

# Journal of Business Systems, Governance & Ethics





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# Journal of Business Systems, Governance and Ethics

Vol 3, No 4, 2008

## Contents

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<b>Editorial .....</b>	<b>v</b>
------------------------	----------

*Arthur Tatnall*

<b>The Importance of Data Warehousing for Community Development Organisations: The Impact on Iraqi Victims of the Explosive Remnants of War .....</b>	<b>1</b>
---	----------

*Ahmed Hassin*

<b>Global Is Local: Recycling Familiar Components .....</b>	<b>9</b>
---	----------

*Rolf Solli and Peter Demediuk*

<b>Paths to Knowledge Management in Small and Medium-Sized Hotels .....</b>	<b>21</b>
---	-----------

*Mik Kim and Wusheng Zhang*

<b>Ethical Imperatives of CEOs: Creating the Virtuous Corporation .....</b>	<b>31</b>
---	-----------

*Hershey H. Friedman, Linda W. Friedman and Frimette Kass-Shraibman*

<b>Religiosity as a Predictor of Consumer Ethical Behaviour: Some Evidence From Young Consumers From Malaysia .....</b>	<b>43</b>
---	-----------

*Zulkufly Ramly, Lau Teck Chai and Choe Kum Lung*

<b>Organisational Justice: Migrant Worker Perceptions in Organisations in the United Arab Emirates .....</b>	<b>57</b>
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*Kasim Randeree*





# Editorial

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This final issue (Number 4) for 2008 of Volume 3 of the *Journal of Business Systems, Governance and Ethics* contains a range of articles from Australia, Sweden, USA, Malaysia and the United Arab Emirates.

In the first article: *The Importance of Data Warehousing for Community Development Organisations: The Impact on Iraqi Victims of the Explosive Remnants of War*, Ahmed Hassin discusses the importance of data warehousing for development organisations. He describes how it is a great asset for planning and prioritising interventions for helping victims of war remnants. The article shows how information should be of high quality and accounted for well, and that information extracted from data warehouses can be used to show the impact of intervention on beneficiaries. The example given from Iraq shows how Iraqi Health and Social Care Organisation used a data warehouse to identify needs, plan projects and raise funds for survivors of explosive remnants of war.

In the next article: *Global Is Local: Recycling Familiar Components*, Rolf Solli and Peter Demediuk note that although management strategies change places and sometimes proceed in the opposite direction in different locations, the ideas appear to be represented throughout many organisations. They claim that what are normally referred to as global ideas actually represent the local recycling of old ideas. Their study, which has been carried out over ten years, summarises their experiences from a comparative study of the development of reforms in Australian and Swedish municipalities.

Mik Kim and Wusheng Zhang then describe their research into: *Paths to Knowledge Management in Small and Medium-Sized Hotels*. They investigate the paths that can facilitate small and medium-sized hotels' knowledge management, and look at how these can be realised. Their study undertook an empirical investigation into the status and practice of knowledge management in small and medium-sized hotels, performed through face-to-face in-depth interviews with owners and managers. It was found that there were four broad approaches to knowledge management which they call Match, Combination, Divergence, and Specialisation. By understanding the different options, hotels will be able to make better decisions in the choice of their suitable paths to knowledge management.

The fourth article: *Ethical Imperatives of CEOs: Creating the Virtuous Corporation*, by Hershey H. Friedman, Linda W. Friedman and Frimette Kass-Shraibman argues that companies that are going to thrive must have a 'soul', and that those companies that are concerned only with maximising shareholder wealth or profit will not succeed. They argue that CEOs will have to lead the revolution and should be the ones exhorting executives to make spiritual values or virtue, not just profit, the core values of a firm. The paper shows how a firm can acquire a soul and even be profitable doing it.

In the fifth article: *Religiosity as a Predictor of Consumer Ethical Behaviour: Some Evidence from Young Consumers from Malaysia*, Zulkufly Ramly, Lau Teck Chai and Choe Kum Lung note that the population of the young consumers group has been growing in Malaysia, and is increasingly cosmopolitan in its outlook and preferences, as well as highly exposed to various media and advertising tactics. With Malaysia rapidly moving towards industrialised and a modern economy, changing socio-economic factors, growing affluence and declining moral and religious standards, can play an important role in shaping the ethical orientation of young consumers. This research examined the role of religiosity in determining the ethical attitudes of young consumer groups in Malaysia and found limited evidence to support the hypothesis that religiosity was a positive determinant of young consumers' ethical beliefs in Malaysia.

In the final article, Kasim Randeree investigates: *Organisational Justice: Migrant Worker Perceptions in Organisations in the United Arab Emirates*. The article describes how a justice framework can be used to understand how individuals within organisations respond to a variety of human resource

practices and also can be used prescriptively in designing the procedures and enactment of human resource practices. The paper examines the impact of the perception of organisational justice on job satisfaction of unskilled workers in the city of Dubai in the United Arab Emirates. Key findings revealed Dubai as having the largest proportion of expatriate workers globally and that these employees present a high level of grievance towards their employers. Major issues highlighted by the survey include pay, workload, job responsibilities, bias, and employer injustice.

Arthur Tatnall  
Editor



# The Importance of Data Warehousing for Community Development Organisations: The Impact on Iraqi Victims of the Explosive Remnants of War

Ahmed Hassin

Australian Red Cross Blood Service, Australia

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## Abstract

*This article discusses how important data warehousing is for development organisations. Data warehousing is a great asset for organisations to plan and prioritise their interventions for helping victims of war remnants. The article shows how information should be of high quality and accounted for. Information extracted from data warehouses can be used to show the impact of intervention on beneficiaries. It also enables more effective stakeholder interaction. Data warehousing assists organisations to gain a competitive advantage by providing good services to beneficiaries and, will, consequently, help organisations to attract donor funds. The example given from Iraq shows how Iraqi Health and Social Care Organisation used a data warehouse to identify needs, plan projects and raise funds for survivors of explosive remnants of war. This concept can be used by other development and aid organisations operating in countries affected by explosive remnants of war and health related development fields.*

## Keywords

*Data warehousing, Iraq, Victims of Explosive Remnants of War, Information Systems, Development Organisations, IHSCO*

## Introduction

In today's highly turbulent, extremely competitive environment, development organisations face considerable pressure to meet or exceed donor/beneficiary expectations by delivering high quality services and innovative ideas. In order to be effectively responsive to needs, organisations should be utilising the enormous wealth of digital information available nowadays. As a very valuable and most effective part of organisations, information technology infrastructure plays a key role in the success or failure of delivery of services. Data warehousing have been proved to be an extremely useful and effective resource in many business applications and can lead organisations gaining a competitive advantage (Rundesteiner et al, 2000).

Data warehouses provide vital information which can be used as a foundation for effective interventions; being the right organisation in the right time with the right intervention (Chenoweth et al,

2006). Effective management information systems are based on data warehousing which increases the available data and decreases costs by avoiding redundant data entry (Juntilla et al, 2007). Information technology (IT) is considered an important partner to other resources of the organisation in implementing business strategies. It is important to see an integrated framework for aligning IT applications across various functional areas with operations strategy

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(Kathuria et al, 2007). Successful organisations should be equipped with effective IT solutions and management information systems (MIS) necessary to achieve the strategy objectives. IT is a stimulus to effecting transformational change in development fields directly impacting on people's lives (Tansley et al, 2001) and Iraq is an explicit example. Iraqi National Mine Action Authority (NMAA) estimates that some 13 million people are affected by unexploded ordnance (UXO) and some 7.5 million are affected by landmines. Iraq's total population is estimated at 26 million. However, there is no comprehensive or systematic nationwide data collection mechanism and data management system for explosive remnants of war (ERW) casualties in Iraq (MAC, 2005). From the perspective of ERW victims/survivors, such a system in place is vital for identifying their needs in particular areas. This should lead to set priorities, adapting or introducing new programmes to meet the needs and rights of ERW survivors (UNIDR, 2005). The management of provision of service for the survivors relies on information and reports produced after collection of relevant data. Effective management of such information will assist in the development and government organisations assess survivors' needs and will result in deciding the right intervention (Juntilla et al, 2007).

This study discusses the importance of data warehousing for aid and development organisations. I have picked a sample of a non-profit development organisation from Iraq where the operations environment for humanitarian organisation is extremely challenging. I will try to examine the impact of data warehousing on decision-making for interventions related to victims of explosive remnants of war. The study will discuss how data warehousing is a great tool to gain competitive advantage.

## Background of the Problem

Landmines, unexploded cluster bomb-lets and abandoned unexploded ordnance left over after a conflict continue to severely affect many countries. Iraq ranks high among the countries most severely contaminated by landmines and explosive remnants of war (ERW). This is a legacy of internal conflicts between the Kurds and central governments, the 1980-1988 war with Iran, the 1991 first Gulf War after Iraq's invasion of Kuwait, and the ongoing conflict and military operations began with the invasion of Iraq by US-led Coalition forces in March 2003 (MAC, 2006). Since then, large amounts of explosive remnants of war (ERW) such as artillery shells, , cluster bomb-lets and other sub-munitions, have been abandoned in urban and rural residential areas or nearby. Such practices have been causing an ever-increasing number of ERW victims (Kim, 2003). The term "Explosive Remnants of War (ERW)" is used "to describe the explosive threat to the community in a region at the end of a conflict or at the beginning of a period of stability" (GICHD, 2002). In Iraq, a data-sharing system was established in the second half of 2004 with all stakeholders, including the Ministry of Health. Some data were handed over to the National Mine Action Authority. Nevertheless, limited casualty data is available due to insecurity, a lack of political will, and the absence of a comprehensive data management system. One of challenges for planning mine action interventions is the lack of victim data (MAC, 2006).

There are various sources of information on new casualties including media reports, surveys, assessments, government and hospital records, and databases. In principle, it is the responsibility of national governments to monitor the health and well-being of their population. However, in practice, many countries do not have the capacity to maintain a coordinated casualty data collection system (UNIDR, 2005); and Iraq, in its current situation, is one of those countries. National and international efforts have been working on revitalising and strengthening data collection capacity in Iraq; and to establish a national casualty surveillance system and database (MAC, 2006).

## Theory and Literature Review

The issue of the rehabilitation and reintegration of explosive remnants of war survivors is seen as an integral component of the broader context of development in Iraq (Maes, 2007). Those dedicated to helping these victims must first create a means of keeping track of the number of victims and the nature of their injuries. Their second concern is finding a secure way in which to deliver appropriate assistance; whether physical or socio-economic (Kim, 2003). Data Warehousing is now a well-established part of

the business world. (Delve and Allen, 2001). However, at present, only a limited number of ERW affected countries use a comprehensive database, and few of them are able to provide full year data or data collected in all ERW affected regions (UNIDR, 2005). The direct impact on the community in terms of potential casualties can only be quantitatively assessed if there is sufficient data available to populate a model (GICHD, 2002). Many countries have some statistics about ERW casualties but such data fail to highlight the humanitarian and socio-economic impact of ERW on the population. Experience from other countries proved that lack of updated information about ERW victims is a serious challenge in planning interventions like risk education and assistance programmes (Perlsten, 2008). In the discussions of ERW risk education and victim assistance, we are confronted with the problem of uninformative impact figures. In both cases, it is the long-term quality of the intervention that is important, rather than figures on numbers of people who have received physical rehabilitation or a mine risk education (Harpviken, 2003). Data warehouses provide cross-functional information that allow organisations to understand what is happening and how. By taking victim data from mine risk education or victim assistance aspects and analysing the trends and correlations, organisations can get great value to plan interventions and measure impact upon implementation (Gardner, 1998).

Data collection using epidemiological surveys is essential for an in-depth understanding of the number of target groups and for a comprehensive assessment of their needs. The results of such studies facilitate the allocation of resources and aid in evaluating the impact of interventions (Cobey and Ayotte, 2000). In order to deliver health-related services, epidemiologists and other public health professionals need low cost and easy-to-use data warehouse to manage data, perform data analysis, and map results (Dean, 1999). A data warehouse can cope with data in a variety of formats from diverse sources, and also data which have been summarised (Delve and Allen, 2001) making interaction with stakeholders easier. Essentially, a data warehouse provides historical data for decision support applications. Such applications include reporting, executive information systems, and data mining (Gagnon, 1999).

Data Warehousing involves the acquisition of data from various internal and external sources and the management of this data in an integrated database. Flexible reporting and analysis tools are provided for business users to extract timely and accurate information to support their managerial and decision-making process (Ferguson, 1997). The underlying reasoning behind the notion of a data warehouse is, “creating a central corporate data architecture geared towards responsive management decisions-making” (Kelly, 1994). Today's evolving health care environment requires improvements in how information is processed, distributed, analysed, and used (Waldo, 1998). Relevant information extracted from data warehouses can help organisations understand business needs and the potential of meeting such needs. This information can, also, be used as an indicator to measure the success of certain tasks implemented by business and operation units of the organisation (Chenoweth et al, 2006).

Effective management information systems help the organisation's operations strategy to be implemented effectively and help the organisation to gain competitive advantage. Hill's (2006) influential methodology for market order-winners and qualifiers is very important for organisations to consider before moving on to a discussion of operational processes and infrastructure. The attainment of competitive advantage requires the interaction of information systems (IS) with the structure, human resource management, technology and logistic systems. It is important to see an integrated framework for aligning information technology applications across various functional areas with operations strategy (Kathuria et al, 2007). However, we need to take into consideration the challenge to have a fully operative and productive IS in non-stable developing countries with low level of industrialisation and basic service (Prasad et al, 2003).

## **Data Quality Assurance**

The information system may contain huge amounts of data sets each. As the number of data items per record increases, determining errors in these data items or erroneous combinations of data item values becomes quite difficult (Paradice and Fuerst, 1991). As data bases are used for decision-making purposes, data warehouses should be accounted for to meet the demands they were created for. Without

such accountability, organisations may not receive credible information produced from data warehouses. This will lead to organisations losing their competitive advantage that data warehouses provide business with (O'Leary, 1999). Therefore, the importance of data quality in management information systems (MIS) increases daily. As organisational information systems increase in use, cost, and complexity, the quality of the data upon which decisions are based becomes critical. Erroneous data may lead to decisions and actions that have severe consequences (Waldo, 1998).

## **Iraqi Health and Social Care Organisation's (IHSCO) – an example**

Since March 2003, some national and international organisations have been gathering data on new casualties. One of the sources of this information is Iraqi Health and Social Care Organisation (IH, 2006). Iraqi Health and Social Care Organisation (IHSCO) were established in 2004 to serve the Iraqi society and, specifically, people with disability (IHSCO, 2004). Since it was established in February 2004, Iraqi Health and Social Care Organisation (IHSCO) have been working on disability issues and projects across Iraq. Being a local pioneer non-profit non-governmental organisation in this field, IHSCO depend on data gathered from the field to design projects and then to measure the performance and outcomes of the project. Therefore, data collection has been a pillar of each of the following organisation's activities:

- Surveys on communities and people affected by Explosive Remnants of War,
- Rehabilitation and reintegration of people with disability,
- Awareness-raising and education programmes to prevent causes of disability.

IHSCO set up a war victim surveillance system in mid-2004. Since early 2006, retrospective data collection focused on ERW casualties occurring after March 2003 in six central and southern governorates.

The objectives of this initiative by IHSCO were:

- “ - define the scale of the problem
- define the needs and priorities for de-mining
- highlight groups and behaviours to target for Mine Risk Education
- contribute to evaluating the effectiveness of de-mining and MRE programmes
- raise awareness about the impact of mines/UXO on society
- provide an initial understanding of the needs of mine and UXO survivors” (IHSCO, 2006).

IHSCO adopted a strategic decision for casualty data warehousing by establishing a populated database which can report statistics and analyses of Explosive Remnants of War (ERW) victims. Information from that data warehouse can be utilised to design and implement victim assistance and awareness programmes for communities affected by ERW. That option was with external technical support provided for free by the Centers for Disease Control and Prevention (CDC), USA. CDC developed a casualty database for IHSCO purposes based on CDC's Epi-Info Database and trained IHSCO data management staff members. With Epi-Info™ and a personal computer, epidemiologists and public health professionals can rapidly develop a questionnaire or form, customise the data entry process and enter and analyse data (CDC, 2008)

IHSCO also developed its quality assurance systems to guarantee the accuracy of the data gathered. That was done through checking data at three stages before entry into the database. The data management flow chart below exhibits the current system maintaining set quality assurance standards.

Data were collected from the field by interviews with victims of ERW or their families using a questionnaire form. The data collected are entered into the Epi-Info database which produces the analyses and reports reflecting the findings of the research.

As an example, IHSCO analysis of data using EPI-INFO data recorded between March and June 2006 indicates that 148 of 193 casualties (77 percent) were due to cluster munitions (compared to 26 antipersonnel mine casualties); including 40 killed and 108 injured (IH, 2006).

# IHSCO data management process for retrospective victim data collection

Areas of operation: Baghdad, Babylon, Kerbala, Muthanna, Thi-Qar and Diyala.

