generations resulting in greater retention rates.

After re-reading the section regarding the quote above we agree that is dubious. It adds nothing to the manuscript and is off point. We have removed it from the manuscript.

- 6. This paper starts on a very intriguing and thoughtful path. There is great need to examine generational differences (and motivational models) that will benefit HR practitioners. Unfortunately, it would be very helpful to examine more recent research that could advance a motivational model that does not perpetuate stereotypical biases and thinking.*

To address this comment we searched the research published from 1990-2004 (over 1600 articles) for the latest articles published in the business journals on the topic of motivation. We found several relevant additions to the manuscript that we have incorporated throughout the manuscript. We have added cautionary advice regarding the need to avoid stereotyping as well. Any time one groups individuals for the purposes of understanding general characteristics, trends, qualities, or other phenomenon there is a risk of someone using that information to stereotype members of the group. We do not see our work as “perpetuating stereotypical biases and thinking”. Rather we see it as a tool to use to gain a general understanding of how employees of differing ages may see their jobs, careers, etc. as a starting place to then ask questions to better understand the employee. This is not intended to be a ‘one size fits all’ approach and we have made efforts to prevent that from happening.

D & H Management, LLC: Parts A & B

Herbert Sherman
Southampton College – Long Island University

Daniel James Rowley
University of Northern Colorado

ABSTRACT

The D & H Management LLC case documents the growth of a small real estate management company. In order to grow the business the owners are confronted with several critical decision. In Part A they must decide whether or not to finishing off the basements of their rental homes, and whether or not to proceed regardless of the tenants' wishes. In Part B the owners decide to move ahead with finishing the basements with their tenants' permission. In the interim, they are asked to go into the home construction business. The problem is whether or not to go into this new venture and backwardly integrate their business.

D & H Management, LLC¹ Part A

It was January of 2003 and Stephen Hodgetts and Richard Davis, the two major shareholders of the recently formed D & H Management, LLC, were reviewing their current business situation. This would have seemed to be a normal situation for any two business partners, but for Hodgetts and Davis, this was indeed a strange occurrence. It was not as if Hodgetts and Davis never got together to discuss work - they had worked with each other for years on numerous projects and had developed a long standing friendship. Yet this type of work, real estate management, was clearly undiscovered country for these two novice landlords and undoubtedly outside of their field of expertise; classical literature.

Yet Hodgetts and Davis were basking in their perceived success of their new startup venture. The cabernet, like the rent from their six properties, was flowing and the conversation was upbeat and quite jovial. "I find it rather easy to portray a businessman" jested Hodgetts while taking on the air of a rich and pompous aristocrat. "Being bland, rather cruel and incompetent comes naturally to me." Davis nearly choked with laughter and could hardly keep himself from falling out of his chair. "Milton, perhaps Oscar Wilde?" queried Davis. "No" replied Hodgetts sternly yet whimsically in his best imitation of a haughty British nobleman, "John Cleese of Monty Python!"

Academics Turned Landlords

In August 2002, when the Dow Jones Industrial Average dipped under 8000, Davis and Hodgetts, friends and coauthors, were lamenting their ever shrinking retirement funds.

Neither was getting rich on a faculty member's salary nor expected any windfalls from relatives, their book sales, or lottery tickets. As Hodgetts was fond of saying "America believes in education: the average professor earns more money in a year than a professional athlete earns in a whole week."²

After a long discussion, they decided that they could not longer bear "the slings and arrows of outrageous fortune"³ and consequently needed to become masters of their own economic fate. Davis had conducted enough preliminary research on the real estate market in their area to convince Hodgetts (who had a bad experience renting his house several summers ago) that there was money to be made becoming what Hodgetts half jokingly called "slum lords."

The basic premise behind their business was quite simple. New starter homes (3 bedrooms, 2 baths) in their area sold for about \$175,000 and could be purchased with as little as a 5% down payment. Numerous families were looking to get into these starter homes but did not have enough cash for the down payment and/or had a poor credit history and therefore could not qualify for a mortgage. These families were living in either mobile homes or apartments and were paying rents ranging from \$1100 to \$1400/month. In order to get into a new home and out of their apartments, some of these families would be willing to sign a three year lease with an option to buy the home. The three years would allow these families to build up a positive credit history and/or a down payment.

Given the current very low 30 year mortgage rate of 6%, the mortgage and taxes combined on a starter home would cost about \$1000/month, yielding a small but positive cash flow if home rental rates equaled apartment rates. Secondly, homes in the area accrued in value at about 5% each year and therefore the home would resell for about \$ 200,000. Davis and Hodgetts figured that an investment of \$ 8750 (the down payment) would yield at least \$ 25,000 over a three year period; they would be earning back their initial investment in the first year, and trebling their money. In September of 2002, they formed a LLC, with each investing \$50,000, with the idea of buying a total of 10 homes by the following year.

Davis and Hodgetts, with the assistance of Davis's real estate agent, found six families in three months and worked with these families to find them homes in the \$175,000 price range. Their deal was so attractive that they even had a waiting list for new tenants. Davis and Hodgetts easily qualified for mortgages for these homes but found that the interest rates were higher because the homes were purchased as rental properties and not primary residences. They decided to put 10% down and to utilize a three-year adjustable rate mortgage in order to drop the interest rate and their monthly expenses to about \$900/month. They also found that they needed to invest another \$10,000 into each home for real estate brokerage fees, appliances, interior design, and landscaping. The six homes had gobbled up their initial investment of \$100,000 and required an additional \$80,000 (which Hodgetts loaned the company) although their monthly cash flow yielded a net profit of \$ 1,500/month.

