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Electronic Journal of Business Ethics and Organization Studies EJBO aims to provide an avenue for the presentation and discussion of topics related to ethical issues in business and organizations worldwide. The journal publishes articles of empirical research as well as theoretical and philosophical discussion. Innovative papers and practical applications to enhance the field of business ethics are welcome. The journal aims to provide an international web-based communication medium for all those working in the field of business ethics whether from academic institutions, industry or consulting.

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Each paper is reviewed by the Editor in Chief and, if it is judged suitable for publication, it is then sent to at least one referee for blind review. Based on the recommendations, the Editor in Chief decides whether the paper should be accepted as is, revised or rejected.

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Pharmaceutical Marketing – Time for Change

By: Joan Buckley

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Abstract

This paper reviews current marketing practices in the pharmaceutical sector, and their impact on consumer and doctor behaviour. It identifies negative impacts which include misleading advertising, disease mongering and escalating costs. It argues the need to move from industry self-regulation to an independently monitored code of practice for pharmaceutical marketing.

Keywords

Pharmaceutical marketing methods,
Direct to Consumer Advertising

Introduction

This paper reviews current marketing practices in the pharmaceutical sector, examining both consumer and doctor-oriented promotion. It presents examples of marketing practices and their impact on consumer and doctor behaviour. It identifies negative impacts of these practices which include misleading advertising, disease mongering and escalating costs. It goes on to argue the need for an independently-monitored code of practice for marketers in the pharmaceutical sector and a greater degree of consumer education for both end-users and those prescribing drugs.

The context

In May 2003 the British Medical Journal devoted a special edition to the relationship between doctors and pharmaceutical companies entitled "time to untangle doctors from drug companies" (Moynihan 2003). The theme was relationship between the medical profession and the pharmaceutical industry (Big Pharma). The medical profession in Europe, in conjunction with many social movements, has begun to consider seriously the appropriateness of current relationships between Big Pharma and the health sector. This is occurring in the context of legal actions around corrupt sales practices in Europe such as those against GlaxoSmithKline (GSK) in Germany (Gopal 2002) and Italy (Turone 2003), and the major action against TAP Pharmaceutical Products, Inc in the United States which resulted in a \$875 million dollar settlement in 2001 (Riccardi 2002).

This debate is already very strong in the United States where it has further extended to encompass the relationships between Big Pharma and consumers. This is in part because of US practice of allowing direct-to-consumer advertising (DTCA) of prescription drugs. Industry organs such as PhRMA the umbrella organization of the American pharmaceutical industry argue that such advertising (properly regulated) allows consumers to inform and educate themselves about

therapeutic options and achieve a more equal relationship with their physicians. On the other hand action groups such as the U.S. Public Citizen's Health Research Group oppose this practice as they contend that there is no evidence that such advertising improves health care.

For marketers it is perhaps a difficult area to engage with, given that Big Pharma is in many ways the ultimate marketing example. They engage in multi-million dollar marketing campaigns, use all methods of promotion from mass media advertising, to below the line spend on measures such as the engagement of key opinion leaders. Many billions of dollars have been spent on developing and protecting not alone their branded products but also their component drugs internationally.

How are drugs promoted?

The average cost to bring to market a so-called block-buster drug is currently estimated at \$895 million (EFPIA, 2002). Obviously firms who spend that kind of money need to recoup their costs. Furthermore industry analysts point out that Big Pharma under pressure. It needs to expand sales of blockbuster drugs since there are fewer drugs in pipeline. In order to sustain current levels of growth, firms would need to introduce one new product each year that would sell \$4.9 million for each 1 to 1.5 per cent it has of the world pharmaceutical market. "A company the size of the newly merged Glaxo Wellcome/Smith KlineBeecham needs three to seven products each year, while one the size of Astra Zeneca needs two to four products each year. The problem is that research productivity is failing. None of the major companies is close to the target." (Horrobin 2000)

Depending on the category of drug the nature of the marketing mission is different. There are essentially two categories of drugs: self-medication or over the counter (OTC) drugs, and prescription drugs - sometimes referred to as ethical drugs (de Mortanges and Rietbrock 1997). OTC drugs are promoted directly to consumers as well as physicians and other healthcare professionals and range

from analgesics such as paracetamol to anti-histamines. What is categorized as OTC varies from country to country and is dependent on the local legislative framework – usually a national medicines authority, so for example in the United States some anti-histamines are prescription-only.

Corstjens (1991) identifies four main buying parties for prescription drugs:

1. Prescriber – prescribing rights vary internationally and this category may include doctors, dentists, pharmacists, nurses and optometrists
2. Influencer – hospitals, nurses, professors, reimbursement agencies
3. Consumer – patient
4. Financier – partly patient, partly government or third party (varies by country), managed health care organization (hospitals, Health Maintenance Organisations etc.)

The majority of Big Pharma's marketing budget is targeted at doctors and others with prescribing power, who are effectively the gatekeepers to drug sales. In 2002 the Canadian Medical Association Journal estimated some US\$19 billion is spent by Big Pharma annually in promoting drugs to doctors in the United States alone. The methods used will be discussed later in this paper.

In the European Union only OTC drugs are promoted directly to consumers. Examples include analgesic preparations and some ailment-specific drugs such as the Schering Plough blockbuster Clarityn - a hayfever remedy. In 1998 Schering Plough spent \$186 million promoting Clarityn, and as a result saw a half a billion dollar increase in sales year on year to achieve annual sales of \$1.9 billion, (Maguire 1999).

In the United States all drugs may be promoted to consumers, but in practice direct to consumer advertising focuses on OTC and common-ailment targeted prescription drugs. There are other more limited application drugs for less common diseases that are only promoted to health care professionals, and hospital and organizational formulary committees (such as HMO formulary committees). The drug marketing process can be described by the model below in Figure 1, which shows the information flow from drug companies, both to consumers and doctors. It also shows the power that consumers, informed by DTCA and the Internet, have in "pulling" prescription drugs from doctors.

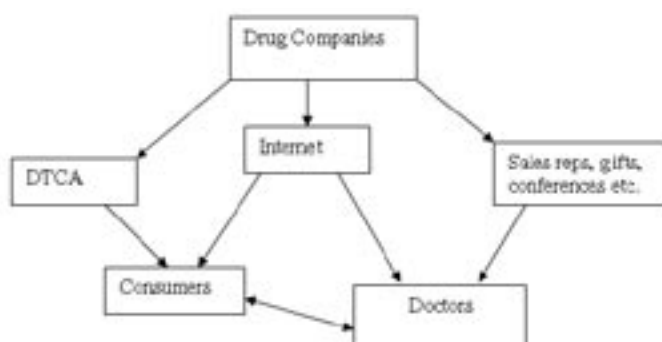


Figure 1. Pharmaceutical marketing process.

Creating the Pull – Directly and Indirectly:

Historically promotion for prescription drugs occurred only from manufacturer to prescriber so that physicians and others with prescribing powers were the gatekeepers to eventual drug sales. The promotion strategies therefore were all essentially "push" focused. However the decision in 1997 by the US Food and Drugs Administration (FDA) to relax restrictions on

broadcast DTCA of these drugs has resulted in increased "pull" from consumers. In both the United States and New Zealand DTCA of prescription drugs occurs with considerable effect, as will be discussed below. A further source of 'indirect' pull has been the impact of the Internet on pharmaceutical promotion, which will also be discussed below.

Direct to consumer promotion – creating direct pull

In August 1997 the US FDA made significant changes in the regulations for broadcast DTCA of prescription drugs. Prior to 1997 DTCA had to include the entire brief prescribing information which meant that about 30 seconds out of a 60 second advertisement would consist of fine print scrolling across the screen. In 1997 the FDA dropped this requirement and said that DTCA had to mention the major side-effects, and also provide other ways that consumers could get more information about the drug (e.g. give a web site, a 1-800 number or refer to a print ad for the same product which contained the same information) and tell consumers to consult their doctors/pharmacists. In the four-year period from 1996 to 2000 promotional spend direct to consumer within the United States tripled (from \$791 million dollars to \$2.5 billion dollars, New England Medical Journal 14/2/02). New Zealand is the only other developed country that allows DTCA of prescription drugs. Burton (2003) details a report by academics from all of New Zealand's medical schools which recommended that the practice be discontinued. This report, based on a survey of all general practitioner doctors in New Zealand, found that seventy five per cent of respondents believed DTCA to be negative with patients frequently requesting drugs that were inappropriate to them. On the other hand in New Zealand drug advertising is not monitored by a state agency (whereas it is in the United States). The pharmaceutical and advertising industries are self-regulating. This leads to a less than ideal situation where only a small percentage of the televised pharmaceutical advertisements are compliant with the New Zealand Medicines Act regulations, which ostensibly control for information on contra-indications, and safety and quality of medicines (pharmacovigilance).

Effects of DTCA on consumers

Flynn (1999) argues that DTCA makes consumers better informed and more sophisticated. In his view consumers are enabled, through DTCA, to better understand the market for drugs and the therapeutic options available to them. This view is also shared by Calfee (2002), who argues that consumers can engage in more equitable relationships with health care providers and become partners in their own health care as a result of DTCA. Mintzes et al (2002) found that consumers pulled prescription drugs through the system, going to physicians with requests for medications that they had learnt of through advertisements. Their research showed that patients normally got positive responses to requests for prescriptions. Their research also showed that physicians were influenced in their choice of drugs and might otherwise have prescribed different drugs.