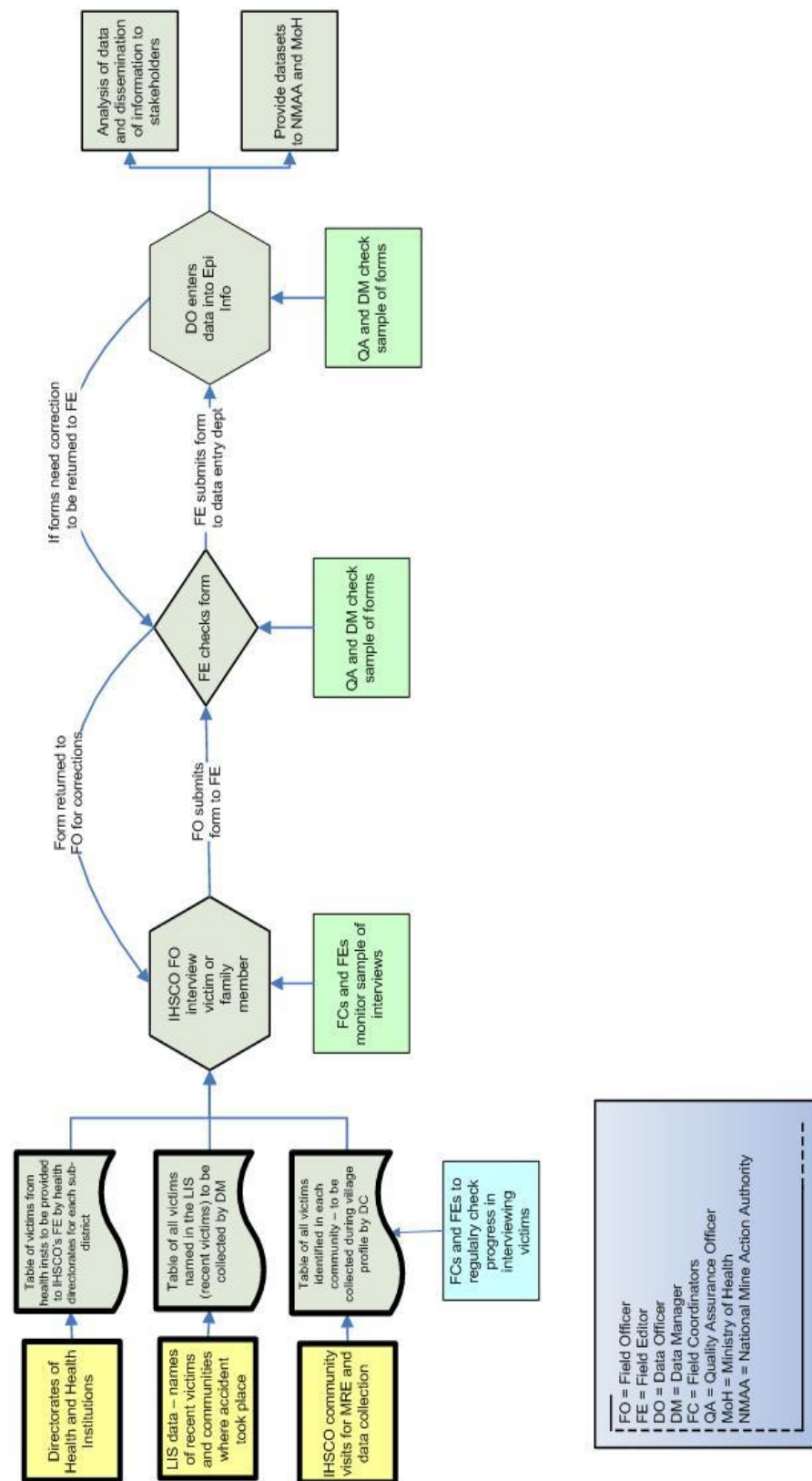


Figure 1: IHSCO data management flow chart

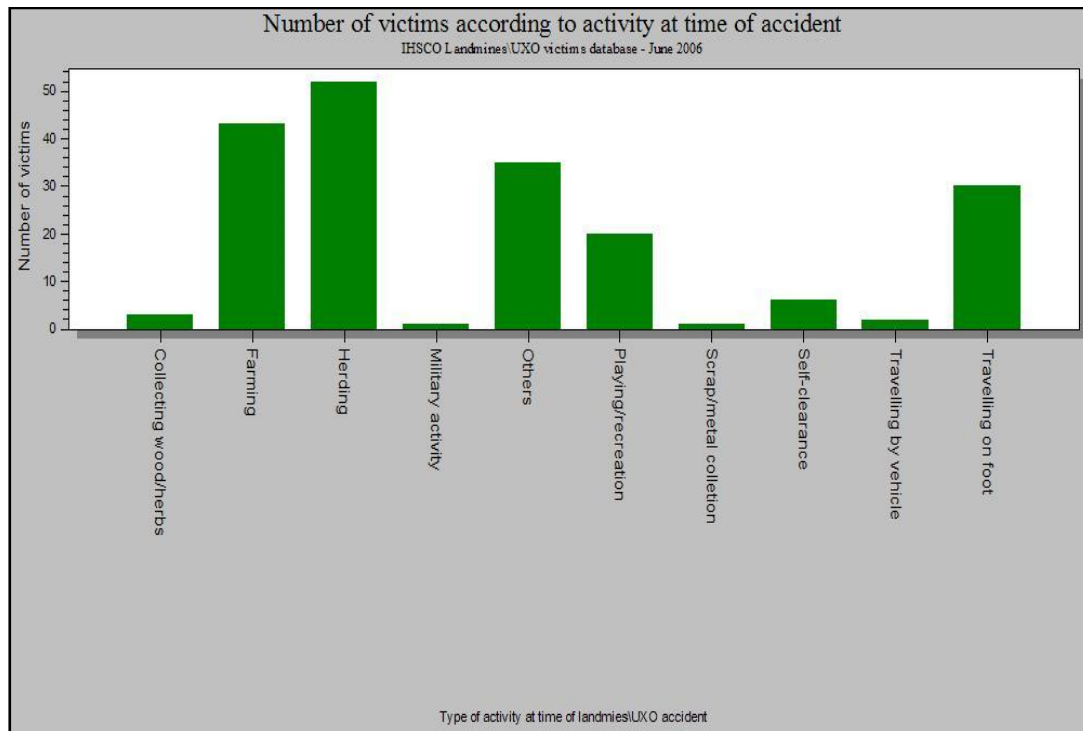


Figure No. 2

IHSCO data were processed and reports were disseminated to stakeholders, which was useful for planning for prevention and assistance activities and projects by IHSCO itself and other stakeholders. The data warehouse is able to produce representative information about many aspects related to victims, such as: age group, cause of accident, activity at time of accident, type of explosive device, victim demographics, geographic presence and other useful statistics.

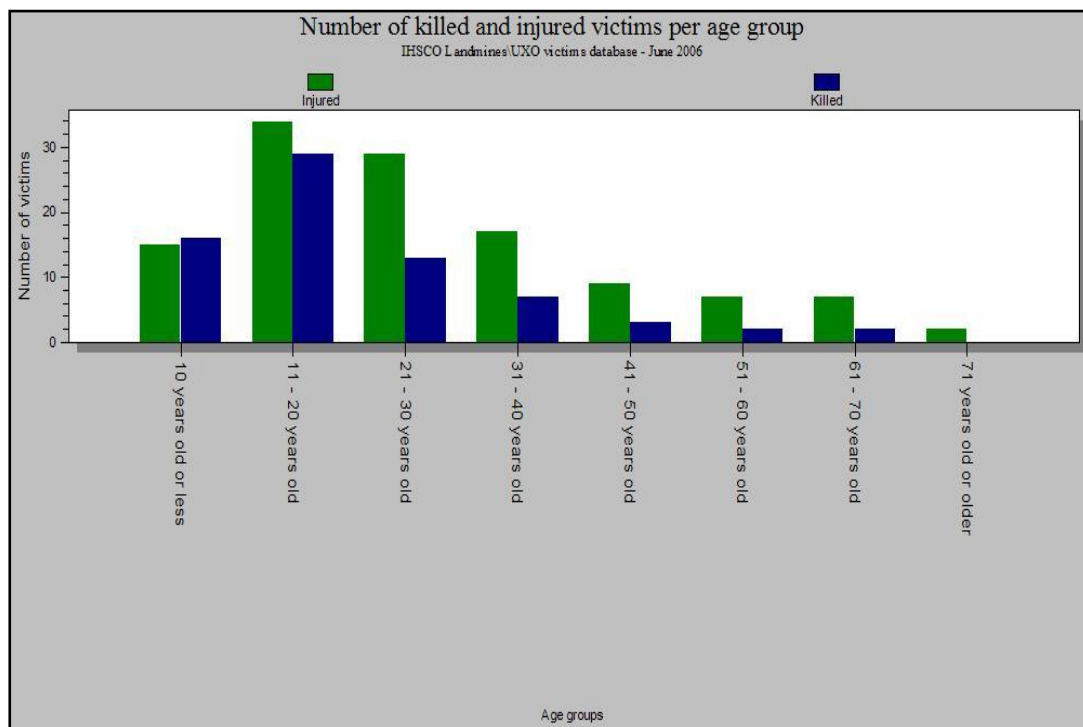


Figure No. 3

It is very a handy tool for organisations working with ERW survivors to understand the context in order to be able to provide service. Moreover, it will result in more business opportunities in terms of

planning and designing new projects related to disability issues. IHSCO used its data to develop projects and appeals for vulnerable and affected people and communities. Such appeals were for prevention and victim assistance project in central and southern parts of Iraq in 2007 and 2008 (E-MINE, 2007).

## Conclusion

This paper has shed light on some key advantages organisations can obtain from having a data warehouse. Development organisations dealing with ERW victims operating in Iraq, or elsewhere, should consider data warehousing about survivors. Literature suggests that in order to have effective provision of service to target certain groups, organisations should have a reliable source of information. This can be done through data warehousing. Data warehousing is a critical success factor for organisations to make the right decisions with regards to interventions. It is also vital for coordination of those interventions amongst stakeholders. Organisations that have functional data bases can gain a competitive advantage as they know what they want to do, when, where and how. IHSCO's experience shows that its data warehouse was used as an effective marketing tool to raise funds for its projects. Information were also useful for other stakeholders for many humanitarian purposes. Information generated by the database can be used by organisations and donors to measure the impact of intervention on beneficiaries. Data collected need to be on high quality levels, and organisations must maintain accountable quality assurance systems in place.

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# Global Is Local: Recycling Familiar Components

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## Abstract

*We have observed that management strategies change places and sometimes proceed in the opposite direction in different locations. At the same time, all ideas appear to be represented throughout many organisations. We claim that what are normally referred to as global ideas actually represent the local recycling of old ideas. Management strategies change names, speed and are combined in different ways and global trends function as catalysts. This study, which has been carried out for over ten years, summarises our experiences from a comparative study of the development of reforms in Australian and Swedish municipalities.*

## Keywords

*Australian and Swedish municipalities, global ideas, local ideas*

## Prologue

Shortly after one author of this article had received his Ph.D., he came across Geert Hofstede's book "Cultures and Organizations: Software of the Mind" (Hofstede 1991). At that time the book was to become one real 'bestseller' and a point of departure for the creation of alternative frameworks (see for example Trompenaars and Hampden-Turner 2005) and large scale international research projects such as GLOBE (Global Leadership and Organizational Behavior Effectiveness). The book inspired him to study the ways in which multinational organisations manage their various branches in different countries. He had finally found an idea for a research project to replace his dissertation! He and a colleague subsequently conducted a test interview at one of Sweden's multinational corporations. This corporation carries out business operations throughout the entire world. There probably isn't a single country that does not have products made by this particular corporation. The researchers met with the corporation's finance director. His answer to the question regarding the ways in which the corporation adapted its management strategies in countries with different cultures was simply: "We don't adapt. The culture of the corporation is what counts". That was it. That director of finance probably realised that he had ruined our great idea and offered us a tour of the factory which was adjacent to the corporate headquarters. While the tour was interesting the factory appeared as expected. There were people and machines in continuous movement.

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Nearly twenty years later the same researchers found themselves in India and happened to visit one of the corporation's factories there. The factory actually looked the same as the one we had seen in Sweden, or at least the way we remembered it. The finance director might actually have been right. Or maybe it had taken a while for management initiatives to reach their target. Luckily, the researchers had continued to

carry out research of the main idea from a different perspective.

## Ideas are Up Over and Down Under

Ideas travel quickly; there are many examples of copied ideas that were actually implemented before the original (Solli, et al. 2005). Management ideas in particular appear to spread quickly (Olson, et al. 1998). Reforms appear to be a necessary characteristic of modern organisations in many ways. Organisations seem to depend on demonstrating that they are capable of adapting to their environment (DiMaggio 1983) and are sometimes even able to demonstrate their ability to affect it. Efficiency is often the most important argument, because it almost automatically provides legitimacy (Brunsson 2000). Democracy is a good argument as well with regard to organisations that are managed by political entities although democracy will usually take second place when competing with efficiency (Jönsson, et al. 1995).

Organisations tend to operate in environments that contain many other organisations which might explain why organisational structures tend to become more and more similar. Walter Powell and Paul DiMaggio (Powell and DiMaggio 1991) call this phenomenon 'isomorphism' which has been followed by several other Greek concepts. 'Isopractice' is used to describe similar practices, 'automorphism' for imitating the past (Schwarz 1997) and 'isonymism' for borrowing names. Why not use the term allonymism to describe the desire to borrow everything but the name (Solli, Demediuk and Sims 2005)? Another explanation for these increased similarities might be that there is a constant demand for new ideas, which might give new life to ideas that have not been used for a long time. The latter phenomenon represents one of the questions that we will address in this paper. We will therefore begin by assuming that there is a demand for ideas that might provide a foundation for the actions and rhetorical exercises we typically refer to as reforms. We wonder where these ideas might be coming from.

One important question in this context is what ideas individuals and organisations develop as their own. Long ago, Gabriel Tarde (1890/1962) asked which idea might become most popular among all the ideas that are continuously present. The answer was that the new idea has to be superior to the other ideas. The subsequent crucial question is who determines the superiority. Even during Tarde's time the answer highlights the importance of media. He identified three different reasons for why an idea might be superior. First, the idea has to be "logically superior": it has to appear more reasonable than others. Second, ideas that come from "fashion centers" - the royal court in old times or large cities in modern times (Czarniawska and Solli 2001) - are usually determined superior. Third, the new idea should not collide with ideas that are already institutionalised, but should instead be supported by at least a few of them ("... the old Greeks already..."). Tarde, however, made a clear distinction between propagating old ideas, to which he referred to as imitating habit, and new ideas which he called imitating fashion. Unlike many of today's sociologists, fashion was a central concept to Tarde. This central idea was picked up by Czarniawska (Czarniawska 2005; Czarniawska and Joerges 1995) who demonstrate the ways in which fashion constitutes a precondition as well as an explanation for why certain ideas are accepted.

## Methodology

We have followed efforts to reform the public sector both in Sweden and in Australia for a long time (Solli 1988; Solli, et al. 2000; Solli, Demediuk and Sims 2005). By comparing Australia to Sweden we tried to distinguish a pattern regarding the ways in which reforms occur in organisations as well as the ways in which old ideas are reused and minor ideas become major ideas.

Our different country of origin represented a crucial methodological resource for our project. Foreigners are generally able to ask any questions while native-born individuals are better at detecting when people are talking nonsense. This project combines these two advantages as one of us is a foreigner in Sweden and one in Australia. The same holds true for the native-born perspective as well. In both cases, the foreigner consistently has had the main responsibility for conducting the interviews while the native-born asked the more aggressive questions when needed. The interviews were conducted in both countries

approximately every other year since 1995. In all, over 100 interviews were conducted and were based on the following question: How is your municipality managed? We primarily interviewed financial directors and directors of municipal operations. However, we also interviewed politicians and operations managers. Each round of interviews included at least one national organisation that might have overseen reforms.

We visited our field of study, the municipalities in Sweden and in the State of Victoria in Australia. In 2007 alone, we visited nine municipalities in Victoria as well as two organisations above the municipal level and we conducted interviews with 32 individuals. In Sweden, we visited four municipalities, three central organisations and interviewed 11 individuals.

The selection of municipalities was based primarily on their reputation for being interesting while others were selected almost randomly. We visited same municipalities on several occasions: two in Victoria and one in Sweden. Two organisations above the municipal levels in Australia and one in Sweden were visited by us consistently over time. Our strategy included combining proximity with distance. Interviewees from the municipalities were able to describe the ways in which things are done locally whereas those at the level above municipalities might discuss municipalities in general. The former usually concern ongoing processes while the latter tends to focus more on institutional organisations in general (Barley and Tolbert 1997). All interviews, including those in Sweden, were conducted in English. It might have been advantageous to conduct the Australian interviews in Swedish, but we unfortunately did not have that option. As a result, we made an unexpected, but interesting methodological observation. Interviews in a foreign language tend to be less filled with current popular vocabulary. Interviewees instead attempted to speak more directly.

In addition to the interviews we have continued to monitor events throughout municipalities and through newspapers and other research projects that highlight the current “management trend”. As a result we have compiled a lot of relevant data.

Our open questions force us to use qualitative methods. We are looking for what practice local governments use - without knowing what sort of answer we will get. The data we obtain are first transcribed to ordinary text and then codified and analysed according our frame of reference, here we call that “our filters”. This open minded method is necessary when practice is studied (Latour 1994). We treat the risk of capricious interpretation by confrontation. The subjects interviewed, or people in similar positions, are reading or listening our text and can react if the descriptions are out of order.

## **Our Filters**

Our series of interviews – 5 or 10 depending on how you count – were explorative. Our primary question on every occasion was: “How is your municipality managed?”. Occasionally we included a sub-question of particular interest. One example includes a study of the role of the director of finance (Solli, Demediuk and Sims 2000). Otherwise, we allowed the respondents to describe their situation and, based on their responses, we asked follow-up questions or for more details as needed. This does not mean, however, that we did not have any preconditions for either data collection or analysis. Like everyone else, we use a number of filters, or frames of reference, as a response to what other individuals show and tell us. In part, this concerns how the field is constructed and the understanding with which it is associated. It also depends on how we viewed the stories and images that we encountered.

Our research thus focused on the management tools that municipalities use and the ways in which they change. This means that we implicitly categorised the data from the interviews according to a hypothetical guideline or a particular logic. Our point of view is based on what some might call ‘Public Management’. Our primary references include books such as “Budgeting” by Aaron Wildavsky (Wildavsky 1975); “Making Budgets” by James Danziger (Danziger 1978); Herman van Gunsteren’s “The Quest for Control” (Gunsteren 1976) and Sten Jönsson’s “City Administration Facing Stagnation” (Jönsson 1982). This literature not only describes the past, but surprisingly often it is also applicable to today’s conditions. The aforementioned books primarily examined the culture of planning and

bureaucracy. These “classic” studies were carried out long before what is currently referred to as ‘New Public Management’. Although many authors have written about the subject according to Sahlin-Andersson (2001) the term appears to originate from Christopher Hood (Hood 1991). Whilst we are not aware of any municipality that has called its reforms NPM, nevertheless, reforms from the 1980s-1990s contain many of its components including increased privatisation, more business-like organisational structures, competition and other aspects which view the market as a good force in society. The question is: What will come after the NPM? The development trends indicate that it will be a different theory altogether. We agree with Henry Mintzberg’s belief that we understand strategies only when we know what happened (Mintzberg 1978, 1994 and see also Whittington 2004) and we continue to look.

Our second filter is related to how we view what we have seen or heard. It is based on the idea that it is actually impossible for individuals to describe exactly what they are doing and why. Barbara Czarniawska (Czarniawska 2001) provides one explanation for this phenomenon. Her explanation, based partly on Pierre Bourdieu (Bourdieu 1990), distinguishes between three different kinds of logic: theory, practice and representation. The ability of practical logic to explain a particular situation falls within the framework of representative logic or occasionally within the logic of theory. To the extent that this constitutes a problem, there are several solutions. We preferred a solution that involved turning the interviews into a dialogue between the interviewer and the interviewee. A theory was thus developed through the interaction (Kreiner and Mouritsen 2005).

In our frame of analysis the difference between representative and practical logic is closely connected to the concept of translation (Callon 1986; Latour 1986). For example, organisation A employs a practice that is introduced through a representative story. Someone in organisation B reads the story and encourages others to share. After various detours, A’s story is adapted so that it can also be practiced in organisation B. Every step involves a change. Therefore, A and B may not actually be doing the same things in practice. While the results might be similar, there may be many differences.

## **Contextual Differences**

Even a fairly superficial assessment reveals significant differences between the immediate contexts of Swedish and Australian municipalities. In Sweden, the same laws apply to all municipalities. Australia, on the other hand, is a federation, which results in large differences between a municipality in the state of New South Wales and one in the state of Victoria. These differences make it difficult to determine the number of municipalities. A qualified guess estimates that there are between 675 and 775 (Gerritsen and Whyard 1998). The Swedish constitution protects municipal independence and the national government thus has less influence than in Australia. In Victoria most decisions regarding municipal independence are made at the state level. In 2007 there were 79 municipalities in Victoria compared with 285 in Sweden. The state has extensive influence. For example, the premier (the state’s prime minister) has the power to dismiss the municipal government if he or she believes that they have made unwise decisions.

There are significant differences between operations. A relatively ordinary Swedish municipality has approximately 30,000 residents and spends about 40,000 SEK per resident. An average municipality in Victoria has approximately 55,000 residents and spends about 6,000 SEK/resident. The main difference concerns the municipalities’ responsibilities. The largest expenditures in Victorian municipalities are related to infrastructure, or more specifically, to maintaining the road system. While Australian municipalities are also responsible for some so-called “soft” operations, these may be considered marginal compared to Swedish municipalities. Swedish municipal operations primarily include education and social services which in Australia are primarily the state’s responsibility.

Political work in the two countries takes place under completely different conditions. Australia has almost no full-time politicians at the municipal level while every Swedish municipality employs two or more full-time politicians.

## Australia: Victoria

### The Kennett Revolution

We have many reasons for starting our study in 1992 and concluding it in 2007. In 1992, the Liberals and National Party coalition won the Victorian election replacing the Labor Party. As the leader of the Liberal Party Jeff Kennett was elected Premier. The winners had been fairly certain of their victory and had not made many specific election promises. At the time of the election, Victoria was experiencing considerable financial trouble which resulted in the winners' strong self confidence. Kennett immediately launched significant reforms which eventually became one of the programs that was most inspired by New Public Management. At first, it primarily focused on getting the economy back on track. Privatisation was a significant aspect of the reforms. In addition, a radical merger of municipalities was implemented. All municipal governments were dismissed and were replaced by state appointed public officials. The number of municipalities was reduced from 210 to 78. It is important to note that municipal mergers had not been discussed at all prior to the election and did not cause any significant protests (Costar and Economou 1999). Each new municipality had to reduce costs by 20%. In addition, at least 50% of overall operations were to be open to competition, known as compulsory competitive tendering (CCT). Municipal management techniques were often converted into a more business-like approach. For example, financial directors were often recruited from the private sector based on the assumption that accounting was the same in the private and public sectors (Olson, Guthrie and Humphrey 1998; Solli, Demediuk and Sims 2000).

Jeff Kennett himself labeled the reform efforts the Kennett Revolution (Parkinson 2000). However, although the changes were significant, whether they constituted a revolution or an adaptation might be open to debate (Costar and Economou 1999). Although the outcome of any particular policy is the result of many factors, the goals were reached fairly quickly.

Prior to the state elections in 1999 the Labor Party sharply criticised the reforms of the Kennett government, primarily regarding the aspects related to CCT. While CCT had clearly resulted in lower costs and a reasonable quality in some cases, there were many examples of the opposite (Sims 2000). Interest groups, including Local Government Professionals consisted of high ranking officials in the municipalities who put firm pressure on the Labor Party to oppose CCT. The Labor Party did just that in 1999 and, to the surprise of many, won the election and the Bracks' government took office.