Why, Then the World's Mine Oyster;⁴ Or Is It?

After a few more repartees, with a blatant disregard for the treatment of Chaucer and the Bard, Davis and Hodgetts diminished their merriment and turned to a discussion of the business. "You were right about the positive cash flow" remarked Hodgetts "and I am truly impressed that we are actually seeing an immediate return on our investment. I am assuming that we are banking this money to build up an emergency fund, just in case we have a problem with a renter or have a problem with one of our homes that is not covered by the builder's warranty." "Indubitably, my dear Hodgetts." Davis mimicked the speech and mannerisms of his favorite fictional character, Sherlock Holmes, and then quoted Holmes directly. "One should always look for a possible alternative and provide against it. You can never foretell what any one man will do, but you can say with precision what an average number will be up to. Individuals vary, but percentages remain constant."⁵

"Quite so" jabbed Hodgetts. "Of course there is no formula for success except perhaps an unconditional acceptance of life and what it brings.⁶ I am greatly concerned, however, that not only has our initial investment been spent, but that we have had to use the Bank of Hodgetts to bridge our cash needs. We need to figure out a way that we can raise more capital without dipping into our own pockets in order to purchase four more homes. We have customers waiting, now we need some capital! And please, do not talk to me about the plans of mice and men since it is not in the stars to hold our destiny but in ourselves."⁷

Davis nodded his head in agreement, became quite contemplative, and took a final swig of wine, emptying his glass and finishing off the bottle. "As noted by Heraclitus, it is better to hide ignorance, but it is hard to do this when we relax over wine.⁸ There may be a way to reduce our need for more capital but right now I can't think of any. Let me think about our problem for awhile, talk with our real estate agent and our mortgage broker, and see what I come up with."

Figures Don't Lie but Liars Figure

Davis and Hodgetts got back together a week later to discuss Davis's research. The meeting this time was anything but a celebration, and Davis moved quickly into lecture mode as he presented his findings to Hodgetts. "I think there is a way to pull money out of each of these homes quite quickly and recoup a good portion of our initial investment; here is the plan. We know that property in this areas goes up 5% a year so that a \$200,000 home, that we would have put 5% down on, is worth \$ 210,000 a year after it is purchased." "But we do not own \$200,000 homes" exclaimed Hodgetts. "I know" retorted Davis "I'm using this example because it makes the numbers easier – just hang on and I'll eventually get to my point." Davis knew that Hodgetts was an impatient fellow and that he would put the kibosh on any scheme that even remotely seemed fool hardy. He also knew that if he presented Hodgetts with the big picture, that he was astute enough to bridle his impetuosity.

“Assuming that we had put 5% down on this house” Davis continued “that \$10,000 could be recovered by refinancing the property in one year at its higher assessed value, thus pulling out our initial investment, minus closing costs of course. Yet this plan doesn’t work since we have to put this \$10,000 down on a new home and would have to wait a second year in order to pull out any additional property value.”

Hodgetts was huffing and puffing to himself, and getting very fidgety in his seat. Davis knew that he had to get to the bottom line soon or Hodgetts was going to explode like a volcano. Davis quickly moved on. “What does work though is the following. All of these homes have unfinished basements. Some of these homes have been framed for basements, others have not. Having looked at the framing, we could easily put in two additional bedrooms, one den/office, and one full bath. This would convert our 3 bedroom, 2 bath homes into 5 bedroom, 3 bath homes and add another 800-1000 square feet of living space to a 1300-1400 square foot home. The values of these homes, according to my real estate broker, would rise about \$30,000.”

Hodgetts was clearly in distress. He was no longer fidgeting, but rather pacing the floor and pounding his right fist into his left cupped hand. He was starting to mumble to himself and it was evident to Davis that Hodgett’s fuse had been lit and it was just a matter of time as to when he was going to explode. And explode he did!

“Let me see if I’m following you correctly and review our current situation” quipped Hodgetts. “We originally planned to invest a total of \$100,000 into this little venture to the tune of \$10,000 per home. So far, we have invested \$180,000, or about \$30,000 per home. At this rate, we will need another \$120,000 to pay for our next four homes. Our plan, no, I should say your plan, was off by 200%. I can live with that, plans are not perfect.” Hodgetts paused for dramatic effect, an action not unnoticed by Davis.

“But now” Hodgetts roared “but now” he repeated “your brilliant idea is that we finish off the basements, which really means spending more money. I’ve heard of spending money to make money but this sounds insane!”

The Plot Thickens

Davis’s reaction to Hodgetts’ comments, hilarity, quite unsettled Hodgetts yet allowed Hodgetts some time to cool down and think. Davis controlled his laughter after a few minutes and retorted using a famous quote from Oscar Levant “There’s a fine line between genius and insanity and I have erased this line.⁹ To paraphrase our good friend Oscar Wilde, you, my dear Hodgetts, are wonderfully tolerant. You forgive everything except genius.¹⁰ Now if you would be so kind as to let me finish, perhaps I can respond to all of your objections.”