Maguire (1999) likewise suggests that American physicians are being asked to 'rubber stamp' self-diagnoses and self-prescriptions by patients. Citing a study by Prevention magazine of the previous year she suggests that 15.1 million U.S. consumers asked their physician for a medication they saw advertised,

and that physicians honoured those requests eighty percent of the time, which translates into 12.1 million prescriptions generated by advertising. Further evidence of the effectiveness of DTCA is the fact that visits to doctors for conditions covered in advertising campaigns rose 263 per cent in the first nine months of 1998, in comparison to a general 2 per cent rise in visits to doctors. Lexchin and Mintzes (2002) examining the relationship between DTCA and prescribing practices find that DTCA does affect doctors' prescribing patterns, which they suggest is not always a positive development. They give as an example General Motors' 1999 internal study of the prescription of the gastrointestinal drug Prilosec (the second most heavily DTC promoted drug in 1999) to its employees. GM found that 92% of those who received a prescription for Prilosec had not received a previous prescription or even consulted a doctor previously for gastrointestinal problems. Most received Prilosec as a first line drug without first trying other cheaper and less intensive treatments. Lexchin and Mintzes argue that this is evidence that DTC has impacted on prescribing patterns, effectively creating consumer pull for in some cases inappropriate therapies.

Creating pull indirectly

Increasingly consumer pull for drugs is being created indirectly also by Internet promotion, and perhaps more questionably by partnerships with patient support groups.

The impact of the Internet

Consumers are able to purchase all kinds of prescription drugs online often without need for a prior prescription. Research conducted by Bloom (1999) showed that most Internet pharmacies provide poor quality information, fail to have adequate safeguards to ensure medicines are dispensed correctly, and also charge more for both products and services. Smith (2003), referring to an Australian study, found that online pharmacies often lacked important information about contraindications for medications available on their sites. However even if one sets aside the impact of Internet pharmacies, on the basis that the additional costs may put them outside the reach of consumer, the Internet has also offered Big Pharma a largely unregulated way to reach the consumer directly – through company websites. For example, if one searches the Lilly blockbuster Prozac on the internet and goes to the manufacturer's website one can take self-diagnostic tests which allow the possibility for the internet user to self-diagnose depression, even if the site includes warnings and disclaimers.

Using patient support groups

Jeffries (2000) writing about the Association of the British Pharmaceutical industry's strategy for the future of its members "The ABPI battle plan is to employ ground troops in the form of patient support groups, sympathetic medical opinion and healthcare professionals – known as stakeholders" which will lead the debate on the informed patient issue". This tactic is well illustrated by the following quote from Boseley (1999) "A pharmaceutical company will tomorrow break new ground by encouraging the public to demand that the NHS pay to make available one of its drugs. The campaign, Action for Access, is funded by Biogen and organized by a PR company on its behalf. It will urge multiple sclerosis sufferers to demand their health authorities agree to prescribe beta-interferon on the NHS, a very expensive drug, which can help some sufferers, but not all".

The United Kingdom Medicines Control Agency subsequently stopped this initiative citing it as unlawful promotion. However Herxheimer (2003) points out that in the absence of adequate independent funding patients organisations and lobbying groups are likely to continue to accept funding from pharmaceutical companies despite the clear ethical issues. He gives as examples the International Alliance of Patient Organisations and the Global Alliance of Mental Health Illness Advocacy which are both highly visible and linked financially to Big Pharma.

Medawar (2002) quotes the Chairman of the Danish Migraine Association who suggests that patient organizations are becoming more sophisticated in their interactions with Big Pharma and may become hardened to this form of below the line promotion. The chairman tells of the association's experiences when it refused to take industry assistance in its activities – magazines, lectures and administration. "the industry, generally assisted by the research doctors, literally created a new patient organization as a substitute for the Migraine Association in 1996. This was a bit too blatant to be generally accepted among informed patients and opinion makers, but only because we did not accept the situation gracefully and made the press aware of our situation. Luckily we have a growing awareness about the problem."

Medawar points out that Big Pharma have been successful in presenting their concerns to reach consumers directly as a consumer rights issue, and a potential positive contribution to national health profiles. He suggests that Big Pharma is "gradually shifting the core of its business away from the unpredictable and increasingly expensive task of creating drugs and toward the steadier business of marketing them."

The Push Strategy: Promotion to Physicians and health-care professionals

"Despite the boom in consumer ads, doctors are still king" Maguire (1999)

However enormous the implications of DTCA of drugs and the budgets devoted to this, the issue of physician targeted promotion is significantly greater on all fronts, both financially and in terms of eventual outcomes. Komesaroff and Kerridge (2002) state that promotion and marketing to doctors makes up a quarter to a third of their annual budgets "... totaling more than US\$11 billion each year in the United States alone). There are no comprehensive figures available, but it is estimated that, of this, about US\$3 billion is spent on advertising and US\$5 billion on sales representatives, while expenditure per physician is believed to be over US\$8000." As mentioned earlier in this article the Canadian Medical Association Journal in 2002 estimated the US promotional spend to be even higher at approximately \$19 billion dollars. This activity includes advertising, gift giving and support for medically related activities such as travel to meetings and support for conferences.

Why do firms spend so much on promotion to doctors? Essentially because they rightly see that doctors are the gatekeepers to the success of individual brands. To quote Barnes (2003) "Prescribing 'events' such as a physician swapping one brand for another Can make or break a brand's success."

Doctor-targeted promotion takes a variety of forms:

- Gifts, such as free samples, small stationery (Riccardi 2002), travel to conferences and educational events, and, some argue, cash (Medical Marketing & Media 2003, Prawirosujanto 2001, Strout, 2001)
- Sponsorship of conferences and educational events

(Moynihan 2003, Hayes et al 1990, Komesaroff and Kerridge 2002)

- The use of key opinion leaders – i.e. senior clinicians and medical educators as speakers at learned conferences Lerer (2002) Burton and Rowell (2003)

- Funding of medical journals through advertising. Pharmaceutical companies use medical journals to advertise their products, and frequently advertising revenue is the only source of funding of these journals, which are often sent free to doctors. Smith (2003), the editor of the British Medical Journal, writes thus of advertising by Big Pharma “To attract advertising these publications have to be read by the doctors whom the advertisers want to reach. So the free publications work hard at making themselves attractive, relevant, interesting, and easy to read – in contrast to journals, which are often delivering complex, difficult to read material of limited relevance.” Davidoff et al 2001 write of a decision among the editors of some of the world’s largest medical journals to adopt a common policy of disclosure of information about the source and validity of articles submitted for publication, and possible conflicts of interest. Hence, for example, contributors to the British Medical Journal must disclose any potential conflicts of interest that might arise. This policy does not however apply in the non-medical press and women’s magazines, and many of the world’s broadsheets carry thinly-veiled info-mercials for medical conditions, such as Revill’s coverage of female testosterone deficiency in the United Kingdom national newspaper The Observer in Jan 2003.

“We doctors are shamelessly manipulated by drug companies in all sorts of ways. ..the methods cover the whole spectrum from subliminal to brazen, from little pens that don’t work to pushy reps” (Farrell 2000).

Doctors’ responses to Big Pharma promotion

Doctors are obviously not undiscerning recipients of advertising and other forms of promotion. Smith (2003) says “Your opinion may not be bought, but it seems rude to say critical things about people who have hosted you so well.” He goes on to say that the easy dichotomy of pharmaceutical giants as villains and doctors as innocent victims is over-simplifying the situation. Clearly doctors need to use drugs in order to deliver their services, and it is also reasonable that firms should be allowed to promote their products. “But surely doctors should be looking also to independent sources of information, and how did we reach a point where so many doctors won’t attend an educational meeting unless it’s accompanied by free food and a bag of ‘goodies’?”

Separate studies by McInney, Scheidermeyer, Lurie et al (1990), Banks and Mainour (1992) and Chren, Landefeld and Murray (1989) all found that there was a strong correlation between doctors’ tendencies to recommend drugs and their receipt of gifts/sponsorship/ non-related payment etc. Studies by Wazana (2000), Chren et al (1989) and Thomson, Craig and Barnham (1994) all show that gifts impact on doctors’ prescribing practices. Wazana (2000) examined 29 empirical studies of the impact of interactions between the medical profession and Big Pharma. Synthesising these findings certain negative outcomes were found to be associated with interactions with the industry:

- Inability to identify inaccurate claims about medications
- Rapid adoption and prescription of new drugs
- Formulary requests for medications without important

advantages over existing listed medicines

- Nonrational prescribing behaviours
- Increased prescribing rates, and
- Prescribing of fewer generics and more expensive new medications at no demonstrated advantage.

Komesaroff and Kerridge (2002) also point to the many studies that indicate the advertising rather than clinical evidence alone affects clinical decision-making. They cite Peay and Peay (1988) who found that physicians exposed to advertising are more likely to accept commercial evidence, rather than well-established scientific views.