### Best Value Victoria

One of the first things the Bracks government did after taking office was to replace the legislation that addressed CCT. They merely replaced it with a new section: the Local Government Act 2:6, which introduced the concept Best Value. The new law took effect on January 1, 2000.

The new law was based on six principles which may be summarised in the following key points:

1. All services must meet quality and cost standards.
2. All services must be responsive to the needs of the community.
3. A service must be accessible to those for whom it is intended.
4. A council must achieve continuous improvement of its provision of services.
5. A council must regularly consult with the community about services.
6. A council must report regularly, at least yearly, on its achievements to its community in relation to the Best Value Principles.

Opinions differ regarding how Best Value Victoria (BVV) came to exist. One story involves a visit to England by the director of municipal operations of Melbourne City in 1998. Back in Australia he decided that Best Value should be implemented in Melbourne City and be adapted to local conditions. A couple of the important ingredients of the English version were removed prior to the municipality supporting the initiative. For example, the inspection/audit system was not natural. This obviously also

includes the key metrics/performance indicators, which are mandatory in England and on which comparisons with other municipalities are based. It was, however, possible to translate the idea of consulting users and creating voluntary comparisons such as benchmarking.

In addition to the name there are other significant differences from the English “original”. There are no inspections, no key numbers on which to base comparisons and definitely no significant publications on the web. The Australian version, however, also has different objectives. Municipalities had become anonymous during the reforms of the 1990s. In addition, municipalities did not enjoy a high degree of legitimacy in the eyes of residents (Solli, Demediuk and Sims 2000). The anonymity was due in part to the mergers and partly to the Kennett government’s very direct management of the municipalities. The new law stipulated that operations should be reviewed. These reviews were viewed as a way to make operations more functional, and to make the municipalities more transparent to their residents. By asking residents a series of questions they were expected to become more interested in municipal operations.

Politicians and career officials generally believed that BVV was actually just a matter of “good management”. The trick, however, was to introduce evaluations into regular management. The idea was that operations as well as quality would improve if they were evaluated by consulting users and residents and compared with other municipalities.

While there are examples of some improvement, the general opinion is that the reforms never took off. Evaluation practices were implemented in operations that had never been exposed to outside competition (CCT) which varied between municipalities. It is also important to note that according to law, all operations were to be evaluated over a five year period.

In summary, BVV focused on local issues with an emphasis on evaluations which were expected to result in better services for residents. BVV key words included: transparency, improvements, decentralisation and not the least, building identity. The reforms in Victoria have the same name and are, to some extent, inspired by the English version. However, a comparison between England and Victoria reveals that the differences outnumber the similarities both with regard to practices and the ways in which concepts are described.

An insider claimed that comparing the Kennett revolution to Victoria’s version of Best Value is like comparing the Hiroshima nuclear bomb with aromatherapy. This metaphor probably underestimates the powers of both the Hiroshima bomb and aromatherapy. Reports from the Best Value Commission still show results, but it is difficult to determine whether the results would have happened anyway.

## Community Engagement and Participant Budgeting

In the round of interviews from early 2007, BVV was not portrayed as something dramatic, but appeared to be taken for granted. The respondents tended to emphasise other activities with community engagement being a particularly common topic in the interviews. Each municipality reported several activities that mostly focused on encouraging input from residents about the municipality’s future. The meetings are conducted although only a few residents turn up. At other times, several hundred residents turn up. Our material does not involve categorising. We have instead chosen to examine individual examples that are selected to represent what is happening. Participation in budgeting decision-making in Melbourne City might be an interesting example.

The following story is told by the financial director:

*It is a requirement of the Local Government Act 1989, section 223, that councils allow members of the public to make submissions to, and be heard by, council committees. Section 129 has details about the nature of the public notice. This applies to many matters like town planning issues that go before planning committees, and budgets and council plans.*



*In the City of Melbourne, the Finance and Corporate Performance Committee (FC) deliberates on the annual plan and the annual budget. Public submissions are invited in response to the proposed annual plan and budget in accordance with section 223.*

*The City of Melbourne (MCC) advertises in the local papers that the budget and plans are available for inspection and comment and submissions and states deadlines for written responses and when the committee will be meeting about them to look at submissions, hear the respondents and deliberate.*

*Hard copies of budget papers are placed at libraries, city offices, sports centres and such venues. People can also request a hard copy or a PDF.*

*When a person/group responds with comment, it goes to the Governance section at MCC. They have to 'make sense of the submission', identify the point of contact at MCC who deals with that area, distribute the submission to that area and follow up to make sure that section responds to the submission. The submission and the officer's response are packaged for consideration by the committee. If they desire, those who made a submission may speak before the FC for 3 minutes. The FC makes a decision which goes to meeting of full Council for ratification.*

**Example:** *bunch of residents are upset that that no Council \$ allocated in budget to support a local toy library. Submission sent by Governance to Community Services branch (CS). CS manager replies (that toy library had seed funding in the past 2 years and now time to concentrate on other projects that benefit children – so don't recommend any change). Reply and original submission go to FC. Toy library submission people indicate that they wish to be heard. The FC hears them for 3 minutes (maximum) and decides to allocate \$1,000 to toy library for one more year. That decision goes to full Council meeting for ratification.*

Apparently not many people turn up to make suggestions. Only six people had suggestions for the 2005-2006 budget. These people did however have many sub-propositions. The administration consistently takes them seriously. The director of finance had the impression that interest in the process increased every year.

This is merely one example; every municipality would be able to relate several.

## Sweden

### The financial crisis

Sweden and Victoria were facing the same situation at the outset of the story. There was a financial crisis. The Swedish Central Bank's interest rate was 500% during a weekend in the Fall of 1992. At the peak of the financial crisis in the 1990s the Swedish government appointed the so called Lindbeck Commission. It consisted of well-known economists, political scientists and others and it was to find a solution for how Sweden might be able to turn the situation around. They quickly delivered their solution (SOU 1993) and had thereby completed their mission. The task was apparently interesting because some members of the Commission, now called the Finance Commission, continued to deliver suggestions for how Sweden might improve.

They wrote the following in their report in 2000:

*In addition, establish an agency for municipal auditing which shall be responsible for supervising municipal auditing and which shall also be responsible for evaluating the efficiency of municipal operations. (Lindbeck, et al. 2000 p. 162).*

Does this quote not appear somewhat similar to the English Audit Commission? Similar ideas may be found in another official investigation (SOU 2001:76) which is called "Good Financial Management in Municipalities and County Councils" which suggests that the government establish:

*... a national council for municipal finances. This council shall follow and analyse the development of municipal finances. In addition, it shall serve as discussion partner and advisor to municipalities and county councils in need of expert help to analyse their financial situation primarily in cases in which the national government might be expected to play a part (SOU 2001:76 p. 20).*

They also suggest that

*The auditors shall determine whether the political majority has reached the financial objectives. Not balancing the budget during a four year period might result in consequences regarding granting discharge (SOU 2001:76 p. 18).*

A range of inquiries regarding various kinds of municipal auditing subsequently followed. Finding a form that combines municipal independence with uniform oversight has, however, proven difficult. One inquiry is currently trying to find a solution that includes independent municipal auditing.

The idea of comparing key numbers is not new. Swedish municipalities used them as early as the 1930s (Bergevörn and Olson 1987). The issue has received more attention lately; one example includes the Swedish Association of Local Authorities and Regions' so called Key Number Project. In SOU (SOU 2001:75) the person responsible for the inquiry suggests the following:

*I suggest 157 indicators for child care, school, health care and elderly care, disability care and family care. These should be divided into 65 performance indicators, 47 financial indicators and 43 key quality indicators (SOU 2001:75 p. 44).*

However, other aspects need to be introduced in addition to indicators. The inquiry also suggests...

*... as a support for municipalities, one or more contracts should be negotiated for conducting surveys according to the model that the Statistics Sweden has developed for this inquiry and which the municipalities might use (SOU 2001:75 p. 44).*

The inquiry also states that:

*The organisation that will be responsible for the municipal data base should also be responsible for conducting and publishing cross-sectional analyses as well as for initiating and managing a data bank in which benchmark projects are published and made accessible (SOU 2001:75 p. 61).*

Extensive efforts are currently being made to develop useful key numbers. One example includes the creation of the Council for Municipal Analyses and Comparisons (RKA). The RKA was the result of the cooperation between the Swedish government and the Swedish Association of Local Authorities and Regions (SOU 2005:110).

It is always difficult to determine what constitutes cause and effect. However, the person in charge of the inquiry was at the time the director of municipal operations for a large Swedish municipality and is now the director of the Swedish Association of Local Authorities and Regions.

## **A New Government**

A new Swedish government was elected in 2006. Prior to the election it was clear about what was to be expected based on the belief that there are large problems with the social services, health care and education that are provided by municipalities today. The new government's program contains the following key words: more resources, more choices, open comparisons of the quality of health care units and housing for the elderly. In addition, an independent oversight agency is to be established as will an action plan for measuring quality and ranking units within the public health care system. Alternative management forms for services that are currently provided by the municipalities are also to be encouraged. The national government is clearly demonstrating its power over the municipalities. The program contains much of what the Kennett government did in Victoria in the 1990s.

The various systems for grading students in schools are currently being sharply criticised. The new Minister of Education has stated that he will take action to institute national standardised testing that

will determine the criteria for grades. In addition, he intends to increase the number government inspections of schools. The National Board for Health and Social Services is inspecting the public health care system more systematically than ever and has subsequently provided sharp and vociferous criticism and more might be expected. While there are more of these types of actions than previously, they are not a recent phenomenon.

## Community Engagement and Participant Budgeting

Our interviews in Swedish municipalities also came to include community engagement. We discovered a range of projects that aimed at encouraging residents' involvement in various issues. Similar activities have existed for a long time, but now appear to have intensified (Gilljam and Jodal 2005). One sign is that the Swedish Association of Local Authorities and Regions, which is the normative organisation in this area, initiated a project which included inviting all Swedish municipalities to participate in a network to discuss community engagement. Over 100 municipalities signed up immediately.

We would like to highlight the case of the municipality of Vara. It is not yet particularly famous for its work in community engagement. A financial director and a mayor told us the following story:

*Vara is a median-sized municipality. It has become well known for many different things over the years. It was among the first to introduce financial management with responsibilities. A few years ago the municipality's leadership headed by a so called strong mayor believed that the employees had done a very good job. The employees, about 1000 in all, were rewarded with a trip to the Mediterranean for professional development. Although the municipality is not large, a concert auditorium, which even many larger municipalities don't have, was recently inaugurated. The municipal leadership in particular is involved in many international exchanges. Examples include China, African countries and several European countries.*

*For many years the municipal leadership regularly visits the smaller communities within its borders so that residents can make suggestions. These meetings have their own budget and decisions can therefore be made quickly. They are currently in the process of developing an additional step regarding community engagement. It is the result partly of the local visits and partly of a visit to Portugal where participant budgeting is commonly used.*

The Portuguese example is actually based on the municipality of Porto Allegro in Brazil. (Allegretti and Herzberg 2004).

## A Disorganised Order

The reforms are not particularly organised. The municipal transformation does not follow the path from traditional public management to NPM and subsequently on to something different. Our research instead reveals an interesting disorganisation in which all stages are represented and in which progress may be described as going in any direction at once.

Our material encourages discussions about many areas of reform. One might be tempted to engage in an in-depth discussion about the ways in which reforms tend to propagate in reverse. Municipalities in Victoria appear to be where Swedish municipalities were 10 years ago. Sweden, on the other hand, appears to be where Victoria was 15 years ago. A discussion might also involve the difference between talk and action of two cases. A lot of talk and little action (Sweden) might be contrasted with little talk and much action (Victoria). We have, however, chosen to highlight the relationship between the transformations of old ideas and discuss what factors cause them to become reactivated. In our view, one distinct characteristic is that while most of the things that happen in the organisations that we studied have existed for a long time, they suddenly become very popular. One explanation might include the idea that organisations forget and new reforms are only new to the ones who evaluate the ideas at that particular time. Both Salvador Carmona with German Perez-Casanova (Carmona and Perez-Casanova 1993) as well as Karin Brunsson (Brunsson 1998) show evidence that forgetting is prevalent.

Other writers believe that organisations rather tend to store ideas that they do not currently use (Røvik 1996). Which ideas are actually stored remains unclear as long as they are not needed. Kjell-Arne Røvik believes that the ability to store and use ideas is an important characteristic of modern organisations (Røvik 2000). Albert Danielsson (Danielsson 1983) uses a different metaphor. He claims that old solutions to organisational problems leave some residue which he calls sediment. According to Danielsson, old solutions thus become part of new ones. Nils Brunsson (1997) takes this line of reasoning a step further and maintains that the diffusion theory fails to explain why everyone does not take the same action when faced with the same problem. He claims that reforms, like mushrooms, seem to pop up anywhere, apparently at random. The mushroom metaphor is probably incorrect as any experienced mushroom picker knows approximately where the mushrooms are. The reason why mushroom pickers do not know exactly where the mushrooms grow is that they are not familiar with the exact conditions for wild mushrooms. It might be different if they try to grow mushrooms, but the analogy is not the same. Nils Brunsson' discussion about why reforms happen touches upon the fact that while we might never be able to fully understand why, we will be able to understand more and more.

None of the reforms we saw in Victoria or in Sweden are new. They have all existed, to some extent, in each individual municipality. There are instead various combinations of small ideas becoming large and vice versa.

To understand the various combinations we return to Tarde's (1890/1962) belief that ideas need to be logically superior and reasonable. This means that an idea that has worked on a smaller scale will subsequently be used more. Proven ideas might also be less likely to interfere with ideas that are already institutionalised. The latter contains some sediment from the old ideas. Allonymism may thus be viewed as very common and might even be the most common aspect of new reforms. However, it appears more reasonable to adapt Tarde's view that Fashion Centers control transformation and view them instead as catalysts. We have thus only observed aspects of what Tarde refers to as imitating habits. An idea that is presented as new is more likely to be accepted if it contains a sufficient number of familiar components. According to this view, reforms, and particularly their individual components, are the subject of continuous recycling which are actually merely new combinations. The reforms' sustainability is thus high. There are many ways to sauté mushroom, and which one is best is a question of negotiation.

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# Paths to Knowledge Management in Small and Medium-Sized Hotels

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## Abstract

*The purpose of this paper is to investigate what path options can facilitate small and medium-sized hotels' knowledge management? And how the options are realised by them? In order to answer these questions, this study undertook an empirical investigation into the current status and practice of knowledge management in small and medium-sized hotels. The empirical investigation was performed through thirteen face-to-face in-depth interviews with owners and managers in small and medium-sized hotels. While the interview method is selected so as to answer the questions, secondary data are utilised to support this study such as in defining the research questions and informing the study findings. This study observed that there were four broad approaches to the way in which hotels put their paths to knowledge management. Each type of the paths is named as: Match, Combination, Divergence, and Specialisation. As arguably, knowledge management is both part of the cost of doing business and the most likely source of competitive advantage, it is as important to the sole operator as to the large corporation. By understanding the different options, hotels will be able to make better decisions in the choice of their suitable paths to knowledge management.*

## Keywords

*Knowledge management, Small and medium-sized hotels Prologue*

## Introduction

Managing individual and organisational knowledge has now become an imperative to create sustainable competitive advantage especially, in large corporations. However, to date there has been relatively little research conducted into what strategic path options can facilitate small and medium-sized hotels' knowledge management? And how the options are realised by them? In order to answer these questions, an empirical investigation was undertaken through thirteen face-to-face in-depth interviews with owner/managers in the hotels. The investigation was focussed on the practices and issues in such hotels' knowledge management. While the interview method is selected so as to answer the questions, secondary data through reviewing extant literatures are utilised to support this study such as in defining

the research questions and informing the empirical study findings.

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## Theoretical Background

As suggested by Drucker in 1993, knowledge is now the new basis of competition in post-capitalist society and only knowledge resources have unlimited potential for growth (Davenport and Prusak



1998; Nonaka and Takeuchi 1995). A view of knowledge as a key firm resource focuses on the internal side of the firm's resources and capabilities. One of the basic propositions of the resource-based view of the firm is that firms differ as to their resource endowments (Barney, 1991; Prahalad and Hamel 1990; Wernerfelt, 1984). The resource-based view argues that inter-firm performance differences occur through heterogenous access to valuable resources. This creates isolating mechanisms representing entry barriers at the industry level and mobility barriers at the industry group level, that sustain the firm's competitive advantage (Rumelt 1984; Mahoney and Pandian 1992). In the resource-based view, knowledge resources are highly valuable, unique to the organisation, difficult to copy and substitute (Barney 1991; Boisot 1998; Grant 1991) and can lead to competitive advantage.

Competitive advantage based on resources and capabilities is potentially more sustainable than the traditional market-based approach (Porter 1980, 1985). In 1980, Michael Porter published his influential work *Competitive Strategy: Techniques for analysing industries and competitors*. Porter's model of five competitive forces allowed managers to assess the attractiveness of the market and establish the most competitive position within that market. Porter's (1985) concept of the 'value chain' was a further advance in that allowing managers to determine potential sources of competitive advantage by examining the activities that their organisation undertook, and the links between them. The market-based approach concerns the organisation's environment focusing on selecting an attractive industry and positioning an organisation attractively within this industry through one of the two generic strategies cost-leadership or differentiation. However, the market-based approach was criticised in its extreme form, based solely on market positioning and the consideration of organisational resources mostly only in the implementation phase.

Building on the resource-based view of the firm, the knowledge-based view of the firm contends that knowledge is the key resource and the only resource capable of creating sustainable competitive advantage. In the knowledge-based view of the firm, internal resources and capabilities such as know-how, customer knowledge, efficient processes, and expertise embedded in routines and practices that the firm transforms into valuable products and services are the keys to achieving sustainable competitive advantage (Grant 1996; Davenport and Prusak 1997; Boisot 1998; Teece 1998). The two views are interrelated in that knowledge has emerged as the most important organisational resource (Nonaka 1994; Grant 1996; Spender 1996). Both the resource-based view and the knowledge-based view of the firm have advanced the discussion on competitive advantage by acknowledging the proactive nature of firm strategies.

There is a growing number of frameworks and models in literature as organisational learning (Senge 1990), networking (Everett 1995; Powell 1990), process/cycle (AP&QC 1996; Buowitz and Williams 2000; Meyer and Zack 1996; Ruggles 1998; Wiig 1993), intellectual capital (Bohn 1994; Eccles 1991; Edvinsson and Malone 1997; Kaplan and Norton 1996; Roos and Roos 1997; Stewart 1997), social construction (Argyris and Schön 1996; Demarest 1997), communities of practice (Brown and Duguid 1998; Wenger 1998), codification v personalisation (Hansen et al. 1999), social interaction (Sveiby 1997), a set of structures (Earl 2001), tacit versus explicit knowing (Nonaka and Takeuchi 1995; Polanyi 1966) and societal knowledge management (Wiig 2007). Those models, frameworks, and a set of methods focus on the conceptual level of knowledge management, more suitable for large organisations that are in a better position than smaller ones in many aspects.

Knowledge management studies in small and medium-sized hotels setting are scarce in the literature which necessitates drawing research from other small and medium-sized enterprises. For example, the comparison study done by McAdam and Reid (2001) illustrate the perception of knowledge management in both large organisations and small and medium-sized enterprises. In exploring knowledge management in small and medium-sized enterprises, Sparrow (2001) emphasises the need to recognise the different mental models of individuals and to share their personal understanding in the development of knowledge management processes. With the study of twelve innovative Dutch small and medium-sized enterprises from the industrial and business service sectors, uit Beijerse (2000) examines the extent to which knowledge management is being practised.

By investigating some of the unique knowledge management issues facing smaller firms in German industry, Wickert and Herschel (2001) discuss techniques that could be employed to acquire and retain knowledge. Another study in small and medium-sized enterprises' knowledge management is discussed by Matlay (2001). The study focuses on competitive advantage in organisational learning in the UK small businesses. In 2004 Wong and Aspinwall characterise knowledge management in the small business environment based on literature review. A recent study by Desouza and Awazu (2006) reports their findings of five peculiarities at twenty-five small and medium-sized enterprises. Most of knowledge management studies in small and medium-sized enterprises have centred on the examination of small and medium-sized enterprises' perceptions towards knowledge management and their practices and developments in the area.