“First off, let me tell you that the builders for our six homes have priced a finished basement out at about \$15,000. That includes architectural plans, heat, air-conditioning, and painting. You can see that we can would clear \$15,000 per house if we refinanced these homes after completing the basements. Secondly, when we finish

those basements renters would be charged an extra \$100-\$200/month. I have spoken to several of our renters and they are quite excited about the possibility of getting a lot more house for a little more rent. They are also thrilled that when they go to purchase their home that they would be purchasing a fully finished house.”

Hodgetts was calmer but unconvinced. “O.K., so we get a little more rent money. Assuming \$200/month for 36 months, this still does not pay for the basement renovation nor does it immediately put allot of cash back in our hands. We still have to lay out 15 G’s! Again, where does this money come from?”

“You’re right as always” answered Davis “but let me finish the rest of my analysis. To make the math easy and to match my earlier example, let’s assume that our \$175,000 home with a finished basement is now assessed at \$200,000. Now this home will be worth \$210,000 at the end of the first year’s lease, \$ 220,500 at the end of the second year, and \$ 231,525 at the end of the third year. The home at \$175,000 would be worth only \$ 202,584 in the third year, a difference of nearly \$30,000. So, this \$15,000 investment would yield a little over \$7000 in rental fees and \$30,000 in increased home value. That’s more than doubling our money in a three year time period.! More importantly, we would have pulled an additional \$25,000 out of the house through refinancing in the first year – again, assuming a very conservative real estate assessment.”

Hodgetts’ demeanor had changed and he seemed to have cheered up, at least a little. “I get it – you put more money into the house, you get more money out of it, both upfront and overall. What I still don’t understand is, where is the money for the basement refinishing going to come from?”

The Light at the End of the Tunnel, or Just Wishful Thinking?

Davis had the answer that he knew would win Hodgetts over and minimize his protests. “That’s the least of our problems – some of the builders would be willing to bill us after we have re-mortgaged the house but would charge us a thousand dollars extra. Several local banks would be willing to allow us to open up a personal credit line, although the rates would be at least 3-4 points higher than a mortgage if the credit line was unsecured. We could even borrow more money from the Bank of Hodgetts on a short term basis, knowing that the funds would be returned about a month to two months later.”

Davis smirked when he made the reference to using more of Hodgetts’ money. He knew that Hodgetts was opposed to lending more funds to this venture but would do so as a last resort if the other sources of capital for these projects did not work out and if he would get his money back quickly. Hodgetts, in the meantime, had been very contemplative during Davis’s last set of comments, and didn’t even react when Davis teased him about using more of his funds. Davis wondered what Hodgetts was thinking but knew that he would not keep silent for long. Hodgetts then spoke quite calmly and to the point.

“I’ve thought about your proposal and although I have not had a chance to sit down and study all of the numbers, here’s what I have come up with. If we can net \$10,000 for our six homes through refinancing immediately after we have completed the basements then we will have accumulated \$60,000. Assuming that each home will require a \$30,000 investment, based upon our past experience, we would be \$60,000 shy of the \$120,000 we would need to be able to buy four more homes. We would have to borrow an additional \$ 60,000. By finishing off those new homes (four basements) we could raise another \$40,000, still leaving us borrowing \$20,000.”

“Your right again” Davis answered. “But if we could pull out \$15,000 per house, we would make an additional \$5,000 per home or \$ 50,0000 – assuming we finish the basements of all ten homes. We would then have an immediate net profit of \$30,000. That’s money we could use to pay back part of your loan to the company! And even if we could only pull out \$10,000 per home, certainly it would be easier to manage the additional \$20,000 loan if we finished off the basements than to borrow another \$120,000 for down payments for our last four homes.”

Sherlock or Shylock?

“This is all well and good” Hodgetts sarcastically commented. “But this scheme of yours is dependent upon the good graces of our tenants. Would they really allow us to finish off their basements, increasing the value and therein the selling price of their homes?”

“But my dear Hodgetts” retorted Davis, again taking on the demeanor of his favorite fictional character, Sherlock Holmes “it is elementary. There is nothing more deceptive than an obvious fact.¹¹ You forget that these are our homes, our property, and we can do with them as we like. I agree that we would prefer the cooperation of our tenants, as well as their additional rent, and we would even desire both their good graces and their aspiration to purchase the home in the long run, but business is business and we have to do what is best for our company and ourselves. To quote Mr. Holmes, what you do in this world is a matter of no consequence. The question is, what can you make people believe that you have done?¹² I believe that we can make a very persuasive argument, buttressed with perhaps some economic incentives, to assist our current tenants into making the right decision. The new tenants, on the other hand, will have to understand that this is just part of the rental agreement.”

Hodgetts, who despised the idea of being a land lord in the first place, went along with Davis’s original idea for the business because he felt that assisting low income families in buying their first homes had a strong social value. A land lord who was benevolent was a rare commodity indeed! But now he could not believe his own ears. His face turned white as if he had just seen the Ghost of Christmas’s Yet to Come. Images of Charles Dickens’ most famous works and his most insidious characters (Scrooge from *A Christmas Carol*; Uriah Heep from *David Copperfield*; Miss Havisham from *Great Expectations*; Fagin from *Oliver Twist*; Ralph Nickleby from *Nicholas Nickleby*, and the

Marquis St. Evremonde of *The Tale of Two Cities*) passed before his eyes and they beckoned him to come join them in their evil games.