As Lexchin and Mintzes (2002) argue, if advertising results in these negative outcomes with physicians who are more knowledgeable about drugs and can more easily access objective information, “how realistic is it to believe that consumers will be positively affected?”

Why should this we be concerned with this?

There are a number of key reasons for concern about the impact of pharmaceutical companies’ marketing strategies. These include:

- The fact that drug promotion is often misleading
- The risk of disease mongering
- The increasing costs of drugs within national health systems
- New drugs are the ones most heavily promoted and these are the ones with the least well-understood safety profiles.

Drug promotion often misleading

Much drug advertising is misleading. A U.S. congressional inquiry reported that from August 1997 to August 2002 the FDA issued 88 letters accusing drug companies of advertising violations. In many cases companies overstated the effectiveness of the drug or minimised its risks (Gottlieb 2002). Aitken and Holt (2000) found that the FDA filed violation notices for one in four products supported by DTCA. As discussed earlier the instance of non-compliance with medicines board’s requirements for accuracy is even higher in New Zealand. PHARMAC, the New Zealand government’s drug purchasing agency, has raised considerable concerns about the impact of DTCA saying that consumers interpret the existence of DTCA as government approval of advertised brands, which leads them to discount potentially important risk information.

Misleading advertising can lead to unrealistic expectations

There are many instances of inappropriate drug advertising. Healthy Skepticism New Zealand (HSNZ), a publication of the Medical Lobby for Appropriate Marketing, focused on some of the issues relating to promotion of Viagra in June 2000. They found that the product claims made were in many cases inappropriate since they did not offer enough clarity. The Pfizer ad in New Zealand was as follows “About 52% of men aged 40 to 70 are affected by erectile dysfunctionIn clinical trials 78% of men reported improvements in their erections. So Viagra will work in about 4 out of 5 men.” HSNZ took issue with the ad on the following grounds:

- * The 52% figure was inaccurate and misleading and had no basis in fact. It was rather the extrapolation of a very limited but favourable related clinical trial.

- * This claim could affect men with confidence rather than medical problems – they argue that “exaggerating the severity and/or frequency of conditions to expand markets has been described as disease mongering”

- * That “will work” was misleading since it might give the impression that Viagra would “work well enough to enable successful sex” which was not always true. They point to clinical studies which suggest that the success rate of Viagra was in fact 44%.

- * They also point out that efficacy in the real world may not equate to the efficacy reported in clinical trials because of halo effects created by enthusiastic specialists.

- * They suggest that the ad is “a fallacy of over-simplification” which doesn’t convey that improvement in dysfunction may not result in successful sex, and is a function of the degree of pre-existing dysfunction.

While patients might be very disappointed because of unrealistic expectations based on advertisements, these are not as serious as what HSNZ see as the irresponsible downplaying of risks. In a much smaller font on the ad the following three sentences are printed in bold: “You must not take Viagra if you are using any nitrate medication including amyl nitrate (poppers). It may lead to a severe drop in your blood pressure, that may be difficult to treat. As sexual activity may be a strain on your heart your doctor will need to check whether you are fit enough to use Viagra.” HSNZ take issue with this warning because they feel it is inadequate, because the use of technical terms such as nitrate medication, rather than brand names may mean that those potentially at risk do not recognize the risks; “readers may not realize that the ‘severe drop in blood pressure’ may be a euphemism for death”; and it does not refer to existing evidence of the considerable risks that may exist for some potential users and the number of deaths that have been associated with the inappropriate use of Viagra. In 1998 Brooks showed evidence that 69 deaths associated with the inappropriate use of Viagra with legitimately prescribed but contra-indicated drugs. HSNZ make reference to a number of studies that show that there are many contra-indications for Viagra, and they feel that these contra-indications should be more openly and clearly flagged. For similar issues see also Blondeel (1997), www.bbc.co.uk/panorama - Seroxat (2002), and Oldham (2003).

Disease Mongering

Thomas (1980) wrote of his concerns about the potentially negative impacts of increased drug and disease promotion. He felt that the constant emphasis on health risk and the promulgation of the view that people are “fundamentally fragile, always on the verge of mortal disease” was simply untrue. He suggested that “The new danger to our well-being, if we continue to listen to all the talk, is in becoming a nation of healthy hypochondriacs, living gingerly, worrying ourselves half to death.” This view is also held by Mintzes (2002) who gives examples of the direct relationship between exposure to advertising and enrolment in drug regimens that are not always necessary or appropriate. Shapiro and Shultz (2001) argue that the increased public exposure to media advertising and discussion of antidepressants such as Paxil (Seroxat) and Prozac have directly led to the inappropriate prescribing of these drugs to patients whose symptoms do not merit such extreme therapies, a view shared

by Medawar (2001).

These views are directly at odds with the reality of pharmaceutical industry practices such as that of increasing brand penetration through identifying new ailments that may be treated by existing drugs (thus extending the brand’s target markets and potentially its sales). This is well illustrated by U.S. advertisements promoting the Pfizer anti-depressant Zoloft as a potential solution to PMDD – pre-menstrual dysphoric disorder, which has symptoms not that dissimilar to pre-menstrual syndrome (PMS). Similarly the BBC reported a story in Sep 2000 of the propensity of U.K. doctors to prescribe Prozac for PMS (BBC website Sep 2000).

Ever-increasing costs

Ess, Schneeweiss and Szucs (2003) show that expenditures on drugs have grown faster than the gross national product in all European countries, as in the United States. They identify the various methods by which member states attempt to control. Increased controls on costs – by price fixing, or drug budgetting. This parallels the United States where Health Maintenance Organisations and company health schemes already limit their formularies and will not pay for certain drugs (this is not to suggest formulary limitation is in itself wholly negative, it depends on the selection criteria used to make decisions on whether to include or exclude drugs).

For example both the Californian Health Maintenance Organisation Kaiser Permanente, and the NHS in Britain refuse to reimburse patients for Viagra. Moynihan (2003) also points out that costs have spiraled for drugs, vastly exceeding national rates of inflation. Echoing Medawar’s (2002) point, it would seem clear that Big Pharma has decided to harvest its investments in development. At least some of the considerable national expenditures on drugs each year is due to inappropriate prescribing for conditions that do not require drugs – the disease mongering spoken of earlier. Another considerable element of the expenditure is related to prescribing newer more expensive medications where older less expensive medications would be just as good. This would seem to be borne out by Stern and Ehrenberg’s (2003) finding that 80% of pharmaceutical marketing managers believed that the easiest way to increase the sales of their drugs was to get existing users to prescribe them more. They argue however that pharmaceutical firms would be better advised to acquire more customers, i.e. generate more occasions for prescribing. Either way the implications for costs are enormous. It is important to note though that that increased prescribing is only cost inefficient if medications are prescribed inappropriately. If they are being used appropriately they may save money from other more expensive elements of the health care system, in particular hospital costs.

What needs to happen?

Current regulation of marketing practice by pharmaceutical manufacturing consortia such as the Association of the British Pharmaceutical Industry (ABPI), US PhRMA organisation and the Irish Pharmaceutical Healthcare Association (IPHA) is more than forgiving. For example in the case of sponsorship of sponsorship of overseas travel the IPHA has the following to say:

“Companies may be requested to sponsor the travel expenses of a member of the health professions attending and overseas

international scientific conference. The expenses incurred by the delegate in attending such a conference can reasonably be paid to the delegate by the company and this is acceptable. Hospitality extended by a company to a delegate attending an overseas meeting must be reasonable in level and secondary to the major purpose of the occasion at which it is provided. Hospitality must not be extended beyond health professionals." (IPHA 1999)

Similarly the ABPI has this to say about members' involvement in continuing medical education: "the pharmaceutical industry is also deeply involved in doctors' continuing education, and helps in training prescribers in the uses and techniques of new medicines. G.P.s and other health professionals would find it difficult to keep up to date with scientific and medical advances without these initiatives." (ABPI 2003) They go further in a position paper to say that the ABPI directly complies with UK statutory regulations on the marketing and promotion of medicines.

The US equivalent organization PhRMA adopted a voluntary code of practice for its member organizations in July 2002 that seems to propose the toning down of the extremes of gift-giving and inducements to doctors. However in reading the question and answer section at the end of the code of practice it is clear this is not the case. Gift giving and generous hospitality, and in some cases, fees for endorsement of products, are still very much allowable. It is important to note that in the United States while PhRMA has its own voluntary code, the FDA still actively monitors promotion, though it lacks the resources to monitor more than a fraction of all promotion, and there are mixed views on its efficiency.

This begs the question is it appropriate to allow an industry such as Big Pharma to self-regulate in the area of marketing? Should this not be the role of government, or wider industry organs such as the International Chamber of Commerce (ICC). Taking the ICC role first it is clear that while individual pharmaceutical companies may well be members of the ICC, they do not often adhere to the again voluntary code of marketing practice which states the following about sales promotion for example "all sales promotions should be legal, decent and honest ... all sales promotions should be so designed and conducted as to avoid causing justifiable disappointment or giving any other grounds for reasonable complaint" (ICC2002). Would pharmaceutical promotion meet these standards? The evidence of research into the promotion of products such as Viagra, Seroxat/Paxil and Baycol would suggest not. The fundamental issue in the case of industry organization codes (including ICC) is the real absence of sanction. PhRMA's code of practice is voluntary, as are IPHA's and ABPI's, and "each member company is strongly encouraged to adopt procedures to ensure adherence to this code" (PhRMA 2002). It could be argued that such voluntary self-regulatory codes are not designed to ensure accuracy and objectivity, but are instead set up to 'level the playing field' among member companies. An examination of the origin of complaints to such bodies indicates that most tend to come from other drug companies (Lexchin 2003).