## **Methodology**

As presented in the theoretical background, there has been limited research into the circumstances of small and medium-sized hotels. In particular, little is known about what path options to knowledge management in small and medium-sized hotels? And how the options are realised by them? In order to answer these questions, the study undertook an empirical investigation into the current status and practice of knowledge management in small and medium-sized hotels. The empirical investigation was performed through thirteen face-to-face in-depth interviews with owner/managers in small and medium-sized hotels. While the interview method is selected so as to answer the questions, secondary data are utilised to support this study such as in defining the research questions and informing the study findings. The secondary data are selected and studied by reviewing extant literatures. Literature review is conducted in Knowledge Management with relevant areas as well as Tourism and Hospitality Management.

This research has used loosely defined semi-structured interview questions that support the interpretive qualitative approach in seeking to understand the perceptions and meanings ascribed by the interviewees. In understanding the data, this study has adopted a set of qualitative analysis methods. The unit of analysis for this research is the small and medium sized hotel sector in Australia, with thirteen face-to-face in-depth interviews being conducted. To maintain confidentiality, each organisation was given a code in which two capital alphabetic letters and one numeric number were combined, such as CH3, HH8, and IH9. The first capital letter and the number are in the same ascending order, in numeric and alphabetic order respectively. For example, the number 3 goes with the letter C, which is the third letter in alphabetical order. Likewise, the number 8 goes with the letter H, which is the eighth letter in alphabetical order. The second capital letter H is a constant to each hotel signifying Hotel.

## **An Emerging Concept of Path Knowledge**

While the initial aim of conducting face-to-face in-depth interviews with small and medium-sized hotel owners/managers was focused on the status of knowledge management practices and the issues surrounding these, the compelling concept of path knowledge emerged as interviews progressed. All owners/managers interviewed agreed that growth was the key to strategic success and the foundation for the future of their hotels. Embodying the idea of growth in the corporate vision of small hotels predicated the generation of revenues through offering and delivering physical products and services, knowledge-embedded products and services, or knowledge itself as a product and service. Offering and delivering such products and services is closely related to a variety of knowledge management activities intended to leverage the resources and capabilities of hotels.

A hotel's choice of a path to knowledge management was essentially dependent on two aspects, the sources of revenue generation and knowledge management activities. The two aspects cover the emerging concept of the path knowledge which was uncovered during the data analysis. The path knowledge concept represents hotels' corporate visions in which knowledge management is a part of the integrated business direction and practised differently. The sources of generating revenue refers to the decision on whether the hotel will offer a collection of physical products/services (e.g., bed, food, and

drink), knowledge embedded products/services (e.g., personalised products/services), or knowledge itself (e.g., hotel franchise knowledge). In the choice of products/services the hotels were involved in different intensity of knowledge management activities to manipulate their resources and capability.

Aside from the two defining aspects, the hotel's internal resources and capabilities in combination with external resources also affect its path to knowledge management. This study observed that there were four broad approaches to the way in which hotels put their paths to knowledge management. The path knowledge concept consists of four distinct types of path options. Each type of the path was named as: Path 1 - Match, Path 2 - Combination, Path 3 - Divergence, and Path 4 - Specialisation. Each path features different extents of the two aspects: 1) the sources of revenue generation; and 2) knowledge management activities. To make this path knowledge concept clear, as follows is the more detailed discussion on each path including the relationship between the paths and determining factors that affect the paths.

### Path 1: Match

In this path, hotels pursue their growth vision by generating revenue through the provision of physical products and services in which the extent of knowledge involvement is extremely limited. The provision of physical products and services refers to the delivery of traditional hotel services such as bed, food and beverage, and other ancillary services to customers. The hotels following this path are owned and operated independently by owner/manager(s) with at least one or two family member(s) such as hotel BH2, CH3, FH6, GH7, HH8, and IH9. These hotels have followed the *match* path very successfully, finding countless ways to give effect to it. This *match* path aims to make a suitable match with the offerings of competitors, so that the hotels taking this option can use the match in order to satisfy their customers.

In order to pursue this path, the ability to assess and compare competitors' products and services is important. The management of a hotel focuses on the way in which its offerings are constantly being compared with those of competitors. However, in doing so, the hotels must primarily monitor their own operating costs. The owner/manager at hotel BH2, physically visits competitor's premises in order to monitor their offerings, looks for differences from his own hotel and then tries to match the offering. This kind of activity can contribute to customer satisfaction and to the continuance of the business. The activities of monitoring and comparing competitors' offerings are also reflected in their marketing efforts. All owners/managers following this path have sought to advertise depended on advertising their hotels through local newspapers, Yellow Pages, flyers, and word-of-mouth referrals. But developing a successfully proven business marketing concept and promoting it through mass media advertising are often beyond the resources of such independent small hotels.

The magnitude of advantage accruing from the *match* path is likely to be small. Hotels with this path are not likely to be able to match all the changes instituted by competitors such as offering new products and services, reducing the cost of services, renovating the amenities, and/or having more staff. Aside from the capacity to match, it is questionable this approach would lead to a substantial enhancement of market share. The delivery of physical products and services on their own is unlikely to lead to a significant increase in market share or revenue generation. Moreover, there has been little knowledge management activity among hotels following this path, as the concept itself is new to them. They do acquire knowledge routinely from external sources including customers, suppliers, and government agencies, and internally from owners/managers.

The knowledge acquired has been utilised less to explore new areas, than to address current capabilities. In particular, the accumulation and use of knowledge is largely dependent on the subjective perceptions and personal knowledge of owners/managers. For example, in order to match competitors, an owner/manager might opt to be flexible in managing cost structure and customer relations. At hotel CH3, the owner/manager says that he always listens to his customers and detects the needs and wants of their customers. Afterwards, he tries to make prompt changes to increase customer satisfaction. The changes include offering complimentary drink, and lowering prices of the products and services.

Flexibility in meeting customer satisfaction and choices as well as in service delivery procedures are key elements in this process. This has helped the business to retain its loyal customers.

As no particular modern information technology has been utilised for knowledge management in the hotels following the *match* path, the traditional technologies (i.e., telephone, fax and copy machine) are still playing an important role in knowledge sharing and dissemination. The owners/managers in this path do not feel a need for other modern technologies, because the hotels are very small in size and managing knowledge and technology is deemed to be difficult. It is true that it is difficult to manage knowledge even with the help of information technology, since there is a set of complex issues that are interrelated and can not be segmented easily. More specifically, knowledge management activities involve interactions within the configuration of organisational factors such as knowledge, people, technology, strategy and organisational milieu. The application of information technology, no matter how pervasive and sophisticated, does not in itself constitute knowledge management. It is basically a very useful tool that helps people to manage knowledge. It is a support and an enabler.

## Path 2: Combination

The hotels in pursuit of the *combination* path strive to combine the *match* path with the management of knowledge to obtain an additional level of differentiation. In the *combination* path knowledge is more embedded in hotels' products and services than it is in the *match* path. While the concept of knowledge management is not always well understood by owners/managers, hotels following this path are already aware of the importance of knowledge management in their business practice. Examples of the presence of the *combination* path can be found at hotels DH4, EH5 and JH10.

In managing their knowledge, they are engaged in such knowledge management activities as acquiring, disseminating, utilising and creating knowledge, by identifying customers' needs, analysing better products and services, having regular communication with internal and external stakeholders, and mentoring and training staff. In these hotels, the knowledge acquired is utilised to create either the service processes or the products and services themselves. The creation of processes and indeed, the reduction of process cycles, involve both the owners/managers and cooperation with business partners in order to make it workable.

In terms of offering products and services, the aim is to deliver more personalised products and services to their customers at very competitive prices. By tailoring these to the specific needs and wants of customers as well as by delivering value for money, they are attracting and retaining more repeat customers. For example, at hotel JH10, a service which offers bed and brunch is a good example of personalisation, in that it meets customer demands for flexibility in meal and sleep times. The key capability necessary for this path is that the hotels are in a position to adapt relatively quickly to the increasingly changing requirements of individual customers. The acquired knowledge in building capabilities as well as in exploring new areas has helped them to enhance market performance.

As a point of comparison, the hotels following the *combination* path have more opportunities to differentiate their products and services or to reduce the cost of servicing than those pursuing the *match* path. This is reflected in the fact that the *combination* path hotels tend to hire more staff than those following the *match* path. This approach gives the *combination* hotels better leverage over their competitors, and a greater likelihood of enhancing their market performance. By offering both physical products and services (like the *match* path) and additionally the knowledge-embedded in these, the *combination* hotels can increase revenue generation as well as market share. Both the *match* path hotels and the *combination* path hotels are market oriented, focussing on customers and competitors. However, the difference between these two groups of hotels and the paths they follow is evident at the level of analysis of competitor activity and change.

The aim in hotels following the *combination* path is not only to match such changes, but also to provide enhanced knowledge-embedded products and services so as to maintain better customer satisfaction and loyalty. In order to detect changes in competitive position in the market, the hotels closely monitor their

competitors by watching their own costs and matching the marketing initiatives of their competitors. This approach is particularly common among the hotels in the *match* path and *combination* path, but a difference is that the hotels in the *combination* path looked for an edge in technology as well.

In the *combination* path, modern technology is one of the most sought after factors. In conjunction with the traditional technology, most of the *combination* hotels have been utilising the Internet and email systems or their own websites. Like with the hotels in the *match* path, there is however, no use of any kind of online direct booking facilities such as reservation systems, nor of online payment facilities. According to the owners/managers, the use of the more modern technologies did not contribute to an increase in sales, but did help increase the recognition of their business and customer support service to wider communities. This indicates that the value of these technologies lies in their ability to disseminate information and to help build relationships with external entities such as customers and business partners. This also indicates that there is a need for using technologies in day-to-day operations by providing booking and/or payment facilities which are basic as well as crucial in running business.

### Path 3: Divergence

In this type, revenue is generated through the provision of two kinds of knowledge. One kind of knowledge is the knowledge-embedded in products and services derived from the local application of knowledge generated by the business itself through the hotel's internal development or creation. The other knowledge is supplied by an external organisation (i.e., chain head office), the originator of the knowledge. The knowledge created has been used either in the formation processes of services or in knowledge service itself. Physical products and services for this type of hotels are still important as part of the means of generating new knowledge, and the externally obtained knowledge from the chain head office is becoming commoditised as a part of revenue generator. For example, hotels LH12 and MH13 are independently owned and operated and have a hotel chain affiliation. While these hotels have performed their own knowledge management activities, they must also take into account that external knowledge generated by the chain head office includes knowledge embedded in processes/procedures, manuals, policies, products and services, and business partners. The use of this established external knowledge is clearly beneficial to the hotels.

By using such knowledge, the hotels in the *divergence* path are able to deliver standardised quality, which could be the source of competitive advantage. Another potential advantage is of the possibility of market control. For instance, the hotel chains can overcome traditional market barriers through some form of partnership. This can involve two levels of partnership, namely vertical and horizontal partnerships. The vertical level entails collaboration with other service/product providers in the tourism industry including destination production and marketing, which enables the hotels to better position themselves in the market. At the horizontal level, collaboration can help to improve service offering and delivery and lower costs. In addition, interaction with fellow franchisees under the same chain agreement is enabling the exchange of ideas and the improvement of operational systems.

As a member of a chain, a hotel franchise has entered into financial and contracted preferred agreements with other business partners. Preferred agreements mean that the hotels within the chain will need to relate predominantly to chain related programs, as the chain head office has preferred relationships with certain organisations. These preferred arrangements are also coupled with room allotment availability, direct buying power and negotiation power with business partners. In the case of partnerships with wholesalers and intermediaries, the dual role of any intermediaries is important in maintaining both potential and existing customers of the hotels. Intermediary travel agents are more inclined to sell products and services that have been packaged in a wholesale program. Although as dual agents they might buy from non-preferred wholesalers in seeking out products and services and pricing that best suit the expressed needs of specific customers.

In forming the partnership, the chain affiliation offers market control, something that is normally beyond the capabilities of small independent hotels. In seeking to control the market, the hotel chains must partner with technology intermediaries. The presence of technology such as the Internet and

computerised reservation systems is a prerequisite to partner hotels reaching parts of the market that they would be unable to access on their own. At the same time, the Internet has had the effect of taking business away directly from the traditional distribution channels and done so in a highly cost effective manner. Nonetheless, the use of technology and collaboration with business partners and the ability to benefit from them, continue to be challenging areas for the hotels.

While all the hotels in this *divergence* path have acquired and used external chain knowledge to provide knowledge-embedded products and services, some in addition to this have turned their knowledge into a commercial asset. In other words, with the progress of the franchising business knowledge, some hotels as a franchisor actually operate a hotel business, while at the same time selling the franchise to others. This is one of starting points of *specialisation*, another type of a path discussed in the next section. The *divergence* path can be seen as occupying a middle ground between the *combination* and the *specialisation* paths, as the hotels involved not only depend on the characteristics of the *match* path and the *combination* path, but have also developed the business to the level of chain affiliation that contributes to market enhancement.

#### Path 4: Specialisation

There is an increasing propensity for hotels to use their specialised knowledge as a means of generating revenue. Specialised knowledge here refers to the licensing of franchise businesses by hotel chains. It also includes intellectual property that can be legally protected, for example by a patent, trademark, or copyright. In hotels, the specialised knowledge is traded to clients (i.e., franchisees) who wish to apply it based on contractual agreement. Clients are normally independently owned and operated hotels. Typically, hotels pursuing this type of *specialisation* path move away from the focus on physical products and services, found in the cases of the *match* path and the *combination* path, where the competition is on price or where success depends on volume. Instead of relying on physical products and services to generate revenue, the *specialisation* path focuses on specialised licensing knowledge, with the aim of operating chain business for which it would serve as head office (i.e., franchisor). Along with the licensing of franchise business, the main roles of a chain head office are to source knowledge products and services to clients, and to provide solutions to their needs, adding value derived from the quality of advice and specialised knowledge.

In this *specialisation* path, products and services are highly customised, and have a strong focus on the specific needs of clients. Moreover, its inherent value turns specialised knowledge into a commodity that can be sold for profit. Although physical products and services still exist, they are components of bigger systems like processes/procedures, manuals, policies and business partners designed to support franchisees. As revenue generation in the *specialisation* path comes from the sale of specialised knowledge, the marketing function becomes extremely important to maximising the sales of franchises.

In contrast to the position in the other three paths, managing knowledge in this *specialisation* path is an essential not only for growth, but also for survival. For example, hotel AH1 is running a chain business whose knowledge management portfolio includes their brand image, the quality delivery of knowledge products and services, and relationships with clients and business partners. In order for the hotel to survive in this knowledge-based business, partnership building is essential and is an area which requires innovation, knowledge and patience due to the involvement of many external entities. The manager at hotel AH1 acknowledges that the value of establishing partnerships could take the form of the reduction of upfront fees, cost effective advertising and promotional activities, stronger purchasing and volume discounts. Hotel AH1's knowledge in such as documents, computerised databases, reservation systems, processes, and products and services, as well as that residing in employees and management, has been used to serve its both clients and employees.

For delivering the knowledge to clients, hotel KH11 as a franchisor provides regular support to them in accordance with a licensing agreement. Such support includes an induction when a new franchise begins, and assistance with marketing, computerised systems and technical planning. It also includes extensive manuals covering business planning, financial control, operations, customer service, staff

recruitment and training, advertising, promotion and market research. This regular support is ongoing and given through field support programs and business success programs. Lessons learned and best practices are also provided to franchisees in order to offer improved innovative service operations, products and services extensions, or entire new products and services.

It is a matter of concern that both hotels KH11 and AH1 do not have an explicit knowledge management strategy, although are committed to regular strategy reviews and the development of strategic plans. As they have engaged in knowledge management planning as required, there is clearly a need for less ad-hoc, planned knowledge management, something that is not immutable but flexible and dynamic in the face of change. From their perspectives, marketing the business through high brand recognition and a reputation for consistent quality is the key to the success of their business. Akin to other hotels pursuing different approaches, the goal of the *specialisation* path is also that of business growth through revenue generation, where managing knowledge is an essential factor rather than an optional extra.

## Conclusions

The path options are practical in nature and effective in small and medium-sized hotels as they take into consideration owners/managers' views. Such paths represent the views of experienced managers dealt with their business intelligence that arise during the course of business operation. Thus, understanding differences among such approaches in the circumstance of each hotel can help construct better intelligent tourism enterprises as a whole. While a path to knowledge management taken by each hotel owner/manager is not alike, the choice of a path is essentially dependent on the hotel's resources and capabilities. More specifically, the sources of revenue generation, knowledge management activities and technology adoption play key roles in choosing a path to knowledge management. All the hotels interviewed are already in knowledge business although they take different paths. Some hotels focus on offering physical products/services and/or knowledge embedded products/services, others move towards knowledge itself as products/services. In order for this to happen, the hotels apply their internal knowledge as well as externally available knowledge in the course of action. Both *divergence* approach and *specialisation* approach are associated with a chain affiliation which provides small hotels with a greater opportunity in revenue generation through controlling the market share or enhancement.

On the contrary, the hotels following the *match* approach or the *combination* approach might have only a limited number of ways to differentiate their products/services, either on cost or features. Yet they can still reap rewards and gain a significant edge on competitors when they are able to do so. Regardless of the approaches taken by the hotels, revenue generation was obviously one of the most important elements in achieving their growth vision. The bottom line was for revenue generation in continuation of running the hotel whether it being through selling knowledge embedded products and services and/or solely knowledge itself through licensing a chain business. The value of hotels' knowledge is revealed when it is applied in various operational activities to generate economic value. Thus, in some hotels the pursuit of a right approach can give them an opportunity to expand in size, in others they are still small.

This paper identifies four different paths to knowledge management in the context of small and medium-sized hotels. In principle all organisations need and can benefit from knowledge management, much of the emphasis in the literature has been on its implementation within large organisations. A significant volume of past research literature tends to exclude specific reference to small and medium-sized enterprises in the hotel context. Thus, this study contributes to a reduction of a gap in the literature of knowledge management, where currently the dominant focus is on large organisations. Although the path options represent practical approaches to knowledge management that can be adopted and further shaped by the hotels, organisational factors that might affect the paths to knowledge management is unclear which needs further study.



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# Ethical Imperatives of CEOs: Creating the Virtuous Corporation

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## Abstract

*Companies that are going to thrive must have a soul. Those that are only concerned with “maximising shareholder wealth” or “maximising profit” will find themselves going the way Enron went. CEOs will have to lead the revolution and should be the ones exhorting executives to make spiritual values or virtue, not just profit, the core values of a firm. A true measure of corporate performance is multidimensional and has to include the short-term, the long-term, risk, environmental issues, society, employees, customers, suppliers, and government. This paper shows how a firm can acquire a soul and even be profitable doing it.*

## Keywords

*Corporate performance, chief executive officers, spiritual values*

## Introduction

The following quote, attributed to Abraham Lincoln (Gore, 2007: 88), describes what many people may be feeling after the latest financial meltdown, which started with the subprime real estate debacle.

*I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. . . . corporations have been enthroned, and an era of corruption in high places will follow, and the money power of the country will endeavour to prolong its reign by [working upon the prejudices](#) of the people until all wealth is aggregated in a few hands and the Republic is destroyed.*

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The cost of the subprime mess will most likely be measured in trillions of dollars; millions of Americans are in danger of losing their homes (Morris, 2008). This crisis has spread to many other countries. Morris (2008) asserts that the “subprime is just the first big boulder in an avalanche of asset writedowns.” Of course, those who helped create the disaster will undoubtedly

remain super wealthy. This is the latest crisis but there were a number of previous financial disasters that occurred (e.g., Enron, Worldcom, Adelphia, etc. fiascos; Savings and Loan scandal; dot-com debacle) not that long ago and continue to occur. Trillions of dollars of investors' funds and pensions have disappeared, as well as numerous jobs, because of unscrupulous CEOs, corporate officers, accountants, investment bankers, regulators, politicians, financial analysts, auditors, and attorneys (Mills, 2003).

CEOs are seen as part of the problem, not the solution. The scandals involving backdating of options has made it obvious that CEOs and top management of many firms are more concerned about enriching themselves than in maximising shareholder wealth. Backdating of options is not an aberration; there is evidence that 29% of public corporations have engaged in this practice (Burrows, 2007). A large number of companies are using compensation consultants to justify high salaries for CEOs. There seems to be no question that firms that use compensation consultants do pay considerably more to their CEOs; what is unclear is whether this is the result of a conflict of interest or other factors (Knowledge@Wharton, 2008). We may be seeing the beginning of another huge scandal: CEOs colluding with private equity firms to sell the companies they head at bargain basement prices. To accomplish this, they would likely need the assistance of investment bankers willing to bend the rules (Smith, 2007).