He thought to himself, “did my good friend, business partner, and colleague just say what I thought he said? Could he really mean to deal with our tenants in this manner?” A paraphrase of two of one of Shakespeare’s most famous quotes stumbled softly, barely audible, through his cracked and barely opened lips. “For if you prick them do they not bleed? If you tickle them do they not laugh? If you poison them do they not die? And if you wrong them, shall they not revenge?”¹³ For is it not enough to speak but to speak true?”¹⁴

D & H Management, LLC Part B

A smile started to break out on Davis’s face, and grew wider and wider as Hodgetts’ demeanor changed from astonishment, to anger, to confusion. Davis had to hold his hand over his mouth in order to withhold an outburst of laughter. “Well well” chuckled Davis. “The old boy actually believes in that social capitalism pulp that he has been spouting for the past twenty-five years. It would be a real shame, wouldn’t it, if his business partner was a bourgeois capitalist in a classical literature Professor’s clothing?”

“You’re joking of course” mumbled Hodgetts. “Am I?” replied Davis. It was a Mexican standoff. Davis was not revealing his hand. Hodgetts’ numerous years of experience told him that Davis was a bit of a prankster at heart and loved to see Hodgetts out of sorts. Did he take Davis’s bait hook, line and sinker and now was dangling on the line of a huge hoax or had the allure of real money, riches beyond a retiring professor’s imagination, change Davis into a stereotypical land lord? Could he ask Davis outright about whether Davis meant what he said about finishing off basements without his tenants’ permission? Davis would certainly be insulted, thought Hodgetts, by this line of inquiry if he was merely pulling Hodgetts’ leg. Didn’t he know his old friend, co-author, and colleague better than this?

Hodgetts’ questions were answered when Davis proclaimed in his best imitation of Sherlock Holmes “You know that I can never resist the touch of the dramatic¹⁵ for the play’s the thing my dear Hodgetts. I play the game with you for the game’s own sake.¹⁶ You do mean well in your unstated castigations. For you are a British jury, and I have never met a man who was more eminently fitted to represent one.”¹⁷ “Then we are not going to force basements on our tenants” Hodgetts exclaimed. “Of course not, Hodgetts. What do you take me for? Scrooge?” Hodgetts grimaced at the comment. “It certainly would be neither humane nor good business practice to force something down our tenants throats that they did not want. Could you imagine the ill will it would create, as well as the bad reputation we would develop in the local business community? We live in a very closed-knit neighborhood and cannot afford negative word-of-mouth publicity. Imagine what our colleagues would say at the University if they found out that we had less than the most altruistic motives!”

"I'm glad we're in agreement. This means, however, that we may not be able to raise the cash we need in order to afford our next four homes." "That's correct" replied Davis. "However, I'm very optimistic as to how many of our tenants will actually accommodate us – clearly we can match our future home purchases and rental plans to correspond with our available cash flow. Let me meet with our six tenants, discuss the issue, and see what develops." "Fine" concurred Hodgetts. "Let's meet in two weeks and see where we are."

Divine Intervention or Just Good Fortune?

Two weeks had flown by and it was February, 2003 and Davis and Hodgetts were discussing the results of Davis's meetings with the tenants. Davis was acting quite jovial, and wore a large Cheshire cat smile. "The results of my investigation, dear Hodgetts" Davis said in a Sherlock Holmesian air, "yielded remarkable results. Not only are all of our tenants interested in finishing off their basements, one tenant in particular who is extremely handy would like to finish off his basement himself. Alan and his wife Wilma claim that they can finish off their basement and save us from \$2000 to \$5000. They would not be able to do any of the technical work i.e. HVAC, plumbing, or electrical, but would be able to do all the other work including framing, dry walling, finishing, and painting."

Hodgetts, normally a rather explosive individual, was deep in thought. "This may be more fortuitous than we thought" proclaimed Hodgetts. "I wonder if Alan and Wilma would be interested in not only finishing their own basements but if they would want to earn extra cash and finish the basements of our other tenants?" "Exactly what I was thinking" replied Davis. "And I have taken the liberty to put forward to them that exact proposition. I explained to them that they could form their own LLC and contract with us for the work. They would have to obtain their own business insurance and home construction permits, of course, pay their own taxes, and supply their own tools and raw materials. They estimate that they could make at least \$2000 per job for themselves, since the job is predominately labor, and they both could work on the weekends to complete the basements. From our vantage point, even if we were to save only \$2000 per home, that would net us a \$20,000 savings on all ten homes. Again, assuming that we could only pull out \$10,000 per home, our original out-of-pocket estimate of \$20,000 would now be zero. We get exactly what we wanted, the down payments on four more new homes without having to borrow any more money on a long-term basis!"