Role of Government

While there are government agencies charged with monitoring the marketing of medicines, typically this is one of many briefs for these agencies and is often only in a reactive fashion. In other words such monitoring as does occur, occurs only in response to complaints, and even then is often very slow and cumbersome.

A way forward

Clearly there are many aspects to this issue, not least the argument frequently put forward by Big Pharma that they fund the majority of research into often life-saving therapies and are therefore net contributors to society. There are also obviously the wider philosophical debates about the degree to which societies should be regulated, and issues around defining reasonable profit and appropriate business behaviour which beleaguer many sectors, not just Big Pharma. However not withstanding these elements, I argue that two things should happen –

- Independent monitoring bodies should be established to police marketing codes of practice with real penalties and,
- increased attention should be paid to the education of the consumers of pharmaceutical advertising, in particular those with prescribing powers.

Independent monitoring of marketing codes of practice with real penalties

The pharmaceutical industry should not be self-regulating in this vital area since misleading/inaccurate pharmaceutical promotion can have very serious impacts. Rather governments and national medicines agencies should take pro-active stances in monitoring drug advertising and promotion practices, with real penalties, in particular substantial fines. The current reactive and non-dedicated status of monitoring agencies is inadequate. This is in part due to the inadequate resourcing of such organisations. This might be countered by an arrangement such as that underpinning the Superfund of the US Environmental Protection Agency, where industry members pay a levy to fund the monitoring of environmental impact and the policing of polluting behaviour. Similarly, in 2002, the U.S. Government's Sarbanes-Oxley Act established the Public Company Accounting Oversight Board to be funded by industry contribution, which replaced industry self-regulation, which was seen to have failed following the major financial scandals associated with Enron and WorldCom.

In addition to adequately funded monitoring bodies to oversee marketing practice, the system of penalties for infringement need to be overhauled. While many countries have codes of practice, and agreed understandings as to appropriate practice, such as the U.S. FDA code of practice, often the penalty systems are inadequate to the point of being ineffectual.

For example under the United Kingdom's ABPI code of marketing practice complaints about infringement can be made by anyone including members of the public. The company has six weeks to respond in writing, with a defense of the issue at hand. This complaint is then considered by a panel of three people with legal backgrounds, on behalf of the ABPI. If the company is found to be in breach of the code of practice they will incur a fine in the order of £1000 (approx US\$1670) and be required to give an undertaking to withdraw all offending materials within approximately two weeks. If the breach is judged to be serious, and to "bring the industry into disrepute" then the fine will be more severe, but still relatively small.

If one considers the profits to be made within the pharmaceutical sector, and the potential human risks associated with misleading or inaccurate promotion, it would seem clear that the penalties for breaches of marketing codes of practice should be commensurate. It could well be argued that the fines that apply in many countries are financially insignificant to Big Phar-

ma, and therefore considered effectively a cost of doing business rather than a risk.

Increased education of consumers and those with prescribing powers

In addition to increasing the monitoring and policing of Big Pharma promotion, it would seem prudent to increase the awareness and sophistication of the key promotion targets, through increased education about marketing. General consumer education is difficult to achieve, as is daily evidenced by the limited success of public health promotion campaigns such as those around the health risks of smoking. That is not to suggest that it should not be attempted, but it would be unwise to expect it to have immediate and universal impacts. While general consumer awareness may be difficult to achieve, considerable opportunity exists for increasing the knowledge base of those with prescribing powers. A review of the curricula of medical

schools, for example, across Ireland and Britain shows that at present there is no education in the area of business and in particular marketing (English Maher 2003). This should surely be addressed, so that at least doctors, and others with prescribing powers, would understand the techniques and practices to which they will be subjected as practitioners.

Initiatives are being taken to increase awareness of the nature and impacts of pharmaceutical promotion in the United States. Significantly the American Medical Student Association has recently begun a campaign to regulate the relationship between Big Pharma and medical students (Moynihan 2003). The PharmFree pledge that the American Medical Student Association propose students sign includes the following "I will make medical decisions ... free from the influence of advertising or promotion. I will not accept money, gifts or hospitality that will create a conflict of interest in my education, practice, teaching or research." The tenor of the PharmFree pledge should be the guiding point for setting standards of practice for pharmaceutical marketing.

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Potentially Ethically Troublesome Practices in the Retail Food Industry: Relationship Between Intentions and Perceived Frequency of Occurrence Among Future Retail Personnel

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Over the past few decades, retailing has become increasingly competitive (Berner 1996b). Within this highly competitive climate, consumers are faced with greater choice – they often have a wide number of retailers from which to make their selection of shopping destination. With this increased choice, consumers often have the ability to enforce higher expectations on retailers since, if a particular retailer does not adequately meet their expectations, there are several other retailers who may. This environment has directly affected retail operations, with the significance of the decisions and actions of retail employees taking on new meaning. A decision or action on the part of a single employee, for instance, has the potential to alienate customers who, as a result, may choose to patronize alternate retailers.

As can be expected, the decisions and actions of store employees who are in direct contact with customers have the greatest potential to endear customers or to alienate customers from that retailer (McIntyre, Thomas and Gilbert 1999). Consequently, over the past few decades, there has been growing attention placed on the ethical perceptions of retail salespersons and those with whom they interact (e.g., Babin, Boles and Griffin 1999; Dubinsky and Levy 1985; DuPont and Craig 1996). Such attention appears deserved since decisions and actions which may be ethically questionable may result in less-than-desired service to customers.

The same level of attention has not been focused on retail employees who work primarily “behind-the-scenes” with little direct contact with customers (Robicheaux and Robin 1996). The decisions and actions of these individuals, such as retail buyers, however, can also directly affect the degree to which a retailer’s customers are satisfied. In addition to increasing costs, ethical problems in retail buying can also lead to higher priced merchandise available to consumers as well as the possibility of less attractive merchandise assortments. The issue of ethical perceptions of individuals in the buying function, however, has received only minimal research attention (e.g., Arbuthnot 1997; Burns and Arbuthnot 1998). (This unbalanced coverage of ethics is similar in other areas of business. For instance, ethics in industrial selling situations has received a significant amount of research attention (e.g., Dawson 1997; Wotruba 1990), whereas the ethics in industrial purchasing situations has received some (e.g., Flanagan 1994; Haynes and Helms 1991), but relatively little attention).

Most of the research on ethics in retail buying has focused on the ethical perceptions held by retail buyers (e.g., Arbuthnot 1997) or by individuals who would shortly become retail buyers (e.g., Burns and Arbuthnot 1998). The reason for this focus on ethical perceptions is in part a result of the difficulty inherent in predicting ethical behavior (Weber and Gillespie 1998). Ethical perceptions are usually implicitly viewed as an indicator of fu-

ture activity. The focus of this study, however, will be on intentions. Specifically, this study examines the intentions of future retail buyers to engage in potentially ethically troublesome buying practices in the retail food industry, and relates these intentions to their ethical assessments and to the perceived frequency by which these practices occur in the industry. First, ethics in retail buying will be explored. Second, the Theory of Planned Behavior will be reviewed to provide a theoretical basis for examining intentions. Finally, intentions to engage in potentially ethically troublesome retail buying practices are related to ethical evaluations of these practices and the perceived frequency that these practices occur.

Ethics in the Retail Buying Environment

As mentioned earlier, relatively few studies have examined ethics in the domain of retail buying. This is both surprising and troubling, especially given the recent well-publicized ethical problems uncovered in the buying departments of several large retailers, including Kmart (Berner 1996a) and JCPenney (Gerlin 1995). Indeed, it appears that ethical problems occur rather frequently in the buying areas of many retailers.

Until recently, many retailers thought such chicanery as a thing of the past, from a time when vendors curried favor by dazzling buyers with cash and lavish gifts. But industry officials say bribery is back with a vengeance, triggered by overseas buying trips, more competition among vendors and just plain greed. “It’s pervasive, it’s all over the place,” says Herbert Robinson, a New York lawyer specializing in white-collar crime. “it’s in the largest chains and the smallest chains. Even the most pious ones” (Gilman 1985, p. 6).

Although the above quote is nearly two decades old, there is little evidence suggesting that the condition has improved to any great extent over the years (Atkinson 2003). Indeed, it may be getting worse. Flanagan, for instance, reports a growing level of contention between buyer and seller. Management is leaning heavily on purchasing to negotiate, or if that fails some say “extort,” more favorable terms and conditions, as well as lower prices, with suppliers. Suppliers are crying foul and fighting back by citing antitrust laws that have little applicability. The upshot is adversarial relationships, both internally and externally. This is particularly seen in retailing (1994, p. 29).