It is not surprising that Americans have lost their faith in the business world and the people who run it. In a recent Roper poll, only 2% of respondents felt that Fortune 500 CEOs were "very trustworthy" (Deutsch, 2005); the overwhelming majority of Americans (72%) believe that "wrongdoing" is widespread in the business world. Robert S. Miller, CEO of Delphi, asserts: "Society has come to believe that the term 'crooked CEO' is redundant" (Deutsch, 2005).

According to a recent Pew Research Center (2008) survey, only 41% of Americans feel that they are better off now than they were five years ago – this is the worst percentage in 44 years of taking polls. There is clearly a widespread feeling of pessimism among Americans about their economic situation. This is not surprising given that the average American is seeing wealth aggregating in the hands of the few while the average worker is lucky if his/her job is not outsourced to a foreign country.

Greider (2003) observes that because greed is the foundation of capitalism, it has caused capitalism to become dysfunctional. The corporation has lost its soul and destroys the environment in the name of profit. Moreover, there is virtually no democracy in the corporate world and executives act like lords of the manor with employees as their serfs. Bebchuk and Fried (2004:1; 2005) note that the ratio of CEO pay at large firms relative to the pay of the average worker has grown to 500:1. Samuelson (2006) found that from 1995 to 2005, median CEO compensation increased 151% (\$2.7 million to \$6.8 million); median salary increases for all full-time employees increased only 32%. In addition, the ratio of median CEO salary/median worker salary rose from 94 to 179 in the same time period. It is becoming quite apparent that executive compensation is not tied to company performance.

It is becoming clear now that Wall Street's inept compensation system — one which encouraged bankers and traders to take enormous risks with money belonging to stockholders — was partially responsible for the current financial debacle (Cohan, 2008). Cohan (2008) observes: "the inevitable consequences of encouraging smart people to take risks, free of accountability, with other people's money are easy to fathom." It is not surprising that CEOs have lost their credibility in the United States. What is ironic is that a significant number of CEOs who led their firms to insolvency or close to it have done quite well. One example is Richard Fuld, CEO of Lehman Brothers. Between 1993 and 2007, he earned approximately half-a-billion dollars; Lehman Brothers no longer exists. E. Stanley O'Neal, former CEO of Merrill Lynch, left with \$161 million (Kristof, 2008). The big losers in the current financial mess have not been the CEOs; rather, the employees, shareholders, and taxpayer have incurred the real suffering.

Jeb Bush, governor of Florida, contends that "...if the rewards for CEOs and their teams become extraordinarily high with no link to performance —and shareholders are left holding the bag— then it undermines people's confidence in capitalism itself" (Kirkland, 2006).

Bogle (2005: 5) claims that capitalism needs a soul if it is to thrive.

*...capitalism requires a structure and a value system that people believe in and can depend on. We do not need a Pollyannaish faith in the goodwill of mankind, but we do need the confidence that promises and commitments, once made, will be kept. We also need assurances that the system as a whole does not unduly benefit some at the expense of others.*

Wilson (1997) declares that “capitalism has won the economic battle around the world, but it is everywhere on the defensive with respect to the moral struggle for men’s souls...The lasting challenge to capitalism is moral.” Kolp and Rea (2006: 25) are of the opinion that the belief that the primary job of a CEO is to maximise shareholder wealth (or the wealth of the CEO) leads to corporations losing their souls, a good example of which is Enron. Kevin Rollins, CEO of Dell, refers to “the soul of Dell” and understands that a company can only have a soul if it is ethical (Kolp and Rea, 2006: 25).

Gore and Blood (2008) assert that market capitalism is now at a critical juncture. A major transformation must take place if capitalism will thrive. They believe that the following are some of the key causes of the current financial meltdown: “short-termism (including but not limited to increased leverage), poor governance and regulation, misaligned compensation and incentive systems, lack of transparency, and in some firms, poor leadership and a dysfunctional business culture.”

The corporation is a place where all that seems to matter is self-interest. Executives have not been part of the solution and, indeed, have contributed greatly to the problem. This paper is a call to action for the corporate world. CEOs must see their role as more than maximising earnings per share and/or maximising shareholder wealth. They have the responsibility to ensure that firms behave in an ethical and spiritual way; they also have to do what is right for all stakeholders, including employees, customers, suppliers, government, and the environment.

Many of the above quotations use the term “soul.” There is no question that this is a vague term and may have some religious connotations. Regardless, there is a reason that this term is used. It suggests a type of capitalism that is not solely concerned with self interest. Many other terms used to describe this new kind of capitalism include phrases such as “moral capitalism,” “karma capitalism,” “spiritual capitalism,” “triple bottom line,” “sustainable capitalism,” “socially responsible capitalism,” etc.

Lawrence Summers, President-Elect Obama’s chief economic adviser, said:

*For it is the irony of the market system that while its very success depends on harnessing the power of self-interest, its very sustainability depends upon people’s willingness to engage in acts that are not self-interested. What you have seen at Enron, at the New York Stock Exchange, and in too many other places suggests that there have been failures in inculcating the right values. (Summers, 2003)*

## Spiritual Values and Virtue

The number of CEOs interested in spiritual values continues to increase. What at first appeared to be a fad is becoming a revolution. Kerns (2002) notes that there are a huge number of books and websites dealing with business that discuss spirituality; a large number of business “gurus” are giving seminars on the subject. Rhodes (2006) points out that workplace spirituality has finally become a respectable subject, one that is discussed in management textbooks and has special interest groups dedicated to it. A number of major magazines have had issues dealing with religion and/or spirituality in the workplace (e.g., *Fortune*, 2001; *Business Week*, 1999; and *The New York Times Magazine*, 2004). Indeed, 90% of Americans describe themselves as spiritual vs. 75% who believe that they are religious (Iannaccone, 2003). One study showed that 70% of college students believe that religion is important to their lives; another study found that 77% of college students prayed (Connor, 2006). White (2006) cites a study conducted by UCLA’s Higher Education Research Institute that shows that spirituality is very important to college students today. In fact, 80% of students are interested in spirituality; 76% are searching for meaning and purpose in life; and 79% believe in God. Like it or not, White believes that

academe will have no choice but to be “visionary about the emerging issue of students’ need for spiritual development and must empower them to articulate it in the academy...”

Spirituality should not be confused with religion, although the two are related: one can be spiritual and yet not be part of any religious group. White (2006) describes the distinction as follows: “spirituality is the view that an individual’s constructed personal belief in a higher power or Supreme Being is not necessarily linked to any religious institution, orientation, or particular dogma.” Spiritual people want their lives and jobs to have purpose and meaning. Spiritual, as well as religious, people, are concerned with making a difference, and desire to make the world a better place. Those who are not spiritual believe in maximising their own pleasure and minimising their pain; i.e., all that matters is money, fame, and/or power. The “greed is good” philosophy espoused by Gordon Gekko in the movie *Wall Street* is certainly not consistent with a spiritual firm. Mangham (2006) notes that a number of scholars maintain that “today’s business schools, by elevating shareholder profit above social benefits and other concerns, may have unintentionally become breeding grounds for a generation of Gordon Gekkos.” John J. Fernandes, president of the Association to Advance Collegiate Schools of Business (AACSB), also believes that schools of business have overemphasised the importance of profit maximisation (Mangan, 2006).

Nowadays, people do not wish to leave their core values “outside the office door” (Porth, 1997). It is quite common to find Bible and prayer groups that meet on a regular basis at many companies in the United States; one estimate is that there are 10,000 of them (Business Week, 1999). Fogel (2000), a 1993 Nobel laureate, is one economist who stresses the importance of spirituality in the new economy. He identifies fifteen vital spiritual resources that include concepts such as “a sense of purpose, a sense of opportunity, a sense of community, a strong family ethic, a strong work ethic, and high self esteem.” Clearly, spiritual values are important to many people.

## Can Spiritual Values Provide a Competitive Edge for a Firm?

There are those who feel that virtue and corporate social responsibility must stem from a business imperative; the belief of “doing well by doing good” is part of this approach. Others feel that corporate social responsibility must stem from an ethical imperative. Thus, “doing good” should be important to a firm even when profits are falling (Tragakis, 2008). It may not make that much of a difference how an organisation feels since the evidence is mounting that firms that are truly committed to being socially responsible are more successful than those that are not.

Pava (2003: 62-63) states that “virtually no empirical study has ever documented a financial cost associated with increased corporate social responsibility activities.” A firm with spiritual values may actually have a competitive edge over firms that do not. Studies of numerous industries show that virtuous organisations, i.e., those that possess institutionalised compassion, forgiveness, and integrity, “enjoy higher levels of productivity, quality, profitability, customer satisfaction, and employee engagement” (Brady 2006; Paine, 2003:53). Vogel (2005: 45) disagrees and claims that there is little evidence that there is a positive relationship between being socially responsible and profitability. But even Vogel agrees that “this does not mean there is no business case for virtue. It is rather to suggest that any such claim must be more nuanced.”

The benefits of being virtuous and socially responsible do not always manifest themselves immediately; it may take years for them to appear. After all, some of the benefits of being virtuous are long-term and relate to attracting and retaining motivated employees, developing a reputation for providing superior products and stellar service, and increased market capitalisation. This does not happen immediately and profits may not increase for a while. Hollender and Fenichell (2004: 44-45) feel that the reputation of a company (“goodwill”) and its brands (“brand equity”) are more valuable than the firm’s buildings and machines. They are a firm’s most valuable asset and determine market capitalisation. The second most valuable asset is the “human capital of the employees.” Thus, firms that harm their reputations will seriously damage their market capitalisations. Acting in a socially responsible manner, on the other hand, increases the market capitalisation of a firm. Hollender and Fenichell (2004: 26-27) assert that

there is strong positive correlation between being a value-driven firm and financial performance. Firms that make virtue part of their culture have done much better in terms of long-term financial performance than those only concerned with profit maximisation.

Kiley (2006) discusses the *BusinessWeek*/Interbrand “Best Global Brands” of 2006. The world’s most valuable brands are Coca-Cola, Microsoft, IBM, and GE. One brand that was losing value for several years was McDonald’s. Adverse publicity regarding the nutritional value of its products and obesity associated with eating fast foods caused the market capitalisation of McDonald’s to decline by \$12.2 billion in the five years ending in 2003. Studies showed that mothers did not trust the nutritional value of eating at McDonald’s (Kiley, 2006). The company recognised that it had to appeal to mothers and offer healthier foods. The strategy seems to be working: McDonald’s global brand value has increased this year by 6% (Kiley, 2006). Hyundai is another company whose reputation for quality was so poor that it almost left the United States market in 1998. The company took quality much more seriously after that and even offered a 100,000 mile/10-year warranty. Hyundai’s global brand value has increased by 17% this year. Clearly, the market places a high value on brand and company names that represent quality and concern about the consumer. It goes without saying that virtuous firms would not consider selling shoddy products and providing inferior service. Pride in what one does is the mantra of a spiritual organisation.

Batstone (2003, p. 3) makes the point that employees working for ethical firms are six times more likely to remain in their companies as compared to those employed at unethical firms. Can spiritual values be employed in the workplace and make an organisation more profitable and improve employee satisfaction? The answer is a resounding yes! Mitroff and Denton (1999) provide strong empirical evidence that firms with spiritual values will perform better than those without. Those firms have employees that are more loyal, productive, and innovative than other companies.

Tragakis (2008) claims that there are at least a dozen ways (higher sales, less risk, enhanced corporate reputation and brand image, better employee relations and higher productivity, enhanced relationship with investors, etc.) that a commitment to corporate social responsibility can help a firm improve its financial performance and profits. He feels that these arguments have helped silence those that claim that “going beyond basic obligations and legal compliance is folly.” There is evidence that consumers will pay a premium for products sold by firms that are socially responsible and will purchase products made by firms that are not socially responsible only if they are sold at a huge discount (Trudel and Cotte, 2008).

By no means is it clear that being socially responsible will hurt a company’s bottom line; on the contrary, there is considerable evidence that it will benefit a firm in many different ways. Of course, the benefits may not be realised immediately. The current financial meltdown demonstrates that in many cases there may ultimately be a huge price to pay for acting in a socially irresponsible or unethical manner. As Friedman (2008) observes, referring to the current financial meltdown: “That’s how we got here – a near total breakdown of responsibility at every link in our financial chain, and now we either bail out the people who brought us here or risk a total systemic crash. These are the wages of our sins.”

## **Exemplars: Firms with Spiritual Values**

The following are some companies which have made spiritual values an integral part of their business plans. These companies are successful and demonstrate the principle of “doing well by doing good.”

Milliman *et al.* (1999), in a case study approach, demonstrate how Southwest Airlines uses a “spiritual values-based model” to make its firm successful. A spiritual company, according to the authors, addresses the question of making a positive contribution to the world. Bailey (2006) found that many Southwest Airline employees are now millionaires (employees have a profit-sharing plan, not a pension), yet continue to work. They have a great deal of pride in the company and in what they accomplished. Southwest Airlines has prospered while many airlines such as Pan Am and Eastern have

disappeared. Southwest has the lowest costs in the airline industry but pays the highest wages. It is able to do this by having the most productive employees in the airline industry.

Ben & Jerry's ice cream company is another firm that stresses spiritual values. Ben Cohen, cofounder of the company, says: "At Ben and Jerry's, we learned that there's a spiritual life to businesses as there is in the lives of individuals." He also asserts: "As you give, you receive. As you help others, you are helped in return. For people, for businesses, for nations – it's all the same... We're all interconnected, and as we help others, we cannot help but help ourselves" (Saylor, 2005). Ben Cohen and Jerry Greenfield developed a two-part bottom line for their company: each month, they want to see how many people they have helped. They also make a point to help their own community by purchasing from local dairy farms in Vermont (Saylor, 2005).

In 2004, Paulette Cole, President and CEO of ABC Carpet and Home, decided to transform her firm into one that sold products that helped society, i.e., had "social resonance" (Owens, 2006). Thus, shoppers could buy jewellery made by African women with AIDS and/or ceramics that would help support foster schools in Guatemala. Owens (2006) cites a study conducted by two researchers at the ABC Carpet and Home store which found that its customers (they tend to be affluent and interested in social causes) were willing to pay 10 to 20% more for products with labels that indicate they were manufactured at places using fair labour practices. Patricia Karte, CEO of Dancing Deer Baking, is another executive who is concerned more about health, ecology, philanthropy, and caring for employees than profits (Perman, 2006). Employees receive stock options and free lunches. Thirty-five percent of proceeds from one line of cakes go to help the homeless find jobs and housing.

John P. Mackey, CEO and co-founder of Whole Foods Market, asserts that customer satisfaction is more important than profit maximisation. He is an advocate for what is referred to as values-driven capitalism. The firm has to consciously work to improve society and not rely solely on the "invisible hand" of the marketplace to achieve this result. In fact, the company stopped selling lobsters because it did not like the way the animals were treated. The company is also increasing its spending on its purchases of produce from local farmers (Nocera, 2006).

Jim Sinegal, co-founder and CEO of Costco, feels that Costco has a simple code of ethics, which has contributed to its success. It includes the following: "obeying the law, taking care of members, taking care of employees and respecting suppliers" (Grimley, 2008). According to Sinegal, "running a good business and having a good sense of ethics is a standard if you want to be successful."

Tom Chappell (1999), CEO of Tom's of Maine, describes how his firm has thrived by managing "upside down." This means allowing values as well as profit to drive the company. In fact, Chappell believes that "social and moral responsibilities" have to be the core of the business. He defines values as what people consider "important in life" and what we want to "pass on to our children and our communities." Chappell's approach is for people who believe there is more to life than just making a great deal of money. It also respects customers, employees, the environment, and the community. Chappell shows how anyone can follow his approach by using what he calls the "Seven Intentions of Values-Centered Leadership." One of these values deals with connecting with others (Chappell, 1999: 180-183).

Tom's of Maine also has a Statement of Beliefs that can be used by any firm that is interested in spiritual values (Chappell, 1993: 32):

- We believe that both human beings and nature have inherent worth and deserve our respect.
- We believe in products that are safe, effective, and made of natural ingredients.
- We believe that our company and our products are unique and worthwhile, and that we can sustain these genuine qualities with an ongoing commitment to innovation and creativity.
- We believe that we have a responsibility to cultivate the best relationships possible with our co-workers, customers, owners, agents, suppliers, and our community.
- We believe in providing employees with a safe and fulfilling work environment, and an opportunity to grow and learn.



- We believe that our company can be financially successful while behaving in a socially responsible and environmentally sensitive manner.

Sant and Bakke founded AES, a power company, with the understanding that they would be socially responsible as well as profitable (Paine, 2003: 182-197). In fact, they “embedded” honesty, concern for the environment, empowerment, diversity, and values into the essence of the company. The company’s website ([http://www.aes.com/aes/index?page=our\\_values](http://www.aes.com/aes/index?page=our_values)) notes that the following values are “a key component of the AES culture”:

**Put Safety First** - *We will always put safety first - for our people, contractors and communities.*

**Act With Integrity** - *We are honest, trustworthy and dependable. Integrity is at the core of all we do - how we conduct ourselves and how we interact with one another and all of our stakeholders.*

**Honour Commitments** - *We honour our commitments to our customers, teammates, communities, owners, suppliers and partners, and we want our businesses, on the whole, to make a positive contribution to society.*

**Strive For Excellence** - *We strive to be the best in all that we do and to perform at world-class levels.*

**Have Fun Through Work** - *We work because work can be fun, fulfilling and exciting. We enjoy our work and appreciate the fun of being part of a team that is making a difference. And when it stops being that way, we will change what or how we do things.*

Novartis received the 2006 DNWE (German Business Ethics Network) Prize for Corporate Ethics. What makes this even more special is that this is the first time a foreign company was awarded this German prize. At the Novartis Foundation website ([http://www.novartisfoundation.com/en/articles/business/business\\_corporate\\_ethics.htm](http://www.novartisfoundation.com/en/articles/business/business_corporate_ethics.htm)), there is an interesting paper by Leisinger (1994) dealing with corporate ethics. This paper discusses the following principles of “moral common sense” discussed by Goodpaster (1984: 6): “Avoid harming others; Respect the rights of others; Do not lie or cheat; Keep promises and contracts; Obey the law; Prevent harm to others; Help those in need; Be fair; Reinforce these imperatives in others.” The above principles are certainly consistent with spiritual values. It is no wonder that a firm concerned with the above core values won an ethics award.

Wal-Mart Watch ([www.WalmartWatch.com](http://www.WalmartWatch.com)) is of the opinion that Wal-Mart has strayed from the values of its founder, Sam Walton. Indeed, Wal-Mart is under attack for not having good values. The firm has been accused of abusing employees by underpaying them, overworking them, and not providing adequate health insurance. Wal-MartWatch.com has run advertisements which they call “A Handshake with Sam” urging Wal-Mart to abide by the philosophy of its founder, Sam Walton:

*I am absolutely convinced that the only way we can improve one another’s quality of life, which is something very real to those of us who grew up in the Depression, is through what we call free enterprise — practiced correctly and morally.*

CEOs should see their role as ensuring that a firm is honest and has spiritual values. A firm with spiritual values is not a firm that forces its beliefs on others. Most people do not wish to work in a firm where employees spend much of their time proselytising. Firms that look down at individuals of other faiths and see them as needing spiritual redemption do not have spiritual values. A key component of spiritual values is showing respect for other people and their religious values.

## Mission Statements Should Include Spiritual Values

In looking at the above exemplars, it seems that a good place to start would be to examine the corporate mission statement. A firm that is interested in developing spiritual values must first thoroughly scrutinise its mission statement. Mission statements should not only be concerned with profit and

growth; maximising shareholder wealth is not what it is all about. A mission statement should say something about a firm's moral and ethical values. The needs of customers, suppliers, society, employees, government, and the environment should be addressed in the statement. Snider, Hill, and Martin (2003) did find that the websites of many of the top 50 US and top 50 non-American multinational firms make statements regarding core values of the firm and indicating a commitment to stakeholders including customers, employees, stockholders, and society. In addition, there is a mention of the importance of the caring for the environment.

Major business leaders who attended the World Economic Forum were asked for their primary measure of success. Only 20% mentioned profitability. The majority mentioned the reputation of the corporation, integrity, and high quality products (Hindery, 2005: 10). A good mission statement will mention ideas such as producing high-quality products; the importance of integrity in business; providing employees with meaningful and fulfilling work that provides dignity and the opportunity to grow; respect and concern for the environment; cultivating positive relationships with suppliers and customers; helping the local community; and concern for society. Of course, profits are necessary or the company will not survive. However, firms that do not care about customer satisfaction and virtue will also find it difficult to survive.