"This is certainly worth exploring" exclaimed Hodgetts. "They could work on their own basement first, sort of as a test case, and we could then determine if their work is good enough to pass inspection as well as exactly how much money we would save using them rather than a contractor. We could also get a good feel for how long each basement would take to finish off and how well they would work with an electrician, a plumber, and HVAC subcontractors – by the way, we'll need to line these people up and make sure that they would both be willing to do the work and that their costs would keep us within our budget for the project."

“Again” yelled Davis, “all taken care of. I’ll be getting bids from several electricians, plumbers and HVAC people to determine what the costs would be if we broke up the finishing work of the basement between these several subcontractors. In the meantime, we still need to hear from Alan and Wilma.”

Another Day, Another Business

It was April 2003, about two months after Hodgetts and Davis had talked about finishing off the basements of their six rental units, and the work was well underway. Alan and Wilma formed their own LLC and had completed three basements (including their own) to date while Davis and Hodgetts had refinanced those three homes and were able to clear about \$45,000. With these funds they purchased an additional two homes bringing their total number of rental units to eight. Hodgetts was finally feeling very good about the business and believed that he and Davis had stumbled onto a formula for success. This little business was running quite well, the tenants were quite content, and there was light at the end of the tunnel – meaning that Hodgetts believed that he was going to recoup his loans to the company and perhaps even his initial investment.

Davis and Hodgetts were having their weekly get together, sharing stories and exchanging flippant comments, discussing their latest work, and on rare occasion even discussing the rental business. Davis could see that Hodgetts had become quite pleased with their little venture and felt it was time for him to let Hodgetts in on phase two of his scheme. Davis had been active the last two months and had a proposition for Hodgetts to consider.

“Have another glass of Merlot my dear Hodgetts. We should enjoy the literal fruits of our labor and bask in the glory of our efforts. Isn’t it a marvel indeed that our entrepreneurial seeds have born such a wondrous fruit?” “Indeed” replied Hodgetts. “For what a piece of work is man! How noble in reason! How infinite in faculties! In form and moving, how express and admirable! In action how like an angel! In apprehension, how like a god!”¹⁸ “Bravo, bravo Hodgetts – well quoted without a doubt. The Bard would note with pleasure that we, like Petrucio, desire to live wealthily¹⁹ in our waning years. However, we cannot sit on our proverbial laurels for oft expectation fails.”²⁰ Switching from Shakespeare to his beloved Sherlock Holmes, Davis continued his line of reasoning. “For here is the fruit of my leisured ease, the magnum opus of my latter years!”²¹

“Magnum opus?” queried Hodgetts. “Just what do you have brewing in that furrowed mind of yours, Davis!” In his best Sherlock Holmes demeanor Davis replied “my mind rebels at stagnation. Give me problems, give me work, give me the most abstruse cryptogram or the most intricate analysis, and I am in my own proper atmosphere. I can dispense then with artificial stimulants. But I abhor the dull routine of existence. I crave for mental exaltation.”²² “Yes, yes” grunted Hodgetts. “Enough of your Sherlock Holmesian prattle. If you have something to say man, then spit it out. Don’t beat about the bush – get to the point!”

Hodgett's mood had quickly changed from relaxed joviality to nervous Nellie. He knew that Davis had something up his sleeve but what that could be he could not fathom. Hodgetts did not like surprises and he was sure he was in for a big one. Davis knew that he had better put his proposition on the table quickly and not belabor the discussion. Davis looked Hodgetts straight in the eyes and proceeded to explain.

"O.K. here it is in a nut shell. It turns out that Alan and Wilma really enjoy working on our basements and have developed a nice little income stream from this work. In fact, they like working with us so much that they approached me about figuring out a way that we can keep them occupied all year round – in essence, Alan would like to quit his job and come work for us!"

Hodgetts was starting to get that look in his eyes that meant that his blood pressure was quickly rising. Davis knew that he'd better finish this up quickly otherwise Hodgetts was going to detonate. "Well obviously there was nothing I could do for Alan and Wilma at that time. Yet a few days later the situation changed dramatically. One of my students, David Russ, who was designing our basements, said that he thought that we could cut out the middle man in terms of our rental business if we built our own homes. I thought that he was crazy at the time but we talked after class and he said that he would be happy to act as the contractor and that he knew all of the subcontractors who were needed in order to construct new homes. Alan and Wilma would do our interior work, or Alan could hire some part-time workers to help himself out. In any event, we could build the rest of the homes we wanted to rent under a different company name, sell it to ourselves for a profit, and then make a profit renting the homes. I haven't worked out the specifics just yet but I estimate that on a \$150,000 home we could net a 20% profit, that's \$30,000 we would earn over a two to three month time period!"

Clearly Hodgetts was stunned. He could not say a word, a rarity indeed for one so well versed in the Bard. His face had shifted through several shades of red and headed south taking on a milky white, ghostly appearance. To say that Hodgetts was not at all well would be to have made the understatement of the year. A moaning slowly emerged from Hodgetts' lips, barely audible at first, and then taking on tone, volume and pitch. As the moaning grew louder it shifted in tenor to more rapacious tones – a sort of harsh groaning. Davis strained to hear his beleaguered colleague and business associate and finally recognized Hodgetts' murmurings as the lines of the three witches' from Shakespeare's MacBeth. "For a charm of powerful trouble, like a hell-broth boil and bubble. Double, double toil and trouble; Fire burn and cauldron bubble.²³ Have you eaten on the insane root that takes the reason prisoner?²⁴ Beware Macduff; Beware the Thane of Fife. Dismiss me. Enough."²⁵

Endnotes

1. The names of the company and owners have been changed, as per the owners' request. Teaching notes may be requested from Herbert Sherman by e-mailing: hsherman@southampton.liu.edu.