The relatively little research attention placed on ethics in retail buying may be due to the hidden nature of this area (Robicheaux and Robin 1996). The relationship between retail buyers and vendors, for instance, exists in relative obscurity. The general public is typically not overtly aware of this relationship, nor of any problems which may exist. (This is in stark contrast to the consumer-retail salesperson relationship – a highly visible relationship which consumers have overt personal

involvement). Furthermore, the parties who comprise the direct victims of ethical problems which may arise in retail buyer-vendor relationships are not members of the general public. Instead they are businesses and/or business people – people and organizations assumed by the general public to be discerning and financially secure. The fact that consumers are affected by ethical problems in the retail buyer-vendor relationship, albeit indirectly, however, should be noted. “While vendors and buyers profit from kickback arrangements (as well as other ethical problems), retailers and consumers pay for it” (Gilman, 1985, p. 6).

Arbuthnot (1997) is the most comprehensive study examining the retail buyer-vendor relationship published to date. Arbuthnot (1997) identified an inventory of issues viewed to be ethically troubling to retail owners and buyers. She observed that the issues viewed as ethically troubling were not viewed to be isolated incidences, but that many of the situations are frequently encountered by retail buyers. Burns and Arbuthnot (1998) observed that future retail personnel perceived most of these issues to be ethically troublesome.

In a study of buying ethics in the retail food industry, Robicheaux and Robin (1996) compared the ethical evaluations of food industry executives (grocers and brokers) and students (MBA, EMBA, and senior-level undergraduate) on four practices which were identified as posing ethical dilemmas for industry personnel – slotting allowances, volume discounts, diversion, and an attempt to interfere with a competitor’s relationship with a desired customer (expanding distribution). They observed that industry executives viewed the four practices as being fairly common occurrences. They also observed that the behavioral intentions of respondents to engage in each activity differed across the groups of individuals.

The evidence suggests, therefore, that ethical problems exist in the buying function of retailers and that these problems may be widespread. The research also suggests that these issues are often recognized as involving ethical components by both, retail practitioners and business students. Furthermore, Robicheaux and Robin (1996) observed that ethical assessments and intentions to engage in potentially ethically questionable retail buying activities vary between business practitioners and business students. Students tended to view the practices examined as occurring less frequently than did practitioners, but they tended to believe that they would be more likely to engage in such practices. (It is important to note that research has demonstrated that exposure to the professional work place likely exhibits no significant effect on the ethical assessments of collegiate retailing students, suggesting that the differences observed between the ethical perceptions and intentions expressed by students and those by experienced practitioners will likely not change as the students enter the workforce (Borkowski and Ugras 1992; DuPont and Craig 1996)).

Theory of Planned Behavior

Behavior, both ethical and unethical, is controlled by intentions, and, as such, intentions appear to be an area worthy of study. There is general agreement among social scientists that most behavior is goal-directed (e.g., Heider 1958). Before most actions are undertaken by individuals, there is a plan, or an intention to choose that course of action (Ajzen 1985). According to the Theory of Reasoned Action (Ajzen and Fishbein 1980; Fishbein and Ajzen 1975), intentions to behave in a certain way represent the immediate determinant of that action or choice.

Furthermore, the stronger the intention to undertake a certain course of action, the more likely that an individual will engage in that activity (Weber and Gillespie 1998). Ajzen reports on research which empirically tests the Theory of Reasoned Action and concludes “the theory permits highly accurate prediction of a wide variety of behavioral domains. Generally speaking, people were found to act in accordance with their intentions” (1985, p. 15).

According to the Theory of Reasoned Action, therefore, individuals’ intentions to act in a certain way in the presence of a potentially ethically troublesome situations should provide a much superior prediction of the actions which an individual will take when faced with such a situation than merely their ethical perceptions. Research which has focused on individuals’ ethical perceptions of potentially ethically troublesome situations and practices are in fact examining only a single aspect of an individuals’ attitudes toward the behavior. Such perceptions or beliefs relate to what an individual believes should be done. This is in contrast to what individual believes they will actually do (Weber and Gillespie 1998). As a result, Abeliefs are the least powerful predictor of an individual’s behavior. ... Intentions are the stronger predictor of behavior” (Weber and Gillespie 1998, p. 449).

Intentions, however, are believed to be comprised of two components: a personal factor and a social factor (subjective norm, which pertains to the nature and degree of expected social pressure to perform or not perform the behavior) (Ajzen and Fishbein 1980). These factors have been incorporated into the Ajzen’s Theory of Planned Behavior (1985). Therein, intentions were redefined as an intention to try or attempt a certain behavior. Intentions, therefore, “can only be expected to predict a person’s attempt to perform a behavior, not necessarily its actual performance” (Ajzen 1985, p. 29). Intentions are viewed as an internal phenomenon independent of external obstacles or personal deficiencies which may interfere with the performance of the behavior. The Theory of Planned Behavior has withstood extensive empirical testing, having been applied in varying situations, disciplines, applications, and cultures (Weber and Gillespie 1998).

As it relates to potentially ethically troublesome situations, intentions can be expected to have their basis in part in the ethical philosophy to which the individual ascribes (Reidenbach and Robin 1988). Since many individuals do not follow a single ethical philosophy in all of the choices which they face, but instead rely on different ethical philosophies in different ethically charged situations, their intentions in a specific situation can be expected to arise in part from the ethical philosophy which is used in that particular situation.

The social component of intentions can logically be expected to be affected by a number of factors. Within the retail buying environment, these factors can be expected to include organizational policies and what is believed to be common practice in the industry. There has been research into the effect of organizational policies guidelines on ethical intentions and behavior by employees (e.g., Badenhorst 1994; Turner, Taylor and Hartley 1994), and the effect of the degree to which the policies and guidelines are enforced (e.g., “Enforces Written Ethics Standards” 1996). The express purpose of policies is to limit the domain in which a decision can be made, and to limit the alternatives which can be considered (Bedeian 1986). The research has shown that while policies and guidelines regarding ethical behavior in and of themselves have relatively little effect on employee intentions and their behavior, the degree to which they are enforced does. Little research, however, has examined

the effect of the perceived commonality of the practice in the industry has on the intentions and behaviors of employees.

The Study

The objective of the study is to examine the intentions of future retail personnel to engage in buying practices determined to be potentially ethically troublesome by industry personnel in the retail food industry. Specifically, the study examines the relationships between respondents' intentions to pursue these practices and (1) their ethical evaluations of the practices and (2) the frequency with which these practices are perceived to occur. It is hypothesized (H1) that respondents' intentions will be related to their ethical philosophies, but that the relationships will not be uniform across practices, reflecting that respondents use differing philosophies when faced with different circumstances. It is further hypothesized (H2) that respondents will be more likely to intend to pursue potentially ethically troublesome practices which they perceive as frequently occurring in the industry. Finally, it is hypothesized (H3) that perceived incidence of the practices is related to ethical philosophies in the same manner as are intentions.

Methodology

Sample

The sample was drawn from undergraduate students enrolled in sections of a course in retail buying offered within a college of business at a university located in the Midwest. These students were chosen because of their knowledge of the retail buying function and because they would be most likely to pursue this area of employment upon graduation (the course is required only of students pursuing a major in retailing). Students were solicited during their classes. To minimize bias, each of the sections of the course had the same instructor. Furthermore, no explicit discussion of the ethics of buying practices occurred until after responses were solicited from students. Students were requested to anonymously complete a survey questionnaire during class time without discussion. No nonresponse was noted. The resulting sample consisted of 82 usable responses, with 37 male respondents and 45 female respondents.

Questionnaire

The questionnaire employed contained the instruments utilized by Robicheaux and Robin (1996). Specifically, the questionnaire included descriptions of four practices which likely pose ethical dilemmas to retail buying personnel in the retail food industry and are perceived by executives in that industry as being fairly common occurrences. The four practices involved slotting allowances, volume discounts, diversion, and expanding distribution (Table 1). Comments on the descriptions of these four practices by food industry executives who responded in Robicheaux and Robin's (1996) study indicated that the scenarios were very realistic, providing evidence of their validity.

Following the description of each practice, students were asked to respond to a scale containing items drawn from the Reidenbach and Robin (1988, 1990, 1991 with Dawson) Multidimensional Ethics Scale (MES). As outlined in Reidenbach and Robin (1990), validity was an overriding concern in the development of the MES, which was developed following the procedures identified by Nunnally (1969), Churchill (1979), and Campbell and Fiske (1959). The resulting scale was comprised

of eight items and three factors, recognizing the multidimensionality of the ethics construct. The items are listed in Table 2. Reidenbach and Robin (1990) describe the first factor as fairness, justice, goodness and rightness (or moral equity). The second factor addresses a culturally relativistic perspective (or relativism). The final dimension addresses a deontological perspective based on implied obligations, contracts, or duties (or contractualism). Subsequent testing indicates that the scale is a valid, robust instrument (Reidenbach and Robin 1990; Reidenbach, Robin and Dawson 1991).

The MES was followed in the questionnaire by questions concerning the likelihood that the respondent would engage in the practice described (behavioral intentions) and the perceived commonality of the practice in the food industry.

Analysis

Correlation analysis was used to determine the existence of relationships between behavioral intentions and the ethical philosophies, behavioral intentions and perceived incidence of the practice in the retail food industry, and ethical philosophy and perceived incidence.