Wal-Mart Watch (2005) lists seven principles that it believes define an organisation's obligations to the common good. All are derived from ideas expressed by Sam Walton in his book *Made in America*.

- **Protect human dignity** based on: *"If you want people in the stores to take care of the customers, you have to make sure you are taking care of the people in the stores."*
- **Ensure quality and affordable health care coverage** based on: *"You can't create a team spirit when the situation is so one-sided, when management gets so much and workers get so little of the pie."*
- **Use market power to improve supplier conditions and wages** based on: *"We still want to drive a hard bargain, but now we need to guard against abusing our power."*
- **Enable and embrace self sufficiency** based on: *"Maybe the most important way in which we at Wal-Mart believe in giving something back is through our commitment to using the power of this enormous enterprise as a force for change."*
- **Buy local first** based on: *"For Wal-Mart to maintain its position in the hearts of our customers, we have to study more ways we can give something back to our communities."*
- **Keep it clean** based on: *"I'd like to believe that as Wal-Mart continues to thrive and grow, it can come to live up to what someone once called us: the Lighthouse of the Ozarks."*
- **Prove worthy of the public trust** based on: *"As long as we're managing our company well, as long as we take care of our people and our customers, keep our eyes on those fundamentals, we are going to be successful. Of course, it takes an observing, discerning person to judge those fundamentals for himself."*

## Conclusion

For a company to thrive, it must have a soul. CEOs will have to lead the revolution and should be the ones exhorting executives to make spiritual values, not just profit, the core values of a firm. Corgel, Geron, and Riley (2004) make the point that CEOs have to take the lead in ensuring that financial statements are believable. There is evidence that CEOs can provide the vision and serve as transformational leaders that encourage their organisations to become moral and socially responsible (Waldman, Siegel, and Javidan, 2006). It is becoming more and more apparent that companies that are only concerned with "maximising shareholder wealth" or "maximising profit" will find themselves going the way Enron went. Even powerful firms too big to fail are being forced into takeovers or begging for

government handouts to survive (e.g., Citigroup, AIG, Merrill Lynch, etc.). It is foolish to believe that corporate performance can be measured by using only one criterion such as maximising shareholder wealth or maximising profit (Pava, 2003: 8). A true measure of corporate performance is multidimensional and has to include the short-term, the long-term, risk, the environment, society, employees, customers, suppliers, and government. Maximising profit one year by sacrificing the future of the company, antagonising employees so they will attempt to seek employment elsewhere at the first opportunity, creating toxic dumps that will result in numerous future lawsuits, or selling substandard products that will fall apart after a few years of use are not ways to build a strong, viable company. The role of the CEO is not to make earnings look good in the short-run so that a few executives can make a killing before abandoning a sinking ship. CEOs have obligations to all stakeholders; their job is to ensure that a company is run in a way that it is healthy and will survive and prosper.

Lundegaard (2006) discusses the phrase used in the *Superman* show (first radio, then television), “truth, justice, and the American way.” We have become so cynical about this that when Superman, in a 1978 film, says to Lois Lane that he is here to fight for the above, she makes the point that “you’re going to end up fighting every elected official in the country.” We would add that he would have to fight almost every CEO in the world if things do not change. It does not take a Superman to fight for these values; every CEO, American and foreign, can and should fight for truth, justice, compassion, human dignity, a meaningful life, and freedom.

CEOs have the obligation to lead the charge and transform companies into those with spiritual values. What makes life consequential is helping people, providing productive and meaningful jobs, not increasing the pay of top management. The corporation also has a responsibility to help humankind achieve its ultimate goal of creating a just and caring society.

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# Religiosity as a Predictor of Consumer Ethical Behaviour: Some Evidence From Young Consumers From Malaysia

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## Abstract

*Young consumers group has been a growing population of consumers in Malaysia. The group is increasingly cosmopolitan in its outlook and preferences, and highly exposed to various media and advertising tactics. As Malaysia is rapidly moving towards industrialised and modern economy, the changing socio-economic factors, growing affluence and declining moral and religious standards, especially in urban areas can play an important role in shaping the ethical orientation of young consumers. This research examined the role of religiosity in determining the ethical attitudes of young consumer groups in Malaysia. Undergraduate students represent the new generation of young consumers group. Hence, two hundred and seventy eight undergraduate business and accounting students in public and private universities in Kuala Lumpur, Malaysia were surveyed for this purpose. This research found limited evidence to support the hypothesis that religiosity was a positive determinant of young consumers' ethical beliefs in Malaysia. Further, the results also revealed that male young consumers were more willing to benefit from illegal activities as well as to passively benefit at the expense of others than did the female students.*

## Keywords

*Gender, religiosity, ethical attitudes and values, and young consumers*

## Introduction

Corporations have various stakeholder groups whose influence and support are crucial in ensuring the enduring survival of the business. Consumers have long been recognised as one of the most influential stakeholder groups that could affect the well-being of a corporation. Consumers can be categorised into various segments. They can be grouped according to their age, income level, occupation hobbies or interest. For example, Lewis and Bingham (1991) classified young consumers as youths between the

age of 15 and 24 years old. University students fall within this market segment and they represent a new generation of consumers capable of making a strong and potential impact on business practices. In business ethics research, students are probably the most frequently researched stakeholder group and there has been

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numerous studies utilising them as survey or study participants.

In Malaysia, students who represent the young consumers group have been a growing population. They are not only increasingly cosmopolitan in their outlook and preferences but also highly exposed to various media and advertising tactics. As Malaysia is moving towards industrialised and modern economy, the growing affluence and potential declining moral and religious standards especially in urban areas can play an important role in shaping the ethical orientation of the young consumers. Moreover, given the fact that today's university students may be the future business leaders and entrepreneurs in our society this research set out to test whether religious commitment influences their ethical attitudes. One issue that would be explored is the ethical stance of the new generation of consumers on their acceptance of ethical and potentially unethical situations. Are they more accepting of unethical behaviours or are they less tolerant of unethical behaviours? To what extent is their personal religiosity influencing their ethical attitudes and beliefs? Ethical or unethical consumer practices can be explained as the rightness or the wrongness of certain actions on the part of the buyer or potential buyer in consumer situations (Dodge, Edwards, and Fullerton, 1996). Examples of unethical consumer practices include drinking a can of coke in a supermarket without paying for it, returning a "money back guaranteed" product after trying it and not liking it and getting too much change and not saying anything.

This proposed research is essentially exploratory in nature and has three objectives. The first objective is to investigate the influence of religiosity on ethical attitudes of university students in Malaysia. The second objective is to compare the extent to which religiosity influences the ethical attitudes of public and private university students in Malaysia. Finally, the third objective is to investigate the effect of gender on consumer ethical beliefs.

This study will contribute towards research in ethical judgments and consumer practices in the Malaysian perspective. Specifically, the study will provide some insights on the influence of religious commitment on the attitudes towards various unethical consumer practices among young consumers in Malaysia. The insightful findings might help formulation of appropriate policy or best practices to promote ethical consumer practices among Malaysian consumers. In addition, knowing the ethical orientation of potential future business leaders might provide academicians and policy makers the means to shape appropriate ethical attitudes early, while they are still studying for their tertiary education. The paper will begin by providing a theoretical background of the relevant literature. Thereafter the methodology and the results from the quantitative study will be presented. The paper will conclude with a discussion of the findings and limitations for future improvement.

## **Literature Review**

### **Demographic composition of Malaysia**

As the present study involved undergraduate students in Malaysian universities, it was necessary to provide a snapshot of the demographic composition of the Malaysian population especially in terms of race and religion. Malaysia is a multiracial country with Malays and other Bumiputra make up 65% of the population, Chinese 27%, and Indian 8% (Department of Statistics, 2000). Malays in Malaysia are by definition Muslims, according to Article 160 of Federal Constitution (The Commissioner of Law, 2006). On the other hand, 76% of Chinese regard themselves as Buddhists while 85% of Indians believe in Hinduism (Department of Statistics, 2000). In addition, an affirmative action in public university enrolment had been practiced since the 1980s in order to improve the number of Malays and Bumiputra students (Joseph, 2008). As a result, most Chinese and Indians choose to further their studies in the private universities. Malay students made up the largest fraction of student population in public universities whilst many Chinese students tended to enrol in private universities.



## **Consumer ethics**

Consumer ethics refers to the moral values and beliefs that individuals or groups observe when they buy, consume and dispose of products and services (Muncy and Vitell, 1992). Ethical issues involving consumers are equally as important as other marketing and advertising practices. Hence, it is pertinent to study consumer behaviour in ethics research so as to gain a broader understanding of ethical issues in the marketplace (Vitell, 2005). However, in the past there was a noticeable lack of attention given to this area of ethics. In the early 1990s, empirical research on consumer ethics was limited and focused mainly on the buyer side of the buyer-seller dyad. Hence, in a study on consumer ethics, Muncy and Vitell (1992) established a scale to measure consumer ethical attitudes pertaining to different types of ethical situations. They found that consumers reacted differently to different kinds of ethical issues/situations. Overall, consumers perceived that actively benefiting from illegal activities was more unethical compared to passively benefiting.

The Muncy-Vitell consumer ethics scale consists of four distinct dimensions: (1) actively benefiting from illegal activities, (2) passively benefiting, (3) actively benefiting from deceptive but legal practices and (4) no harm activities. The first dimension signifies the behaviour in which the consumers actively take advantage of a situation at the expense of the seller. For example, a customer gives misleading price information to cashier when the price tag has been peeled off. The second dimension consists of a situation where consumers passively benefiting themselves due to the seller's mistake. An example of this situation is when a customer gets too much change and does not inform the cashier. The third dimension represents actions in which consumers are actively involved in unethical but not necessarily illegal practices. For example, a customer keeps quiet when a waitress at the fast food restaurant serves him first instead of the other customer waiting in front of him. The final dimension refers to the behaviour that is not seen as harmful to others. An example of this situation is the act of spending an hour trying on different shoes and not purchasing any.

The Muncy-Vitell consumer ethics scale has been widely used in subsequent research including in the cross-cultural context (e.g. Polonsky, Brito and Higgs-Kleyn, 2001; Al-Khatib, Vitell and Rawwas, 1997; Rawwas, Strutton and Johnson, 1996; Rawwas, Vitell and Al-Khatib, 1994). In 2005, the consumer ethics scale was modified and a new dimension that represents consumers' desire to recycle products and "do the right thing" was added (Vitell and Muncy, 2005). However the present study did not utilise this modified version.

## **Religion and religiosity**

Johnstone (1975) defined religion as a system of beliefs and practices by which a group of people interpret and respond to what they feel is mystical and revered. Furthermore, religion is a social institution that shapes and controls the beliefs and behaviour of its followers. Religion affects individual behaviour through two sources. First, religion stipulates rules and obligations as well as sanctions that directly control and influence individual's behaviour (Harrell, 1986). One example might be the prohibition of gambling and consumption of liquor for Muslims. Second, as an influential social institution, religion has an indirect role in shaping culture, norms, attitudes and values in society (Al Habshi and Syed-Agil, 1994).

Religiosity or religious commitment is "the extent to which an individual is committed to the religion he or she professes and its teachings, such as the individual attitudes and behaviours reflect this commitment" (Johnson, Jang, Larson and Li, 2001: p. 25). The influence of religion on individual's ethical orientation stems from its highly personal nature. Hence, the extent to which religion affects one's beliefs and behaviour depends on the individual's level of religiosity and the importance one places on the religion itself (Sood and Nasu, 1995). For example, Magill (1992) reported that personal religiosity could be used to rationalise the ethical nature of behaviour. In addition, Giorgi and Marsh (1990) indicated that religion and the level of religiosity positively influenced an individual's ethical stance. Huffman (1988) argued that religiosity was one of the strongest determinants of values. Hence,

religious persons exhibit value systems that differ from those less religious and the non-religious (Mokhlis, 2006).

Previous empirical studies found mixed evidence on the positive influence of religiosity on an individual's perception of an ethical situation. For example, Clark and Dawson (1996) found that religious people tended to be more tolerant of ethically questionable corporate behaviour. Similarly, Agle and Van Buren (1999) failed to find support on the relationship between religious upbringing and corporate social responsibility. However, a few other empirical studies found a negative relationship between religiosity and one's ethical orientation. Hunt and Vitell (1993) and Phau and Kea (2007) found that religiousness could affect an individual's perception of an ethical situation and other components of ethical decisions. Both studies discovered that people who practiced their religion tended to consider themselves more ethically minded than those who did not. Hence the strength of religiousness might lead to differences in one's decision making process. Furthermore, Weaver and Agle (2002) reported that individuals formed a religious self-identity based on the teachings of religion, which in turn shaped their behaviour and attitudes. In a recent study on ethical attitudes of college students in the United States, Albaum and Peterson (2006) reported that students who claimed to be highly religious tended to behave more ethically than those who were less religious.

Tsalikis and Fritzsche (1989) and Stassens (1977) suggested the importance of a theological or religious commitment in developing a framework for business ethics. In addition, other studies had documented strong theoretical support on the existence of relationship between religiosity and attitudes towards business ethics (see Mokhlis, 2006; Vitell, Paolillo, and Singh, 2005; Kennedy and Lawton, 1998; Tepstra, Rozell, and Robinson, 1993). All of these studies reported that the level of religiosity was generally associated with higher ethical attitudes. Most importantly, it is inferred that religiosity influences an individual's behaviour and attitude in a positive way.

Caird (1987) proposed that religiosity could be measured based on three dimensions: cognitive (focuses on religious attitudes or beliefs), behavioural (measures that seek to evaluate church attendance or private prayer), and experiential (query that relates to mystical experiences). Worthington, Wade, Hight, McCullough, Berry, Ripley, Berry, Schmitt, Bursley and O'Connor (2003) developed the Religious Commitment Inventory Scale (RCI-10) to measure religiosity. The RCI-10 consists of 4 dimensions of intrapersonal religiosity (cognitive) and 6 dimensions of interpersonal religiosity (behavioural) to a religious value system respectively. The intrapersonal religiosity dimension focuses on religious attitudes or beliefs and the interpersonal religiosity measures seek to evaluate mosque/temple/church attendance or private prayer. An example of intrapersonal religiosity statement would be "religion is especially important to me because it answers many questions about the meaning of life." Meanwhile, an example of interpersonal religiosity statement might be "I enjoy spending time with others of my religious affiliation."

## **Religiosity and consumer ethics**

In the specific context of consumer ethics, a review of past literature revealed that there was a lack of published research until recently, specifically linking religiosity with consumer ethical beliefs. Some prior studies in religiosity and consumer ethics classified religiosity into two categories: (1) extrinsic and (2) intrinsic. The "extrinsically motivated person uses his religion whereas the intrinsically motivated lives his religion" (Allport and Ross, 1967: p.434). Donahue (1985) argued that intrinsic religiosity correlated more highly than extrinsic religiosity with religious commitment. Hence, intrinsic religiosity tended to have positive relationship with ethical beliefs. Researchers have employed both types of religiosity in prior studies.

Vitell and Paolillo (2003) found that religiosity was an indirect determinant of consumer ethical beliefs. They concluded that further empirical investigation especially in different settings was necessary to confirm the relationship between religiosity and consumer ethical behaviour. Vitell, Paolillo, and Singh (2005) used a sample of undergraduate students and investigated the role that intrinsic and extrinsic religiosity played in determining consumer attitudes in various situations regarding questionable

consumer practices. They discovered that intrinsic religiousness was the only significant determinant of consumer ethical beliefs. This was consistent with the findings of Vitell and Paolillo (2003).

Vitell, Paolillo, and Singh (2006) examined the intrinsic religiosity only. Consistent with the findings of their previous research, they found that intrinsic religiosity was a significant determinant of consumer ethical beliefs. In a related study, Vitell, Singh and Paolillo (2006) used a non-student population to investigate the role of religiosity, money ethics and attitudes toward business in determining consumer ethical beliefs. They utilised Muncy-Vitell consumer ethics scale and discovered that intrinsic religiosity was a significant predictor for three dimensions of the consumer ethical beliefs. Meanwhile, extrinsic religiosity significantly explained only one consumer ethics dimension. Hence, this study provided mixed evidence on the role of religiosity in affecting consumer ethical beliefs.

## Gender effects

In addition to an individual's religiosity, gender has also been found to be a significant predictor of ethical attitudes and perceptions. Ford and Richardson (1994) conducted a review of fourteen articles and reported that seven studies found that women tend to behave more ethically than men. In a recent review of literature, it was revealed that most prior studies reported a significant gender effect in the ethical attitudes of students (Albaum and Peterson, 2006). For example, Borkowski and Ugras (1998) reported that female students displayed stronger ethical attitudes than did the males. Rawwas, Swaidan and Al-Khatib (2006) found that gender was a significant predictor in explaining the differences in the relationship between individual student's religiosity and unethical behaviour. This study also reported that male students tended to behave less ethically than their female counterparts. In the context of consumer ethics, Rawwas (1996) reported that female consumers tended to view unquestionable consumer practices more negatively than did the males.

The significant differences in ethical attitudes in terms of gender may be due to the fact that men and women generally apply different decision rules when making ethical judgments (Callahan, 1990; Keller, 1988) and women tended to use a variety of decision rules compared to men (Galbraith and Stephenson, 1993). Based on the findings of the study women used utilitarian rule, that is, a decision rule based on outcomes or consequences. In contrast, men tended to use egoist rule, that is, decision rule based on maximising own self-interest. In addition, Arlow (1991) demonstrated that women place less emphasis on expediency, selfish interests, and "commonly accepted practice" than men when evaluating ethical issues. In terms of moral orientation, women are more 'cause' orientated whilst men are more 'justice' oriented (Gilligan, 1977). Based on previous empirical research on university students, there was conclusive evidence with respect to the influence of gender on the attitudes toward unethical behaviour.

## Hypotheses

Based on the theoretical and empirical literature concerning the role of religiosity in determining the consumer ethical beliefs, the following hypotheses were proposed:

**H1: Interpersonal religiosity (religiosity) is a positive determinant of all dimensions of consumer ethical beliefs for public university students.**

H1a: Interpersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the active/illegal dimension for public university students.

H1b: Interpersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the passive dimension for public university students.

H1c: Interpersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the active/legal dimension for public university students.

H1d: Interpersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the no harm/no foul dimension for public university students.

**H2: Interpersonal religiosity (religiosity) is a positive determinant of all dimensions of consumer ethical beliefs for private university students.**

- H2a: Interpersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the active/illegal dimension for private university students.
- H2b: Interpersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the passive dimension for private university students.
- H2c: Interpersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the active/legal dimension for private university students.
- H2d: Interpersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the no harm/no foul dimension for private university students.

**H3: Intrapersonal religiosity (religiosity) is a positive determinant of all dimensions of consumer ethical beliefs for public university students.**

- H3a: Intrapersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the active/illegal dimension for public university students.
- H3b: Intrapersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the passive dimension for public university students.
- H3c: Intrapersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the active/legal dimension for public university students.
- H3d: Intrapersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the no harm/no foul dimension for public university students.

**H4: Intrapersonal religiosity (religiosity) is a positive determinant of all dimensions of consumer ethical beliefs for private university students.**

- H4a: Intrapersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the active/illegal dimension for private university students.
- H4b: Intrapersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the passive dimension for private university students.
- H4c: Intrapersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the active/legal dimension for private university students.
- H4d: Intrapersonal religiosity (religiosity) is a positive determinant of consumer ethical beliefs regarding the no harm/no foul dimension for private university students.

**H5: There is a significant difference between male and female students with respect to all the four dimensions of consumer ethical beliefs.**

- H5a: There is a significant difference between male and female students with respect to ethical beliefs regarding the active/illegal dimension
- H5b: There is a significant difference between male and female students with respect to ethical beliefs regarding the passive dimension.
- H5c: There is a significant difference between male and female students with respect to ethical beliefs regarding the active/legal dimension.

H5d: There is a significant difference between male and female students with respect to ethical beliefs regarding the no harm/no foul dimension.

## Methodology

### Research setting

Undergraduate business and accounting students of two universities (one public and one private) in Kuala Lumpur, Malaysia, were selected as subjects for this empirical study. The public university, under current investigation, is located in the urban area of Kuala Lumpur and has an enrolment of about 25,750 students. The private university was established at the beginning of this century and is located in suburban Kuala Lumpur. It has a current enrolment of about 14,000 students.