2. <http://www.quotationspage.com/search.php3>, August 27, 2003.
3. Hamlet (III, i, 56-61).
4. The Merry Wives of Windsor (II, ii, 2-3).
5. http://calibercomics.com/SHERLOCK/sherlock_holmes_maxims.htm, August 27, 2003.
6. <http://www.quotationspage.com/subjects/success/>, August 27, 2003.
7. <http://www.quotadstionspage.com/search.php3>, August 27, 2003.
8. <http://www.quotationspage.com/search.php3>, August 27, 2003.
9. <http://www.quotationspage.com/search.php3>, August 28, 2003.
10. Ibid.
11. <http://www.bcpl.net/~lmoskowi/HolmesQuotes/q.detection.html>, August 29, 2003.
12. http://calibercomics.com/SHERLOCK/sherlock_holmes_quote_philosophy.htm, August 29, 2003.
13. http://quotations.about.com/cs/shakespearequotes/tp/10_shakespeare.htm, August 29, 2003.
14. Ibid.
15. <http://www.bcpl.net/~lmoskowi/HolmesQuotes/quotes.html#Misc>, Friday, September 05, 2003.
16. Ibid.
17. <http://www.bcpl.net/~lmoskowi/HolmesQuotes/q.Watson.html>, September 5, 2003.
18. <http://www.allshakespeare.com/quotes.php?id=266>, October 1, 2003.
19. <http://www.allshakespeare.com/quotes.php?id=330>, October 1, 2003.
20. <http://www.allshakespeare.com/quotes.php?id=356>, October 1, 2003.
21. <http://www.bcpl.net/~lmoskowi/HolmesQuotes/quotes.html#Misc>, October 1, 2003.
22. <http://www.bcpl.net/~lmoskowi/HolmesQuotes/q.Holmes.html>, October 2, 2003.
23. <http://absoluteshakespeare.com/plays/macbeth/a4s1.htm>, October 2, 2003.
24. <http://www.gva.net/misenber/shakes.htm#macbeth>, October 2, 2003.
25. <http://www.gva.net/misenber/shakes.htm#macbeth>, October 2, 2003.

Moment of Truth: A Whistleblower's Dilemma in the Financial Services Industry

Donald H. Schepers
Harry Rosen
Baruch College, City University of New York

They were exchanging pleasantries at the door. "Thanks, Joel, for the drinks and dinner. And thank you, Anne. I'm very glad I got to meet you. Joel is great, and I can certainly see where he gets his strength. Anyway, see you on Monday, Joel. Another day, another million dollars!", he chuckled. And with that, Christopher Reuther shook Joel Steiner's hand and stepped into the hall, heading to the elevator. It had been a short visit, drinks and dinner, before Reuther headed out for a date. But in that short time, Steiner had confirmed his worst suspicions. Snapping the lock, he contemplated his next step: how best to end this problem, and prove he was never part of it.

Joel Steiner was 37 years old, a strong family man. He had been raised in a family where honesty, integrity, and a strong sense of family were important, and he continued living by those values. He was just moving into the prime of his career. He had risen steadily from his college days at Metropolitan College in New York City. There, he had earned his B.A., and been elected treasurer of the student government. Later, he had earned his M.B.A. at Metropolitan, taking night classes, and had his C.P.A. license.

In 1984, Steiner was named vice-president at Landis Investments, in charge of taxes and financial planning. He left that job when a few other senior partners from Landis started a new firm, Meridian Partners, where Steiner served as Chief Financial Officer (CFO). Those jobs had not made him rich by Manhattan standards, but certainly well off. The Steiners lived in a well-appointed Manhattan apartment, traveled frequently, and were involved in a number of charitable activities.

With each job move, Steiner's reputation had grown on Wall Street. He was known as a straight-shooting, adept analyst, with a knack for predicting the rise and fall of a company's fortunes. He was also known for his by-the-book approach to Securities and Exchange Commission (SEC) rules. His work at Meridian had brought him to the attention of Adam Hagerman. And it was there he started the journey to the difficult choices he now faced.

Hagerman was a strong-willed military man, with a decidedly mixed reputation on Wall Street. A demanding man, he was known for firing associates with little provocation. The SEC had investigated him on several occasions. In his last investigation, he had almost been given a lifetime ban from the industry, but instead had received a year's ban from trading.

He was president of Hagerman Associates, a New York Stock Exchange (NYSE) Specialist and arbitrage investment firm. He had founded the firm in 1964, after a career that included stints at a major investment bank as well as a smaller Wall Street

brokerage firm. The specialist side of Hagerman Associates was run from a trading post on the floor of the NYSE, with five traders, and clerical staff. From that post, the traders “made a market” in the stocks the NYSE had delegated them to trade. In making a market, the traders seek to profit on the spread (the difference between the purchase and sale price). There are no outside investors in a specialty firm. Rather, the money financing the trades consists of the investment money of each partner, contributed to a common fund when they join the firm. Hagerman Associates had an investment fund of about \$40 million.