Findings

The results of correlation analysis to test the first hypothesis (that respondents' intentions will be related to their ethical philosophies, but that the relationships will not be uniform across practices, reflecting that respondents use of differing philosophies when faced with different circumstances) are displayed in Table 3. Some support was observed for the hypothesis. The ethical philosophies of relativism and moral equity were found to be significantly (at the .05 level) related with intentions to pursue each of the four practices examined. For each practice, the more strongly that respondents held to the ethical philosophies of relativism and moral equity, the less they intended to pursue the action. The ethical philosophy of contractualism was found to be significantly related with only two of the practices – volume discounts and expanding distribution. The more strongly that individuals' held to the ethical philosophy of contractualism, the less likely they intended to pursue volume discounts and expanding distribution practices, but no relationship was observed with the practices of slotting allowances and diversion. The results, therefore, support the existence of a relationship between ethics and intention to pursue the potentially ethically troublesome practices as hypothesized. The results also suggest that the relationships between ethical philosophy and intentions are not consistent, also as hypothesized.

The results of correlation analysis to test the second hypothesis (that respondents will be more likely to intend to pursue potentially ethically troublesome practices which they perceive as frequently occurring in the industry) are displayed in Table 4. Mixed results were observed. Significant (at the .05) level relationships supporting the hypothesis were observed for only two of the practices – diversion and volume discounts. Only partial support for the second hypothesis was observed.

Finally, results of correlation analysis to test the third hypothesis (that perceived incidence of the practices is related to ethical philosophies in the same manner as are intentions) are displayed in Table 5. Although the relationships observed tended to be weaker, with the exception of the practice of expanding distribution, the relationship between perceived incidence and the ethical philosophies of relativism and moral equity appear to be similar to those observed between intentions and ethical

philosophy (H1). An exception, however, exists for expanding distribution, the last practice examined. In this instance, no significant relationships were observed between perceived incidence and ethical philosophy. Furthermore, unlike the findings observed for the first hypothesis, no relationships were observed with contractualism and the perceived incidences of the practices. Support for the third hypothesis, therefore, was mixed.

Discussion

The findings suggest that the intentions of the business students involved in the study to engage in several potentially ethically troubling buying activities in the retail food industry are related to their ethical philosophies. The relationship was strongest for the moral equity ethical philosophy and it was weakest for contractualism. The findings suggest that students' ethical assessments may affect their intentions to engage in potentially ethically troublesome buying practices. The findings also suggest that knowledge of an individual's ethical assessments, especially moral equity, may provide retailers with insight into the intentions of potential employees to engage in potentially ethically troublesome retail buying practices and, therefore, may be used as a proxy measure in the hiring process.

The relationship between intentions and the perceived incidence of the potentially ethically troublesome retail buying practices was observed only for two of the practices. Is there a fundamental difference between the practices for which the relationship exists and those which a relationship does not? This would appear to be an area for further research. The findings indicate that perceived incidence of the practice is related to the intentions to pursue the practice for only some of the practices. This suggests that the social component of intentions examined (perceived commonality of the practices) may affect intentions

as suggested by the Theory of Planned Behavior, but that the effect is not universal.

Finally, it appears that ethical philosophy is related to the perceived incidence of potentially ethically troublesome retail buying practices, but only for relativism and moral equality – not contractualism. Furthermore, the relationships were weaker than those observed when the first hypothesis was tested. This finding suggests that perceived incidence of such practices is not necessary objective, but may be determined in part by one's ethical assessments. Moreover, no relationships, however, were observed for the final practice – expanding distribution. It appears, therefore, that the students may view this practice differently from the others. Robicheaux and Robin (1996) had observed that students and practitioners uniformly viewed this practice as the least liked, or most ethically questionable practice. In addition, although the other practices are not without legal questions, expanding distribution appears to be the practice which is most questionable from a legal perspective.

Limitations

This study possesses a number of limitations which may restrict the generalizability of the results findings to a broader population. The sample, for instance, although it was chosen to limit the effect of extraneous influences, was limited to students taking a single course at a single university. The generalizability of the results to other student populations has not been determined. Furthermore, the study was based on respondent's ethical evaluations of only four practices occurring in the retail food industry. The practices included obviously represent only a small sampling of the practices which occur in buying in the retail food industry which include an ethical component. Finally, correlation analysis only establishes temporal coexistence – it is unable to establish direction of causality.

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The Place of Spirituality in Organizational Theory

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Abstract

Spirituality in the American workplace has been receiving increasing attention by the popular literature. However, the issue has received little consideration from management scholars. Although there are several definitions of spirituality, this paper discusses it as a cultural phenomenon that might influence organizational behavior. The investigation of spirituality in the workplace demands the examination of organization theory and some of its concepts. Open systems, institutional isomorphism, open fields, institutionalism, and neo-institutional theories are examined. Spirituality should not be neglected as a legitimate organizational topic of study, and more research on the impact of spirituality in the workplace should be conducted.

Introduction

The term spirituality infers a number of conclusions and may firmly imply some form of religious connotation. Several authors have offered a variety of definitions of spirituality: Some with atheistic and materialistic constructions (Dehler & Welsh, 1994; Mitroff & Denton, 1999a; Ashmos & Duchon, 2000), and others with pantheistic and deistic visions (Benner, 1989; Mohamed, Hassan & Wisniewski, 2001). To Griffin (1988), for example, spirituality is an inherent human characteristic that does not intrinsically infer any religious meaning:

Spirituality in this broad sense is not an optional quality which we might elect not to have. Everyone embodies a [sic] spirituality, even if it be a nihilistic or materialistic spirituality. It is also, of course, customary to use spirituality in a stricter sense for a way of life oriented around an ultimate meaning and around values other than power, pleasure, and possession. (pp. 1-2)

According to Mitroff and Denton, (1999a), spirituality is "the basic feeling of being connected with one's complete self, others, and the entire universe" (p.86). Dehler and Welsh (1994) defined spirituality as "a specific form of work feeling that energizes action" (p. 19). Ashmos and Duchon (2000) discussed spirituality in the context of community work, and Benner (1989) believed that spirituality involves the process of establishing and maintaining a relationship with God.

Mohamed, Hassan, and Wisniewski (2001), highlighted the fact that several scholars (Harlos, 2000; Shafranske & Malony, 1990) defended the importance of defining the conceptual differences between spirituality and religiosity. Thus, in their view, spirituality may be personal, inclusive, and positive, whereas religiosity might be external, exclusive, and negative. Supporting the recommendation of Mohamed et al., in a two-year empirical study based on both face-to-face interviews and survey questionnaires, Mitroff and Denton (1999b) found that 60 percent of the participants viewed religion as an inappropriate form of expression, whereas spirituality was interpreted as a proper subject for the workplace. In

addition, their research indicated that employees expect organizations to cultivate some type of spirituality within their members in order to produce high quality products and services. However, taking a different direction, Mohamed et al. claimed that the attempt to differentiate between spirituality and religiosity is merely artificial. As an alternative to this unnecessary dichotomy, they proposed that the concept of spirituality should be added to the five-factor psychological model of personality, the "Big Five," as its sixth dimension. Their justification, nevertheless, attempted to find support in the facts that the concept of spirituality is not in opposition to other well-established psychological constructs and that the Big Five has already been linked to job performance. Mohamed et al. also speculated that spirituality, managerial behavior and, job performance are, to some extent, interconnected, which could explain some of the variances in job performance that have not yet been elucidated by the Big Five.

Although the literature has provided ample interpretations for spirituality, the definition used in this article, in a broad sense, refers to people's values and meanings, which sometimes might incorporate religious beliefs as well. Further, this premise also infers that spirituality might carry strong cultural connotations.

Discussion

A New Paradigm

In recent years, the place of spirituality in organizations has been increasingly considered by (a) managers, (b) executives, (c) employees, and (d) researchers to be essential to the organization's interactions with employees, customers, and the community (Ashmos & Duchon, 2000; Conger, 1994; Dehler & Welsh, 1994; Hansen, 2001). However, little attention has been paid in the literature to the investigation of spirituality as a cultural phenomenon that might influence organizational behavior and induce organizational change. Therefore, few change models that embraced some sort of spiritual element (Senge, 1990; Covey, 1989) became an alternative.

A number of studies (Graber & Johnson, 2001; Griffin, 1988; Hall, 1996; Hansen, 2001; Rifkin, 1995) indicated that changes in individuals, demographics, and organizations represent the major influencing forces forging a new workplace paradigm, which demands more integrative approaches to life and work. Founded on these change phenomena, Rifkin (1995) concluded that societies must devise a new labor contract featuring shorter workweeks, so people could dedicate more time to other parts of their life and place more value in the time allocated to volunteer and community work.

Hall (1996) predicted drastic changes in the organizations of the 21st century. He speculated that individuals rather than organizations would control careers and that success would be measured in terms of psychological fulfillment rather than financial accomplishment. In addition, he suggested that both managers and employees should start facilitating the transition to this new paradigm by putting more meaning on relationships in the workplace.