Undergraduate students were chosen as respondents due to their ready accessibility and their demographic characteristics fit the profile of young consumers. Feber (1977) argued that using students sample was considered valid for exploratory studies especially considering that the subject content of the research was both relevant and understandable to the respondents. Ahmed, Chung and Eichenseher, 2003 regarded the use of undergraduate students to be relevant and beneficial because as an influential consumer group, they represent the future professional managers and business leaders with high purchasing power. Moreover, they are gaining higher education in an era of growing attention and awareness given to the ethicality of business practices.

### Sample

Two-self administered questionnaires were distributed to two groups of students. The first group comprised 150 business and accounting students attending a public university in Malaysia. The second group composed of 150 students enrolled in a private university in Malaysia. The students completed the survey during class time and were assured anonymity and remuneration was not offered. Two faculty members were assigned to distribute the questionnaires at the respective universities. A total of 278 questionnaires (yielding a response rate of 92.6%) were deemed usable for data analysis. The remaining questionnaires were discarded due to incomplete or unsatisfactory responses. Table 1 and 2 below summarise the profile of the sample based on the type of university.

**Table 1: Public university: demographic characteristics of the respondents (n=138)**

Gender		Race		Religion		Taken ethics subject	
Male	15.2%	Malay	65%	Muslim	65%	Yes	22.4%
Female	84.8%	Chinese	34%	Buddhist	29%	No	77.6%
		Indian	1%	Taoist	4%		
				Hindu	1%		
				Christian	1%		

**Table 2: Private university: demographic characteristics of the respondents (n=140)**

Gender		Race		Religion		Taken ethics subject	
Male	30%	Malay	0.7%	Muslim	0.7%	Yes	46%
Female	70%	Chinese	97.9%	Buddhist	69.3%	No	54%
		Indian	1.4%	Taoist	12.1%		
				Hindu	1.4%		
				Christian	7.9%		
				Others	8.6%		

## Research instrument

A survey instrument consisting of a series of brief ethical situations and religiousness characteristics were administered to undergraduate students enrolled in business and accounting programmes in two universities in Malaysia. Three major constructs were measured in this research: consumer ethical beliefs, religiosity and gender. The dependent construct in the analyses was consumers' ethical beliefs as measured by the Muncy and Vitell's (1992) consumer ethics scale. The Muncy-Vitell consumer ethics scale consists of four distinct dimensions: (1) actively benefiting from illegal activities (passive/illegal), (2) passively benefiting (passive), (3) actively benefiting from deceptive but legal practices (active/legal) and (4) no harm / no foul activities (no harm/no foul).

Consumer's ethical beliefs were measured with twenty consumer situations that have ethical implications. Certain items were modified or dropped after the initial pilot test to suit the Malaysian scenarios and also in view of the changing patterns of consumerism among Malaysian young consumers. Consistent with common practice, a 5-point Likert scale was used to measure the ethical beliefs of consumers. For examples, respondents were requested to rate each behaviour ranging from (1) strongly believe that it is wrong to (5) strongly believe it is not wrong on the downloading of mp3 songs from the Internet, taping a movie from the television and reporting a lost item as "stolen" to an insurance company in order to claim insurance money.

The independent construct in this study was religiosity of the respondents. The present study adopted the Religious Commitment Inventory Scale (RCI-10) developed by Worthington, et al. (2003) to measure religiosity. The RCI-10 consists of four cognitive and six behavioural commitment dimensions to a religious value system. The four cognitive dimensions were known as intrapersonal religiosity whilst the six behavioural commitment dimensions were known as interpersonal religiosity. The intrapersonal dimension of religiosity focuses on the individual's belief or personal religious experience whilst the interpersonal dimension focuses on the level of activity in organised religious activities.

The RCI-10 scale composed of ten 5-point Likert-type statements ranging from (1) "strongly believe that it is wrong" to (5) "strongly believe it is not wrong. In developing the RCI-10 scale, the data used was based on a student sample in the U.S. The students in the sample were from religions such as Christian, Buddhist, Muslim or Hindu. Hence, the RCI-10 scale was considered appropriate and valid for the present sample that consisted of young consumers who were Muslims, Buddhists, or Hindus.

The reliability coefficients of the ten dimensions on the religiosity scale and the four dimensions of the consumer ethics scale are indicated in Table 3 below. Schuessler (1971) stated that a scale is considered reliable if it has an alpha value greater than 0.60. Hair, Anderson, Tatham and Black (1998) added that reliability estimates between 0.600 and 0.700 represent the lower limit of acceptability in quantitative research studies. Therefore, the alpha value greater than 0.600 for reliability estimates was used due to the exploratory nature of this research.

**Table 3: Reliability of dependent and independent variable measures**

Construct	No. of items	Cronbach alpha
<i>Dependent:</i>		
Active/illegal	4	0.616
Passive	5	0.734
Active/legal	6	0.766
No harm/no foul	5	0.619
<i>Independent:</i>		
Intrapersonal religiosity	6	0.846
Interpersonal religiosity	4	0.810

## Empirical model

This research employed two statistical techniques to test the hypotheses; namely a multiple regression analysis and a t-test. First, the influence of religiosity on consumer ethical beliefs was examined using a

standard multiple regression analysis modelled after Vitell, Paolillo & Singh (2005). The relationship between the dependent variables (the four consumer ethics dimensions) and the independent variables (the intrapersonal and interpersonal religiosity, and gender) was assumed to be linear as follows:

$$Y_i = \alpha_i + \beta_{ij}X_{ij} + \varepsilon_{ij}$$

where  $Y_i$  represented a vector of the four consumer ethics dimensions.  $X_{ij}$  represented a vector of the three independent variables for each of the four consumer ethics dimensions.  $\varepsilon_{ij}$  represented the error term that was assumed to have a multivariate normal distribution. The parameters  $\alpha_i$  and  $\beta_{ij}$  were estimated from the data using enter ordinary least squares techniques. The potential existence of multicollinearity problem between the variables was diagnosed using a variance inflation factor (VIF) test. The results revealed that all the variables have VIF values ranging from 1.178 to 2.180. According to Hair et al. (1998) a VIF value of less than 10 is acceptable, thus all variables were retained and used in the multiple regression analyses. Second, a t-test was used to examine whether male and female students differed with respect to the four dimensions of consumer ethical beliefs.

## Results

Multiple regression analyses were conducted separately for public and private universities students to test H1, H2, H3 and H4 with interpersonal and intrapersonal religiousness, and gender as the independent variables. The four dimensions of consumer ethical behaviour were utilised as dependent variables. Four separate multiple regression analyses were carried for each group of young consumers (see Tables 4 and Table 5 below).

### Public university students: hypotheses one and three

As shown in Table 4 below, the multiple regression results of Model 1, Model 3 and Model 4 indicated that religiosity (both interpersonal and intrapersonal dimensions) was not a significant positive determinant of young consumers' ethical beliefs in the public university. Only Model 2 was statistically significant in which intrapersonal religiosity was the significant positive determinant of the young consumers' ethical beliefs regarding the passive dimension. The interpersonal and intrapersonal religiosity and gender collectively explained 7.4 percent of the variance in the dependent variable, which was the passive dimension of the consumers' ethical belief. Overall, the results supported H3b but it could not conclusively be concluded that religiosity was a strong positive determinant of the ethical beliefs of young consumers in the public university in the sample.

**Table 4: Multiple regression analyses: the influence of religiosity on ethical beliefs of public university students (n=138)**

university students (n = 156)

Model	Standardised beta	t-value	Significance
(1) <i>Dependent variable: active/illegal dimension</i>			
Intrapersonal religiosity	- 1.008	- 1.008	0.315
Interpersonal religiosity	0.965	0.965	0.336
Gender	- 1.510	- 1.510	0.133
Adjusted R <sup>2</sup> = 0.002	F-value = 1.073	Significance = 0.373	
(2) <i>Dependent variable: passive dimension</i>			
Intrapersonal religiosity	- 0.241	- 1.856	0.050
Interpersonal religiosity	- 0.026	- 0.204	0.839
Gender	- 0.134	- 1.581	0.116
Adjusted R <sup>2</sup> = 0.074	F-value = 4.534	Significance = 0.005	
(3) <i>Dependent variable: active/legal dimension</i>			
Intrapersonal religiosity	- 0.168	- 1.308	0.193
Interpersonal religiosity	- 0.058	- 0.452	0.652

Gender	- 0.096	- 1.240	0.263
Adjusted R <sup>2</sup> = 0.039	F-value = 2.806	Significance = 0.042	
(4) <i>Dependent variable: no harm / no foul dimension</i>			
Intrapersonal religiosity	0.039	0.296	0.768
Interpersonal religiosity	- 0.194	- 1.495	0.137
Gender	- 0.192	- 2.238	0.027
Adjusted R <sup>2</sup> = 0.038	F-value = 2.736	Significance = 0.046	

### Private university students: hypotheses two and four

As for the ethical beliefs of young consumers in the private university (see Table 5 below), only Model 2 was statistically significant. Interpersonal religiosity and gender were the significant positive determinants of the young consumers' ethical beliefs regarding the passive dimension in the sample. The interpersonal and intrapersonal religiosity and gender collectively, explained 7.8 percent of the variance in the dependent variable, which was the passive dimension of the consumers' ethical belief. Overall, the results partially supported H2, in particular H2b but it could not be conclusively concluded that religiosity was a strong positive determinant of the ethical beliefs of young consumers in the private university.

**Table 5: Multiple regression analyses: the influence of religiosity on ethical beliefs of private university students (n=140)**

Model	Standardised beta	t-value	Significance
(1) <i>Dependent variable: active/illegal dimension</i>			
Intrapersonal religiosity	- 0.012	- 0.089	0.929
Interpersonal religiosity	- 0.054	- 0.400	0.690
Gender	- 0.201	- 2.391	0.018
Adjusted R <sup>2</sup> = 0.023	F-value = 2.5067	Significance = 0.642	
(2) <i>Dependent variable: passive dimension</i>			
Intrapersonal religiosity	- 0.063	- 0.473	0.300
Interpersonal religiosity	- 0.329	- 2.485	0.014
Gender	- 0.155	- 1.902	0.050
Adjusted R <sup>2</sup> = 0.078	F-value = 4.934	Significance = 0.003	
(3) <i>Dependent variable: active/legal dimension</i>			
Intrapersonal religiosity	- 0.184	- 1.331	0.185
Interpersonal religiosity	- 0.208	- 1.503	0.135
Gender	- 0.010	- 0.117	0.907
Adjusted R <sup>2</sup> = -0.005	F-value = 0.775	Significance = 0.510	
(4) <i>Dependent variable: no harm / no foul dimension</i>			
Intrapersonal religiosity	- 0.097	0.697	0.487
Interpersonal religiosity	- 0.123	- 0.884	0.378
Gender	- 0.008	- 0.089	0.929
Adjusted R <sup>2</sup> = -0.16	F-value = 0.262	Significance = 0.853	

### Gender effects: hypothesis five

The results of the t-test supported hypotheses H5a and H5b (see Table 6 below). Male students in the sample were likely to be more unethical than female students in two out of the four dimensions of consumer ethics. Specifically, male students have shown more willingness to benefit from illegal



activities as well as to passively benefit at the expense of others than did the female students. However, it could not be conclusively concluded that gender significantly influences the attitudes toward unethical behaviour of young consumers in the sample.

In summary, the results did not conclusively support that (1) religiosity is a positive determinant of young consumers' ethical beliefs, and (2) gender has a significant influence on the ethical beliefs of the young consumers in the sample. However, some positive findings were recorded in this study. First, intrapersonal dimension of religiosity influenced the young consumers in the public university in terms of the passive dimension of consumers' ethical beliefs. Second, interpersonal dimension of religiosity was found to have influenced the young consumers in the private university in terms of the passive dimension of consumers' ethical beliefs. Third, male students tended to show a more liberal attitude toward illegal activities as well as to passively benefit at the expense of others than did the female students. Hence, this research found some evidence on the significant role of religiosity and gender in determining the ethical attitudes of young consumers in the sample.

**Table 6: T-test results of consumer ethics by gender (n=278)**

Construct	Male (Mean)	Female (Mean)	Significance
Active/illegal	2.3452	2.0845	0.001*
Passive	2.8921	2.5700	0.003*
Active/Legal	2.4974	2.3558	0.170
No harm/no foul	3.2794	3.3103	0.769

\*  $p < 0.05$

## Discussion

It is acknowledged that students represent the new generation of young consumers with strong potential impact on business practices. Given the lack of empirical study in this area of research in the context of Malaysia, the present study attempted to explore the potential impact of religiosity on ethical beliefs of this important segment of consumers. Two hundred and seventy eight undergraduate business and accounting students of one public and one private university participated in the survey research. This study found a very weak support for the role of religiosity in determining the consumers' ethical beliefs.

When comparing the young consumers in the public university and those in the private university, the study found that only one dimension of religiosity influences the ethical beliefs. Intrapersonal religiosity positively influenced the ethical beliefs of the young consumers in the public university with respect to the passive dimension of consumer ethics scale. Intrapersonal religious orientation focuses on the individual's belief or personal religious experience. It is worth noting that public university students in the sample mainly consisted of Malays (65%) who were also Muslims. Hence a possible explanation for this finding could be related to the nature of Islam as a monotheistic religion that stresses the existence of one god who unifying the universe. It also places emphasis on one's spiritual being. Muslim young consumers in the sample tended to attribute the intrapersonal aspect of their religious orientation in their attitude toward potentially unethical situations.

In contrast, interpersonal religiosity was found to be a positive determinant of the ethical beliefs of the young consumers in the private university with respect to the passive dimension of consumer ethics scale. Interpersonal religiosity focuses on the extent of one's involvement in organised religious activities or rituals. The private university students in the sample mainly consisted of Chinese (98%) who were mostly Buddhists or Taoists. Buddhism is considered a non-theistic religion, whose fundamental core does not include the idea of worshipping a creator god. Moreover, the practice of Buddhism in Malaysia has been largely infused by the elements of Taoism, which mainly focuses more on the ritualistic or cultural aspect rather than the spiritualistic. Hence, this conjecture may help to explain the finding of this research in the context of young consumers in the private university. In particular, Buddhist young consumers in the sample tended to attribute the interpersonal aspect of their religious orientation in their attitude toward potentially unethical situations.

It is also important to note that the highly disproportionate student numbers in terms of race and religion in the sample from the public and private universities is reflective of the demographic composition of Malaysia as well the affirmative action policy that has been practiced since the 1980s. Hence, most Chinese and Indians choose to further their studies in the private universities. Moreover, the private university in this study was set up by a major political party that represents the Chinese in Malaysia. As such, majority of its student population is Chinese.

In the context of the effects of gender on the ethical orientation of young consumers, it was found that female consumers were negatively associated with unethical behaviour with respect to the active/illegal and the passive dimensions of consumer ethical beliefs. This finding is consistent with the findings of Borkowski and Ugras, 1998; Albaum and Peterson, 2006 and Rawwas, Swaidan and Al-Khatib, 2006). A possible explanation for this finding could be related to the upbringing of the young consumers. In Asian society, parents nurtured girls to be considerate, humble and obliging. Meanwhile boys were raised up to be tough-minded, aggressive and competitive. In addition, consistent with being nurtured to be thoughtful and considerate, previous studies found that women tended to use variety of decision rules when making ethical judgments (Callahan, 1990; Keller, 1988).

## Conclusions

This research investigated the role of religiosity in determining the ethical attitudes of young consumer groups in Malaysia. Undergraduate university students in Malaysia were surveyed because they represent the thriving young consumers group that are highly exposed to modern marketing tactics and affected by the general decline in religious and moral standards.

The results indicated that only one dimension of religiosity influenced the ethical beliefs. Intrapersonal religiosity positively influenced the ethical beliefs of the young consumers in the public university with respect to the passive dimension of consumer ethics scale. On the other hand, interpersonal religiosity was found to be a positive determinant of the ethical beliefs of the young consumers in the private university with respect to the passive dimension of consumer ethics scale. In addition, it was found that female consumers were negatively associated with unethical behaviour with respect to the active/illegal and the passive dimensions of consumer ethical beliefs.

The results should be interpreted with caution due to the fact that the samples mainly consisted of either largely Malay (as in the case of the public university) or predominantly Chinese (as in the case of the private university). The findings of the identified weak relationships in this study should be taken as preliminary evidence that warrant further investigation across different samples so as to validate or verify the existing linkages. Future research should endeavour to include a representative sample of the Malaysian university students. Probably, future research should include other private and public universities in Malaysia. Only a small percentage of the variance was explained for the significant consumer ethics dimension. As such, the study has encountered an omitted variables problem in which other variables may account for the rest of the variance. Future research should include other variables such as the role of money, moral philosophies, race, and attitude toward business, exposure to ethics and religious-related courses and business versus non-business students.

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# Organisational Justice: Migrant Worker Perceptions in Organisations in the United Arab Emirates

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## Abstract

*A justice framework can be used to understand how individuals within organisations respond to a variety of human resource practices and also can be used prescriptively in designing the procedures and enactment of human resource practices. The principles of justice can be applied in order to understand the consequences of any human resource practice. This paper examines the impact of the perception of organisational justice on job satisfaction of unskilled workers in the city of Dubai in the United Arab Emirates (UAE). The key findings of the research revealed Dubai as having the largest proportion of expatriate workers globally and that these employees present a high level of grievance towards their employers. Major issues highlighted by the survey include pay, workload, job responsibilities, bias, and employer injustice.*

## Keywords

*Organisational Justice, Migrant Worker, Job Satisfaction, Job Performance, Equity, Ethics.*

## Introduction

Organisational justice is concerned with fair treatment of employees and is considered to encompass three different components - distributive justice, procedural justice and interactional justice.

Distributive justice refers to the concerns expressed by employees with regards to the distribution of resources and outcomes (Greenberg, 1990; Cropanzano and Folger, 1989). The employee's perception of whether the outcome is fair or otherwise forms the basis of the concept of distributive justice. It is the individual within an organisation who determines the fairness of the distribution through comparison with others. The employee is concerned about the equity aspect of justice; does the individual think that they are treated fairly in terms of work load, work schedule, salary, bonuses or promotion.

Procedural justice is the perceived fairness of procedures which are used to determine outcome decisions (Folger and Konovsky, 1989). These procedures should be consistent, bias free and take into account the concerns of all parties and be morally acceptable (Leventhal, 1980). Here the employee is concerned about whether the decision process is fair and the process used to determine the outcome was just. It is

mainly concerned with the fairness of the means that an organisation uses to determine outcomes.

Interactional justice relates to the fairness of interpersonal communication in respect to organisational procedures (McDowall and Fletcher, 2004). It is concerned with how the information was communicated and whether the individuals affected by a decision were treated in a courteous and civil manner (Bies

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and Moag, 1986), such as being treated with respect and dignity. These three concepts of organisational justice will be used to study their impact on unskilled workers in Dubai. Detailed analysis of these have been carried out in an earlier study (Randeree and Malik, 2008).

The focus of the study is more than the theoretical view on justice. This study is concerned with individuals' responses to the things they receive (that is, the outcomes), and the means by which they obtain these outcomes. This research uses the organisational justice measures developed by Niehoff and Moorman (1993) to test their impact on job satisfaction.

This study draws light on two major issues

- (a) Measures of job satisfaction in relation to outcomes (distributive justice), the fairness of employers' decisions processes (procedural justice) and communication methods (interactional justice).
- (b) The potential impact of the perceptions of organisational justice on self-perceived performance of employees, specifically unskilled workers

The organisational justice models listed below selected based on the criteria that these encompass all kind of workers, unskilled and skilled. Other organisational justice models which addressed only skilled workers were omitted from this study. Moreover, there is limited research available focusing exclusively on unskilled workers and hence there was no specific organisational justice model found that relates solely to unskilled workers.

Because this is a subject which is usually traded-off for pressing productivity and demanding competition, this paper draws on existing research and identifies the known issues told through each form of justice and its perception in the UAE discovered through the collective view of unskilled workers. The study aims to reveal how unskilled workers perceive organisational justice, taking example in the city of Dubai in the UAE.

## Review of Extant Literature

Fischer and Smith (2004) studied performance and seniority-based allocation criteria in the UK and Germany. Allocations based on work performance and seniority were perceived to be fair. Work performance accounted for about 11 per cent of the variance in justice perceptions. Lee (2000) explored the relationships between organisational justice, job satisfaction, organisational commitment, and turnover intentions in the lodging industry. The results indicated that distributive justice and procedural justice have direct positive influence on job satisfaction. He concluded that distributive justice plays a more vital role in employees' work-related outcomes than procedural justice and that the impact of interpersonal working relationships on employees' justice perceptions is significant. That is, the quality of interpersonal working relationships promotes employees' perceptions of fairness.