The firm’s arbitrage trading portfolio activities were conducted in an upstairs trading room, where six people worked as the arbitrage trading team. In contrast to the trading side, there were no limits on what stocks the firm might trade in. Profits in arbitrage were the result of the spread between the current stock price of a firm that was projected to be taken over, and the eventual takeover price. Even though Hagerman and other arbitrage firms usually invested after the announcement of acquisition intentions, there was still considerable room for profits in such deals. Due to the inherent risk in the takeover being consummated, there is a spread between the trading price and the takeover price, proportional to the amount of risk in the deal. Steiner worked in this room, along with Jason Witter, the head of trading, Reuther, and several clerical personnel. In the course of a day, Hagerman was in and out of the arbitrage room, staying only for brief periods of time, sometimes listening to trades and participating in buy or sell decisions.

In 1984, Hagerman approached Steiner with a partnership proposal, which Steiner eventually accepted. Steiner became a partner, with a substantial base salary, along with a share in the profits of the firm. Steiner held dual responsibilities as both CFO and compliance officer of Hagerman Associates. The duties of a Wall Street firm’s compliance officer consist of monitoring the trading and arbitrage activities, assuring that the firm and its employees abided by the regulations of the SEC, as well as the other relevant exchanges. Once the compliance officer knows of violations, it is her or his duty to immediately inform the appropriate exchange. Penalties for failing in this duty would include disbarment from the industry, jail time, monetary fines, and loss of reputation.

The SEC takes the integrity of the markets, and hence the responsibilities of all traders and compliance officers seriously. If a trader is dismissed from a firm for cause, that dismissal and its cause has to be filed with the SEC on what is known as a “U5” form. The U5 form follows the trader throughout his or her career, and would be accessed by future employers as part of their hiring investigation. One of the compliance officer’s responsibilities is registering U5 forms. The SEC holds compliance officers responsible for any infractions that occur during their tenure, regardless of their current job.

Hagerman’s previous investigations by regulatory authorities gave Steiner deep reason for concern. Before he accepted Hagerman’s partnership invitation, Steiner undertook a series of meetings with individuals who had known Hagerman over several years, so that he could either confirm or deny his fears about Hagerman. His friends assured him

that Hagerman had indeed learned his lesson, and was now managing an honest organization. It was at that point that Steiner felt comfortable accepting the position.

Reuther, one of the new hires, worked in the arbitrage room next to Witter. Reuther was 27, handsome, lean, very bright, and lately, very talented. In the past few weeks, Reuther had recommended purchasing stock in a number of companies where there had been no word of any merger or acquisition activity. Each of those companies had been bought out shortly after Hagerman Associates took a position, reaping huge profits for the partners. Just that February, Reuther had convinced Hagerman and Witter to take a position in Graham Toolworks, a stock Steiner himself had tried to push through some months earlier. Steiner's recommendation had been rejected. At Reuther's recommendation, based on his friend's word, Hagerman and Witter bought 20,000 shares. One short week later, Graham Toolworks was bought out, and Hagerman Associates was a much richer firm. Steiner was concerned: getting information from "friends" on Wall Street was dangerous business.

Reuther's latest hot stock was Majors Products, a U.S. firm. He touted it as one he was sure (based on his same friend's word) would be bought out in the next couple of weeks by Linders Industries, a large British conglomerate.

Steiner was amazed. Reuther had been with Hagerman Associates for only five months, and this could be one of the largest arbitrage deals that year. And Steiner, who had worked on Wall Street for years, had not even heard of the possibility of this deal before – no analyst chatter, no rumors, nothing. Where did the information come from? Who was this friend?

The same day that Reuther had touted the Linders play, he stood beside Steiner as Steiner scanned the Dow Jones and Reuters tapes. Steiner looked over and asked Reuther what made him so strong on Linders. Reuther simply replied, "Because it's my friend." Steiner replied, "There are friends and there are friends. What makes this one so special?" Reuther responded, "This guy gave us Transway International, MidWest, and FusionProcess Inc." Steiner knew that each of those had been home runs for Hagerman Associates. As CFO and partner, he knew exactly what each of those was worth. But Steiner was curious, so he asked, "Why are you so sure of him now?" And then Reuther dropped the bomb: "Because this is my friend at Kopler and Wright."

Kopler and Wright was a respected international law firm, not a name casually dropped. A leak at Kopler and Wright was unusual, to say the least. But if that is where the information was coming from, Reuther should have been confident. Any information leaked from there was bound to be rock solid.

Steiner did not have to wait long to discover the identity of Reuther's "friend". Reuther talked, all too often, to too many, both inside and outside Hagerman Associates. That trait had always concerned Steiner, and now it terrified him. Who else knew what was going on at Hagerman Associates? But now it served his purpose: Reuther left the floor

to talk to Dennis Pfaff, who had called for Reuther. Dennis Pfaff, it turned out, was employed at Kopler and Wright.