Besides the gradual importance on personal satisfaction highlighted by Hall, other relevant factors may also impose new challenges to the private, public, and nonprofit sectors. For example, the demographic changes that have been occurring in the United States for the last decades and, in particular, the rise of an ethnically diverse workforce might have influenced the reshaping of relationships in various organizational levels. According to Hansen (2001), a number of conditions have contributed to accentuate the human needs and desires for relationships, balance, and community concern, which also have led to a shifting on the emphasis from a dominating market standpoint to a more human-needs approach. As a result, some corporations have paid more attention to the needs of certain groups of employees for benefits such as childcare, long-term care, and wellness programs.

According to Palmer (2001), spirituality at the workplace has been trending up. To highlight his viewpoint, he mentioned that large corporations such as Intel, Wal-Mart, Xerox, Ford, Nike, and Harley-Davidson have supported spirituality in their work environments. Organizations could become more successful if they thoroughly meet their members' needs, which also include allowing individuals to express their spirituality. Supporting this premise, Mitroff and Denton (1999a) concluded that spirituality is fundamental to the human experience and therefore should make part of the organizational culture. They proposed a new organizational paradigm that (a) embodies concepts such as the existence of a supreme power, (b) pledges responsibility to multiple stakeholders, and (c) paves the path for businesses to take the evolutionary step of changing from values-based companies into spiritually-based organizations.

Organizational Theory and Spirituality

To investigate how spirituality integrates and influences organizational behavior not only as a personality dimension, as proposed by Mohamed et al. (2001), but as a reflection of people's values and meanings, this paper also highlights the theory of organizations and some of its concepts such as (a) open systems, (b) institutionalism, (c) neo-institutionalism, (d) organizational fields, (e) institutional isomorphism, and (f) culture. Another relevant reason for revisiting organizational models was offered by Yiannis (2002), who examined the relationship between organization theory and the practices of academics, managers, and organizational consultants in the sense that what can be verified in practical ways. As he put into context:

In the area of organizational studies, there is a pressing need to explore, understand and codify the relationship between

theories, developed mostly by academics and popularized by consultants and gurus, and the actions of practicing managers. This is important because on it rests vital issues of management education and learning, and even more importantly, the basis on which business is conducted. Yet, the relationship between organizational theory and the practice of managers and other organizational participants has remained one of the most elusive and recalcitrant. (p. 134)

Organizational theory. Several studies (DiMaggio & Powell 1991; DiMaggio, 1998; Olivier, 1991) focused on how organizations influence their environments and how organizations actively contribute to the social construction of these environments. As a result, the process by which organizational environments are constituted, reproduced, and transformed has become a relevant issue for management research.

The open systems views of organizations. Organizations function like living organisms and prosper when all their subsystems support their strategic designs. Therefore, a major role for the leadership of these organizations is to align, or realign, strategy with the demands of their surrounding environments (Overholt, Connally, Harrington, & Lopez, 2000). In other words, the open systems approach views organizations receiving inputs from their environments, and in turn, affecting those environments by the transformed outputs that are the organizational products. The open systems theory is based on "the idea that the whole of a system is more important than the sum of its parts" (Senge et al., 1999, p.138). According to Overholt et al. (2000), the open systems theory possesses four basic principles:

1. Organizations are living systems that are ever-changing and adapting to their external environment
2. Organizations are dynamic internally, with all subsystems anticipating, responding, or reacting to changes within the organization
3. Organizations organize around their corporate survival strategy, exploiting and filling niches in the markets
4. Organizations must be internally congruent or consistent to maximize efficiency and effectiveness (p. 39)

Institutional isomorphism and organizational fields. Chang, Williams, Griffith, and Young (1998) investigated how open systems organizations create institutional isomorphism. They affirmed that churches, as open systems organizations, allow their external surroundings, which comprises (a) suppliers, (b) consumers, (c) regulators, and (d) social conditions, to permeate their internal environment. As a result, organizational behavior assumes here a major responsive characteristic to facing the conditions created in the external environments. The greater the interaction of the organization with the surrounding environment, the more likely its organizational model absorbs the structures, norms, and practices from the most central relationships in its environment.

According to DiMaggio and Powell (1991), the perennial feedback process between internal and external generates a homogenizing effect in organizations, which they termed "institutional isomorphism." In other words, institutional isomorphism refers to the phenomenon by which organizations lose some of their distinctive characteristics in terms of behavior, structure, and culture, and come to resemble one another (Stout & Cormode, 1998).

Organizations emerge in environments surrounded by other institutions that overlap, interact, and collide with them. Thus, DiMaggio and Powell (1991) proposed the concept of "organizational fields" to explain this larger world of surrounding institutions. Cormode (1998) explained that organizations

producing similar services and products, working with similar suppliers, and under similar regulatory conditions form an organizational field. Organizational fields and isomorphism both offer a theoretical basis to explain how organizations might influence each other.

Institutional theory and neo-institutionalism. Institutional theory has played a sine qua non role in explaining the processes by which distinct forms of organizing prevail within an organizational field (Cormode 1998, DiMaggio & Powell, 1991; Stout & Cormode, 1998). Another significant contribution of institutional theory is the examination of how organizations adopt structures, processes, and ideas based on external influences rather than on efficiency (Lawrence, 1999). The study of institutional theory has been fundamental to explain the isomorphism of organizational fields and the establishment of institutional norms (Kondra & Hinings, 1998). The process of creating organizational norms occurs through normative, coercive, and mimetic processes (DiMaggio & Powell, 1991). In addition, values and beliefs external to the organization ultimately contribute to determine organizational norms. Thus, organizations may conform to the rules and requirements of their organizational field.

Recent contributions to institutional theory (DiMaggio & Powell, 1991; DiMaggio, 1998; Scott, 1994) discriminated between the old and new approaches of institutional theory. The old institutionalism emphasizes issues of conflicting interests and values, whereas the new institutionalism stresses the promotion of isomorphism and argues for conformity within a field (DiMaggio, 1998)

DiMaggio (1998), for example, distinguished three new forms of institutionalisms: (a) rational-action, (b) social-constructivist, and (c) mediated-conflict. Rational-action neo-institutionalism explains how organizational structures and norms influence the elements of individual rational actions, which are actors, interests, and preferences. Social-constructivist neo-institutionalism proposes that all elements of rational-action models are socially constructed. Mediated-conflict neo-institutionalism focuses on the way the government and other organizations mediate conflict among groups with distinctive interests. Selznick (1996) who expressed his concerns about the course and ethos of the new institutionalism affirmed:

The “new institutionalism” in the study of organizations has generated fresh insights as well as interesting shifts of focus. The underlying continuities are strong, however, because both the “old” and the “new” [sic] reflect a deeply internalized sociological sensibility. (p. 274)

The cultural factor. The term culture infers a number of conclusions. However, Brake, Walker and Walker (1995) defined culture as a set of value orientations that represents the central core of meanings in human societies. Value orientations dictate preferences in life and explain how people behave, think, and believe. These value orientations or underlying elements of culture are quasi-static patterns that people learn as they grow up and that interact in their social groups. Therefore, culture influences actions, decisions, *modi operandi* and *vivendi*, feelings, and thoughts. Further, culture plays a major role in configuring the perception mechanisms that allow individuals to interpret themselves, others, organizations, and the world.

Organizational Theory and Spirituality

According to Mohamed et al. (2001), organizational theories and models that ignore the spiritual dimension will remain deficient. As they put it into context: “Our current models of micro and macro behavior do not account for spirituality and

its affects and, as such, some of these models may be misleading or incomplete” (p. 647).

Graber and Johnson (2001) discussed the rationality of the spiritual dimension in organizational life. They concluded that the search for spiritual growth and fulfillment should not be separated from work because of the challenge of balancing personal, subjective, and unconscious elements of individual experience with rationality, efficiency, and personal sacrifices demanded by organizations. Other authors (Bickham, 1996; Conger, 1994; Marcic, 1997) also defended organizational designs that embody a sense of community and spirituality and discussed the leadership potentials of incorporating spiritual values into the management field. Bickham (1996) claimed that when spirituality is cultivated in the workplace, a creative energy is unlocked. Conger (1994) suggested that the definition of leadership should include the spiritual dimension. Thus, this expanded and new characterization of leadership could contribute to the development of a work life that benefits the organization, its members, and the community. Marcic (1997) recommended the incorporation of spiritual values into the modern theory of organizing as an alternative for reengineering and downsizing initiatives.

Mitroff and Denton (1999b) identified five different organizational models founded on religion or spirituality. The religious-based organization is either positive toward religion and spirituality or positive toward religion but negative toward spirituality. Evolutionary organizations begin with an affiliation with a particular religion and later adopt principles that are more ecumenical. The recovering organization works similarly to institutions like the Alcoholics Anonymous as a way to foster spirituality. In socially responsible organizations, the founders are guided by spiritual principles that they apply directly to their business. Philosophical principles that are not related to any particular religion or spirituality guide the founders and leaders of values-based organizations. Mitroff and Denton suggested that these five models might offer major change alternatives for the organizational theory and for some of the recent management remedies, as each model is born after the occurrence of a critical event. Thus, the impulse to pursue spirituality comes from the desire to successfully overcome crises.