Stark et al. (2000) studied downsizing and layoff survivors in the USA. They reported that while there is some evidence that survivor perceptions of procedural justice might influence job satisfaction, the presence of a strong interaction effect between the negative effect and the perception of psychological contract violation makes it difficult to accurately assess such a relationship.

Robinson (2004) investigated the role of organisational justice in predicting four organisational outcome variables, namely, job satisfaction, organisational commitment, motivation, and performance. As hypothesised, the three components of organisational justice were significant predictors of the four organisational outcome variables. Distributive justice accounted for the most variance in job satisfaction, while procedural justice accounted for the most variance in organisational commitment, motivation and performance.

Aryee et al. (2004) examined the relationship between organisational politics and procedural justice and their influence on exchange fairness and employee performance. Results revealed procedural justice but not organisational politics to be related to task performance and the contextual performance dimensions of interpersonal facilitation and job dedication.

Cohen and Spector (2001) meta-analysed (carried out quantitative analysis of several separate but similar studies in order to establish statistical significance) the role of justice in organisations. They found similar relations among all justice types and satisfaction. The study also reported that job performance and counter productive work behaviours, considered to be outcomes of perceived justice, were mainly related to procedural justice. Since most satisfaction measures were similarly related to all justice types, Cohen and Spector (2001) concluded that to maintain employees' satisfaction, managers should take care that distributions, procedures and interactions will all be fair.

Tang and Sarsfield-Baldwin (1996) attempted to identify the major components of distributive and procedural justice and how they are related to some organisational variables. They identified five factors of procedural justice: fairness, two-way communication, trust in supervisor, clarity of expectations and understanding of the performance appraisal process. Distributive justice was found to be a one-dimensional variable. Tang and Sarsfield-Baldwin found distributive justice to be significantly related to satisfaction with pay, promotion and the performance appraisal. Further, different aspects of procedural justice were found to be related to satisfaction with supervision, self reported performance appraisal rating and performance appraisal. They argued that both distributive and procedural justice are important in predicting employees' subsequent personal satisfaction and commitment to the organisation. Using organisational justice analysis, Tang and Fuller (1995) tested job satisfaction in joint venture hotels in China. Unlike interactional justice, both procedural justice and performance-based distributive justice were found to be predictive of job satisfaction.

### **Migrant Workers in the United Arab Emirates (UAE)**

The recruitment of migrant unskilled workers begins in their home countries. Commonly, local recruitment companies in the source countries, working on behalf of UAE-based companies, advertise for and enlist workers for jobs in the UAE. Construction companies go further, dispatching recruitment scouts directly to source countries to work with local recruitment companies. Others utilise UAE-based recruitment companies to act as intermediaries between UAE employers and recruitment agencies in the source countries. Furthermore, some companies in the UAE, known as manpower supply agencies, import migrant workers for the sole purpose of subcontracting them to other employers, including construction companies, for long- or short-term jobs (Human Rights Watch, 2006a).

The UAE's Labor Law No. 8 of 1980 (the federal law regulating labour relations throughout the country) permits only UAE nationals licensed by the Ministry of Labor to sponsor migrant workers. This applies to employers who directly recruit migrant workers as well as to those companies who act as intermediaries in the recruitment process. Under the UAE Labor Law, employers must pay certain fees to the government for each foreign worker they recruit into the country. These fees include an employment visa request fee of 200 AED (\$55) and an employment visa issuance fee of 1,000 AED (\$273). In addition, employers must provide an airline ticket to migrant workers to travel from their home countries to the UAE.

UAE law explicitly forbids UAE recruiters from collecting any fees from prospective migrant workers. However, UAE recruitment agents appear to openly flout this law, charging workers these fees instead of requiring the prospective employer to bear the cost. Some workers who cannot raise money for the visa fees, resort to taking loans from recruiting agencies at often exorbitant monthly interest rates. The most common complaint from low paid workers in the UAE, which also forms the basis of a large number of labour disputes reviewed by the Ministry of Labor and the Dubai labor agencies is the withholding of wages by employers. The impact on workers whose wages are withheld for even one month is very serious: they immediately fall into arrears on the debt they owe recruiting agencies in their home countries, thus incurring additional interest.

Furthermore, they are unable to send money home to their families who depend on their earned income in the UAE. In some cases, the non-payment of wages means that workers do not have sufficient money to purchase basic necessities. Withholding as much as two months salary as security against workers absconding to a better job is accepted as customary among construction companies in the UAE. There is

no basis in law for this practice and withholding wages violates UAE law requiring employers to pay workers in a timely fashion and keep verifiable records. In addition, construction companies occasionally withhold wages beyond this two-month security bond when they run into cash flow problems (Human Rights Watch, 2006a).

In a variant of the practice of withholding wages, numerous cases have been reported, where employers change terms of employment without notice, recruiting migrant workers by promising higher wages than they intend paying. For migrant workers, changing jobs within the UAE is a cumbersome, bureaucratic process and requires the consent of the original employer. To begin with, labour regulations require workers to have completed two years of service with their current employer before being entitled to switch employers (Federal Law, 1980). They may seek only the same kind of job, and there must be no UAE national available for the job. Most significantly, in order to move to a new employer, workers must obtain a letter of no objection from their current employer and request the Ministry of Labor to reregister their visa and work permit in the name of the new employer. The fact that employers often hold on to workers' passports, a practice that is also against the law, makes it even more difficult for workers to change jobs. While employers in the UAE are prohibited from confiscating the passports of their employees, employers routinely do this, retaining the passports for the duration of their workers' employment, typically to ensure that the employees do not abscond. By withholding workers' passports, employers exercise an unreasonable degree of control over their workers. Despite the fact that both government officials and UAE courts have reiterated the unlawfulness of this practice, the government has taken only limited steps to enforce this law (Human Rights Watch, 2006a).

Dubai Municipality recorded 34 deaths of construction workers at their workplaces in 2004 and 39 deaths in 2005 (Human Rights Watch, 2006a). Independent research by a construction trade publication, *Construction Week*, found that a total of 880 migrant construction workers died in the UAE in 2004: 460 from India, 375 from Pakistan and approximately forty-five from Bangladesh, though the report did not provide information regarding the cause of death so it is unclear how many of these were work-related. In the past few years, suicide amongst workers has been on the rise. Accurate and reliable data on the number of suicides is difficult to obtain, though occasional reports of cases of workers committing suicide after allegedly suffering wage exploitation at the hands of his employer are found.

A serious health hazard faced by construction workers is the extreme climatic conditions. The mean maximum temperatures in the UAE during the months of April to September exceed 90°F (32°C), with humidity over 80 percent in coastal areas, notably, Abu Dhabi, Dubai and Sharjah. For construction workers who spend the vast majority of their time working under such conditions, heat-related illnesses are a manifestation of dangerous working conditions. According to Human Rights Watch (2006b), heat-related illness is the most important health issue facing construction workers. This includes heat-stroke as well as dehydration.

## Data and Research Methodology

In this study, the research strategy involved collection of data through a survey. Firstly, a qualitative approach was adopted as the research aims to gain a deeper understanding and description of a problem (Holme and Solvang, 1991). The decision of a survey was reached based on meeting the three conditions described by Yin (1994), namely, that the type of research questions posed be suited to a questionnaire; a low level of control over behavioural events; and, a high degree of focus on contemporary events and issues.

The population of this study consisted of unskilled workers employed in Dubai in the of construction industry, domestic workers, cargo and freight forwarders and facilities management contractors. A total of 400 questionnaires were distributed and data collection was carried out over a period of six months. The questionnaire was also translated into the Hindi and Tamil languages to facilitate those workers who could not comprehend English language to participate in the research.



Distributive, procedural and interactional justice was measured by using the scales developed by Niehoff and Moorman (1993). These organisational justice measures were used to test their impact on job performance of unskilled workers in Dubai. Data was collected from employees working in the city of Dubai. Descriptive statistics and correlational analysis were used to examine the data.

The data analysis methodology involved dividing the findings into those related to the impact of distributive justice on job satisfaction of unskilled workers in Dubai; the impact of procedural justice on job satisfaction of unskilled workers in Dubai and; the impact of interactional justice on job satisfaction of unskilled workers in Dubai. Al-Dmour and Awamleh's (2002) tool was then adopted to measure job performance. The findings of this study are representative of the self perceived job performance of unskilled workers in Dubai.

Subsequently analysis was performed and the survey data was cross dimensionally analysed in order to validate the self perceived job performance of unskilled workers in Dubai, this was accomplished by analysing the impact of distributive justice in context of nationality of the unskilled workers and the employer's country of origin. Distributive justice was chosen over the other two types of organisational justice because it is more at a personal level and relates more to the sample of workers under consideration in this research. In terms of distributive justice measures the worker is concerned about the equity aspect of justice; the individual decides whether they have received what they deserve in the form of work loads, work schedules, salary levels, bonuses, promotions, housing allowances. It deals with the workers' perception of whether the outcome is fair. This forms the basis of the concept of distributive justice and it aligns to the research questions. The findings here were then compared to the self perceived job performance of unskilled workers in Dubai in context of employer's country of origin.

The distributive justice scale consisted of five items; examples of this scale are "my work schedule is fair"; "I consider my workload to be fair". The procedural justice scale consisted of five items and listed items such as "job decisions are made by my manager in an unbiased manner", "all job decisions are applied consistently across all affected employees".

The interactional scale consisted of nine items, example of this scale are, "when decisions are made about my job my manager treats me with respect and dignity", "the manager offers adequate justification for decisions made about my job".

The self-assessed performance scale developed by Al-Dmour and Awamleh (2002) was adopted in this study to analyse the Job performance of workers.

The entire set of these scales was included in one questionnaire, the set of questionnaire is provided in the Appendix. They all used a unified five-point Likert scale. The questionnaire included a total of thirty six items written in English.

## **Results**

### **Representation of unskilled workers' perception**

Two-hundred-and-twelve questionnaire responses were collected, out of which 192 were used and the remaining excluded for missing data (or other mistakes), resulting in a 48 per cent response rate. Fifty-eight per cent of the respondents were expatriates from the Indian Subcontinent; 84 per cent of the respondents were male; 69 per cent were under thirty years of age and 82 per cent had a debt or financial liability.

To assist analysis, the data was divided into three groups: Workers employed in western organisations, workers in Arab organisations and workers employed in organisations originating in the Indian Subcontinent.

Over 58 per cent of the sample group were nationals of the Indian Subcontinent and nearly 47 per cent of the employees worked for companies from Indian Subcontinent. The expatriate group in the sample

consisted, by nationality, of Arab nationals, mainly from Syria, Egypt, Sudan, Yemen and Jordan; the Indian Subcontinent, expatriate workers who had migrated from India, Pakistan, Bangladesh, Sri Lanka and Afghanistan and; from the Far East, mainly Indonesia and the Philippines.

The general characteristics of the survey reveal that over 90 percent of unskilled workers in Dubai are foreigners. In overall population statistics, expatriates far outnumber UAE nationals. In the emirate of Dubai, foreigners make up more than 90 percent of the city's 1.5 million residents. Male gender seems to dominate the unskilled worker industry although females from the Far East and from the Indian subcontinent show a significant presence in Dubai as domestic workers. In the income category, over 70 percent of unskilled workers earn US\$200 - US\$300 per month. It was noted that a majority of the unskilled workers from the Indian Subcontinent work for organisations who have their origin in the same region. The survey results also indicated that over 80 percent of unskilled workers in Dubai have a financial debt.

### **Perceptions of Distributive Justice**

The distributive justice scale consisted of five items; examples of this scale are “my work schedule is fair” and “I consider my workload to be fair.” Respondents were asked to mark the extent of the concerns on a scale of one to five. They marked one if they disagreed with Niehoff and Moorman scale and marked five if they agreed.

The analysis of the survey revealed that a majority of employees had grievances towards their organisations, such that 70 percent of workers felt that their work schedule was not fair; almost 75 percent of workers felt that their level of pay was not fair; nearly 65 percent of workers considered their workload not to be fair; over 65 percent of workers believed that the rewards they received for their work were not fair and; nearly 55 percent of workers felt that their job responsibilities were not fair.

### **Perceptions of Procedural Justice**

The procedural justice scale consisted of five items and listed items such as “job decisions are made by my manager in an unbiased manner”, “all job decisions are applied consistently across all affected employees.”

The mean analysis of the responses indicated that the majority of job decisions are made by the employer in a biased manner; generally the employer has no interest in finding out employee concerns before a job decisions is made; employers do not clarify job decisions and do not provide additional information when requested by the employee on a majority of job related decisions. It was also found that prevalently, employees are not allowed to challenge or appeal job decisions made by the manager.

### **Perceptions of Interactional Justice**

The interactional scale consisted of nine items. Examples of items from this scale are, “when decisions are made about my job my manager treats me with respect and dignity”, “the manager offers adequate justification for decisions made about my job”.

The highlights of the findings reveal that, prevalently, employees felt that managers do not treat them with kindness and consideration in the decision making process; usually when decisions are made, managers do not treat them with respect and dignity; normally when decisions are made, managers are insensitive to their personal needs; commonly, managers are perceived to be dealing in an untruthful manner; usually, managers shows little or no concern for the rights of an employee; in a majority of instances, managers did not discuss implications of job related decisions with their employees; generally, managers do not offer adequate justification for decisions made; managers offer explanations that make little or no sense to employees and; customarily, managers do not explain decisions clearly.

## **Self Perceived Job Performance of Unskilled Workers in Dubai**

In order to relate the impact of organisational justice on the job satisfaction and job performance of workers, a tool developed and validated by Al-Dmour and Awamleh (2002) was adopted to access the self-assessed performance scale. This scale is comprised of 5 items including “I consider my performance better than the average employees in my company”, and “I always reach my targets”.

Using a unified 5-point Likert scale, the mean analysis of the survey revealed that almost 65 percent of employees felt that working conditions do not allow them to perform at high levels; nearly 65 percent of employees also felt that their performance evaluations were not reflecting their abilities; 45 percent of employees considered themselves as very good performers.

## **Conclusion**

This study of the impact of organisational justice, measured the perceptions of unskilled workers of the three components, distributive justice, procedural justice and interactional justice, and their self assessed performance. The research questions addressed by this study are targeted at understanding how unskilled workers perceive organisational justice, taking example in the city of Dubai in the UAE and the implications on employee job satisfaction and self perceived performance. In addition, the study investigated how the influence of demographic factors within a multicultural work environment impacted employee self-perceived job performance as result of the perception of the organisational justice.

Given the large number of unskilled workforce in the UAE, this study highlighted the need for companies to train and educate their managers as to the impact of the perceived lack of justice on the motivation and commitment of their employees. From the findings of this paper, it can be argued that organisations and employers in the Middle East need to understand the significant role that justice plays in influencing employees' behaviour and work outcomes.

Employers need to examine organisational justice from an employee's point of view and not to rely only on their own assessment and observations. This can be done through meetings, surveys, management by wandering around, employee suggestion systems and adopting an open-door management policy (Kappelman and Prybutok, 1995; Shenhar, 1993). This is likely to help in bridging the perception gap between superiors and subordinates. Furthermore, keeping employees satisfied with their jobs over years is not an easy task, but it is critical for organisational success.

Employers need to understand that the perception of the employee of his/her job, pay, supervisory style, co-workers' relations and promotion opportunities is likely to affect their work outcomes. The outcome of these perceptions (thoughts, feelings and/or actions) are affected by factors outside the employee's control, but they are under the organisational control. Superiors who talk to their subordinates to gauge how they evaluate and perceive their jobs and what managers can do to improve employees' satisfaction, will benefit from better performance.

Unfortunately, this trend towards employee communication is yet to reach the Middle East. The results of this study suggest that further investigations in this field, in different parts of the region, is needed in order to reach more general conclusions about the nature, significance and levels of justice-work outcomes relationships. This will also help in making cross-cultural comparisons, especially because the perception of justice is likely to be affected by culture. In addition, researchers may investigate the reasons behind the partial mediation of satisfaction in the justice- performance relationship, to find out if there are any other organisational variables that are likely to play a mediation role.

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## Appendix

### Questionnaire

#### Important notes:

- The purpose of this survey is to study the impact of Organisational Justice on the job performance of unskilled workers in Dubai.
- The questionnaire scales all the questions on a range of 1 to 5. The value of '1' stands for lowest influence/importance, whereas '5' shows greatest important/influence for the candidate.
- The organisational justice measures developed by Niehoff and Moorman were used to test their impact on employee performance and job satisfaction amongst the unskilled workers
- The population of this study comprised unskilled workers, domestic helpers and workers within facility management industry.
- Data were collected from employees working in the Dubai, in some cases questionnaires were translated into Tamil and Hindi language. Descriptive statistics was used to examine the data.

#### 1.0 General Information

Nationality group: ☐ Western National ☐ Arab National ☐ Indian sub-continent

☐ Far East Asia

☐ Other .....

Gender: ☐ Male ☐ Female

Age: ☐ 21-25 ☐ 26-30 ☐ 31-35 ☐ 36-45 ☐ 46-55 ☐ >55

Education: ☐ Elementary School ☐ High School ☐ Diploma ☐ Graduate ☐ P. Grad

Work Experience: ☐ 0-3 years ☐ 4-5 years ☐ 6-10 years ☐ 10-15 years ☐ 16-20 years  
☐ 20-30 years ☐ >30 years

Gross Average Monthly Income: ☐ Less than AED 500 ☐ AED 501-700 ☐ AED 701-900  
☐ AED 901-1100 ☐ AED 1101-1300 ☐ More than 1300

Marital Status: ☐ Single ☐ Married ☐ Divorced

Number of Dependents: ☐ None ☐ 1-3 ☐ 4-5 ☐ Over 5

Financial Liability: ☐ Yes ☐ No

Total Number of Earning Members In the Family: ☐ 1 ☐ 2 ☐ 3 or More

Job description in the company: .....

Country of Origin – Company: ☐ Western ☐ Arab ☐ Indian sub-continent

☐ Far East Asia

☐ Other .....

Any Additional Comments:

## 2.0 Impact of Distributive Justice on the Job Performance

### 2.0 Organisational Justice

#### 2.1 Impact of Distributive Justice on the Job Performance

	Strong y Agree	Somewhat Agree	Neutra	Somewhat D sagree	Strong y D sagree
My work schedule is fair	1	2	3	4	5
I think my level of pay is fair	1	2	3	4	5
I consider my workload to be fair	1	2	3	4	5
Overall the rewards I receive here are quite fair	1	2	3	4	5
I feel that my job responsibilities are fair	1	2	3	4	5

#### 2.2 Impact of Procedural Justice on the Job Performance

	Strong y Agree	Somewhat Agree	Neutra	Somewhat D sagree	Strong y D sagree
Job decisions are made by the manager in an unbiased manner	1	2	3	4	5
My manager makes sure that all employee concerns are heard before job decisions are made	1	2	3	4	5
To make job decisions my manager clarifies decisions and provides additional information when requested by the employee.	1	2	3	4	5
All job decisions are applied consistently across all affected.	1	2	3	4	5
Employees are allowed to challenge or appeal job decisions made by the manager.	1	2	3	4	5

#### 2.3 Impact of Interactional Justice on the Job Performance

	Strong y Agree	Somewhat Agree	Neutra	Somewhat D sagree	Strong y D sagree
When decisions are made about my job, the manager treats me with kindness and consideration.	1	2	3	4	5
When decisions are made about my job, the manager treats me with respect and dignity	1	2	3	4	5
When decisions are made about my job, the manager is sensitive to my personal needs.	1	2	3	4	5
When decisions are made about my job, the manager deals with me in a truthful manner.	1	2	3	4	5
When decisions are made about my job, the manager shows concern for my rights as an employee.	1	2	3	4	5
Concerning decisions made about my job, the manager discusses the implications of the decisions with me	1	2	3	4	5
The manager offers adequate justification for decisions made about my job.	1	2	3	4	5
When making decisions about my job, the manager offers explanations that make sense to me.	1	2	3	4	5
My manager explains very clearly any decision made about my job.	1	2	3	4	5

### 3.0 Job Performance

#### 3.1 Impact of Organisational Justice on Job Performance

	Strongly Agree	Somewhat Agree	Neutral	Somewhat Disagree	Strongly Disagree
I consider my performance better than the average employee in this firm.	1	2	3	4	5
I always reach my performance targets.	1	2	3	4	5
I feel that my performance is reflective of my abilities.	1	2	3	4	5
Overall, I am a very good performer.	1	2	3	4	5
I feel that my job conditions are not allowing me to perform at high levels	1	2	3	4	5