Immediately, it was clear to Steiner that Reuther was trading on inside information. Insider trading, as it is known, has been illegal since passage of the securities laws of 1934, but never clearly defined. The law simply makes trading on material, nonpublic information illegal, but fails to specify what passes for material, nonpublic information. Rather, court cases have been used both to define what passes for inside information, and who is liable for possession of it. It was apparent to Steiner that this information passed a rule of thumb test: the information was determinative in the decisions to trade in the stocks, and the tender offers had not yet been disclosed publicly. The fact that these trades involved tender offers actually violated a later section of the securities laws that specifically prohibited trades on inside information on tender offers.

Steiner now had two objectives. Firstly, he wanted tangible proof clearing himself in these illegal trading activities. As both partner and compliance officer, he was particularly vulnerable. Secondly, he wanted to know more about who was involved, and how this entire chain of information functioned.

His plan was simple. He would invite Reuther over to his home, engage him in conversation, and get the information he needed. Reuther had an engagement later that Friday evening, so Steiner and Reuther agreed to an early drinks and dinner at the Steiner apartment. Earlier that week, Steiner bought a small tape recorder.

Reuther showed up a bit before six, and they began with standard cocktail banter. When the talk moved to the arbitrage business, Steiner took the moment to probe the recent spate of profits at Hagerman Associates. As he started this conversation, he hit the "record" button on the tape recorder. It had been a boom market, to be sure, but Reuther's streak had been phenomenal, Steiner noted. And this Dennis had certainly helped.

"It's just unbelievable what he does!", Reuther agreed. "He's a second-year associate at Kopler and Wright. He knows this guy at another arb company, Ray Criton, who's my friend. ... Ray introduces him to me, Ray introduces him to other friends..."

"We got Graham Toolworks through him," Steiner said. "What else?"

"FusionProcess ... Majors Products."

"If he's right, Majors Products will just be enormous."

"But it's not just Kopler and Wright," Reuther boasted, "he has a roommate at this other law firm. His roommate brings work home occasionally. They talk, he looks at his roommate's work when the guy goes out."

Steiner returned to Dennis Pfaff and Kopler and Wright. If Kopler and Wright used code names for work in progress, how did Pfaff know so much?

“He broke that,” Reuther confided. “He made friends with the word processors. We were out one night, and went back to his office to get some papers from word processing. He just went in and talked to the typists, like, ‘What’s going on tonight?’ It’s his way of finding out if certain partners are in. Then we just went to the Xerox department and snooped.”

“Did you know him at school?”

“No. He has an M.B.A., and he really knows his stuff. If he gets an arbitrage job, he’ll be hot. ”

Steiner looked at his drink. “You know, what he’s doing, it’s pretty rare. This doesn’t happen often.”

“Yeah, I told him we have to cool it,” Reuther agreed. “I’ll make sure he doesn’t call me during the day, just see him in the evening or on weekends.”

“This is pretty wild.”

“He only tells a few arbs.”

“Us, and some others, right?,” Steiner asked.

“Criton...”

“You, and you tell Adam and Jason,” Steiner continued, laughing nervously.

“Yeah,” Reuther agreed, pleasantly implicating Hagerman and Witter.

The conversation wound down from there, and it was time for Reuther to leave. In the twelve minutes of tape, though, Steiner had what he needed. They parted at the door, Reuther to his evening, and the Steiners back into their apartment, mulling over the next steps. Should he pretend he doesn’t know, keep the money, and hope no one ever finds out? Or, if he does tell, does he send in an anonymous tip, or go directly to Hagerman or the SEC? If he goes to the SEC, who would ever hire him again? And how would he recover his stake in the partnership, and bonus? His partnership stake had become a significant part of his net worth. While he was fairly certain he would get that back (but had no idea when), he knew he would be surrendering the rights to any profits that had been earned legally, a considerable amount of money.

As Reuther walked to the elevator, Steiner snapped the lock, and thought, “Now what?” He had proof that he was not involved. He also knew that Hagerman and Witter knew

they were trading on inside information. He had every reason to believe that this illegal trading activity would continue. As compliance officer, Steiner was square in the middle of the whole mess.

Steiner realized he had four options.

- *Act like he knew nothing.* He would resign quietly, get his money out of the partnership, and move on. If no one ever got caught, he would be good as gold. If the trades came to light, though, the SEC would look to him as compliance officer, and he would be in deeper than he was now.
- *Go to Hagerman, and tell him Reuther was trading on inside information.* This had the ring of a suicide mission. He had every reason to believe that Hagerman not only knew what was going on, Hagerman was in full agreement with the insider trading. Steiner could kick himself: why had he ever believed that Hagerman had changed? He too readily accepted the word of those who had said Hagerman was really different after the last SEC investigation. Steiner began to wonder what he was like before, if this was 'different'.
- *Report this to the SEC anonymously, and then act shocked in front of Hagerman when the SEC called.* But that would be the problem: the first call the SEC would make would be to Steiner. His role as compliance officer meant he served two masters, the firm and the SEC. The SEC would want to know what he knew, when he knew it, and how he could miss the telltale signs Reuther had left for all to see.
- *Report openly to the SEC.* He would have to resign immediately. Hagerman Associates was too small to even think he could go back to work there. His money in the firm would be at risk. It was unthinkable to imagine that Hagerman would return that without a brutal fight. It would be hard on Steiner, and hard on his family.

The first two objectives had been all too easy to accomplish. Choices made now would dictate how much harder it would get.