Conclusions

Recently, the issue of spirituality at the workplace in the United States has been receiving an increasing attention in the popular literature. A study (Mitroff & Denton, 1999a) indicating how Americans feel about spirituality in the workplace as well as several popular books on spiritual management and leadership (Bickham, 1996; Conger, 1994; Marcic, 1997) have been published. Many authors (Graber & Johnson, 2001; Griffin, 1988; Hall, 1996; Hansen, 2001; Rifkin, 1995) examined the factors that have concurred to the rise of spirituality in the American workplace. First, irreversible global changes contributed to forming the desires for a new workplace paradigm. Second, a workforce with multiple ethnicities brought new insights to the American workplace. Third, several studies (Conger, 1994; Marcic, 1997; Mitroff & Denton, 1999a; Mohamed et al., 2001; Palmer, 2001) suggested that spirituality is a critical human need and definitely should be part of organizational culture. Finally, organizations realized they could become more successful by meeting their members’ needs and allowing them to express their spirituality.

Although spirituality in the workplace has become popular,

the subject has received little attention from management scholars. Nevertheless, the investigation of spirituality in the workplace requires a careful examination of organization theory and some of its concepts because essential topics of management and the very basis on which business is conducted lie in them. For instance, neo-institutionalism, based on social constructivism, proposed that all organizational elements are derived from and constructed by the social environments surrounding organizations. Another example is culture as a significant factor influencing how organizations adopt structures, processes, and ideas. It explains the behavior, way of thinking, and beliefs of social groups. The essence of culture is neither visible nor tangible, whereas it is the shared underlying assumptions that people use to understand others and themselves.

If the tenets of open systems, institutional, and neo-institutional theories hold, and if spirituality is a cultural phenomenon, then spirituality might influence organizational behavior and culture. As a result, organizational theories and models that ignore the spiritual dimension will remain incomplete. Although not based on the above hypothesis, other authors (Bickham, 1996; Conger, 1994; Marcic, 1997) defended new organizational paradigms that incorporate spirituality and a sense of

community. For example, Mitroff and Denton (1999b) identified five different organizational models founded on religion or spirituality and proposed a new structure embedded in spiritual values.

Spirituality should not be neglected as a legitimate topic of study. Current models and theories do not consider spirituality and its effects, and some of these models might be misleading or incomplete. Corporate culture should make a place for spiritual expression, which may take many different forms, resulting in benefits such as a better workplace, an improved quality of products and services, and a satisfied workforce.

Recommendations

Although, research on the impact of spirituality in the workplace has been lacking, future studies should consider a number of important issues. Future investigations should focus on the implications of spirituality for organizational behavior for example. Another important topic would be the study of spirituality as a cultural phenomenon. Further, it could be appropriate to examine the relationship between spirituality and personality.

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The utility function and the emotional well-being function

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Abstract

Behind the utility function, which is the basis for economic and finance theory, is a philosophical and ethical approach based essentially on the Utilitarian and Hedonistic schools. Once qualitative, the utility function's approach shifted to a quantitative one based on the work of the mathematician, D. Bernoulli. This quantitative approach is normative and based on a maximizing agent. In this paper, the "emotional well-being" function is developed which mixes the ethics of a rational economic individual with those of a more complete individual who is simultaneously conditioned by economic, instinctive, social, religious, ethical, and esthetic values. This new utility function of emotional well-being is shown to remain within the envelope function of the Bernoulli-type utility function.

Keywords

Utilitarianism, utility function, rationality, well-being, ethics, emotional well-being

Introduction

Just as the utility function forms the basis of economic and finance theory, explicit normative definitions and assumptions form the basis of the utility function. The XVIII Century Utilitarian School was the primary philosophical backdrop for the utility function's development. The Utilitarian School itself was the product of schools of thought of many previous centuries. However, the normative nature of the utility function sometimes leads to a highly simplified analysis of individual economic behavior, whereas other aspects, such as the cardinal human virtues, including theological virtues, are omitted.

This paper presents the emotional well-being function in an attempt to explain outlying cases within the economy's normative context. Rather than invalidating the classical utility function theory, the emotional well-being function shows its predecessor to be an interpretation of a borderline mathematical solution. The emotional well-being function attempts to incorporate aspects of human virtues, the bases of ethics as behavioral sciences, into the analysis and to explain why individual decisions are not based exclusively on the rational economic standard, also known as the maximizer.

The paper is developed in two parts. The first part focuses on the underlying philosophical aspects of the utility function, its conceptualization, and some of its paradoxes. The second part is an analysis of the emotional well-being function, including its mathematical interpretation, its interpretation of behavior, ideas of risk, and a conclusion.

1. Utility function and utilitarianism

1.1. Underlying philosophical aspects of the utility function

The utility function which is used in finance theory is the result of an analytical, reflexive process stemming from ancient philosophical bases. Schumpeter (1954), in his classic work on economic thought, made a refined analysis of how utilitarianism, as a philosophical school,

influenced the development of economic thought. The essence of the present-day utility function grew out of the concept of "useful", initially a purely ethical aspect. However, it would be an oversimplification to consider the utilitarianism of D. Hume (1711-1776), J. Bentham (1748-1832), and J. Stuart Mill (1806-1873) to be the utility function's only theoretical bases. Utility theory is also conceptually based on the Hedonism of Socrates, Plato, and Aristotle; in fact, the true origin of the present-day utility function lies within these schools.

As a philosophical and ethical school, Utilitarianism's ultimate objective is to maximize the positive effects associated with pleasure and to minimize pain. Pleasure is associated with happiness and pain, or the absence of pleasure, with unhappiness. In this sense, the primarily individual concept of "useful" can be taken to a social level, so that "useful" is that which provides the most happiness to the greatest number of individuals. Utilitarian thought, then, attempts to combine the pleasure and pain of different alternatives; in the course of its development, it even proposed calculations for pleasure and pain.

Hedonism also had a strong influence on the analytical construction of the present-day utility function. Hedonism, according to Epicurus, seeks the ethical objective of maximum pleasure, which is understood as that which is good but not extreme. Schumpeter (pg. 103 op. cit) referred to this scheme as a mechanistic philosophy of the universe, noting that the approach's social attitude is hedonism or very sublimated egocentric eudaemonism; Schumpeter considered J. Bentham to be a follower of the hedonistic line. Hedonism, its later schools, and Utilitarianism, then, conform the philosophical basis of the present-day utility function. It is important to remember that various other philosophical and ethical schools of thought have visions differing from those of utilitarianism.

Shifting from a qualitative concept of utility to a quantitative one allowed the formalization of the present-day utility function and the later deduction of marginal utility. Between 1730 and 1731, Bernoulli wrote the article where he pre-

sented his utilitarianism hypothesis. This contribution broadened the once-individual nature of utility to include a social level in which the degree of total satisfaction is determined to be the sum of individual satisfactions, making way for the following expression:

$$\sigma = \int_a^b k(dx/x) = k \ln(a/b)$$

where x = individual income; k = different individual proportionality factors; and a and b = satisfaction limits. Bernoulli's base was: $dy = k(dx/x)$, where y = the "satisfaction" provided by income x , thereby giving rise to the first mathematical formulation of the utility function. In 1776, Quesnay developed the approach's economic conception. Thus, this formerly qualitative concept became the quantitative economic formulation of the utility function. This allowed the development of autonomous thought on the utility function, which, in its modern development, has grown into the ARA, RRA, and CRRA based on the work of Pratt-Arrow; Copeland and Weston (1992, pg. 85).

The normative principle of utilitarianism, and consequently, of the utility function, is maximum happiness. According to Schumpeter (op. cit. pg. 172), utilitarianism is a philosophy for real life, being both a normative system (with a strongly marked legal bias) and a social system. It is, then, a set of principles to be investigated, a working hypothesis. For Schumpeter, however, utilitarian hypotheses are completely lacking in value when it comes to matters of historical interpretation or the driving forces of economic history. He sees such hypotheses as being too weak to explain the aspects that escape economic behavior. In the field of economic theory, he adds, utilitarian hypotheses are useless, but not harmful.

The philosophical aspects of utilitarianism are also, by extension, those of the utility function. Moreover, they are fundamental to the understanding of what is behind quadratic or logarithmic utility functions; these kinds of utility functions are normally used, since they implicitly embody the utilitarian approach. Although the utilitarian approach is fundamental for understanding an investor's analysis of a given situation, which is an essential aspect in the field of finance, it lacks a vision of a complete being and, therefore, does not fully explain an individual making economic decisions. For our purposes, a complete individual will be defined as a biological being (with economic, instinctive, and erotic values), a social being (with vital and social values), a cultural being (with religious, ethical, logical, and esthetic values), and obviously as a "homo oeconomicus". The utility function fits all these values into one – that which maximizes the "useful", the individual's behavior thereby becoming that of a maximizer. In a strictly mathematical sense, the individual is then located over this utility function as can be seen in the upcoming point. From an economic and finance theory perspective, the utility function is a very good intellectual device which has simplified analysis, but is not able to give a good explanation of the sometimes problematic – and sometimes artificial – results of its application to policy.

1.2. Conceptualization of the utility function

Numerous economists have used Daniel Bernoulli's hypothesis in the development of the utility function theory. The mathematical influence on the description of the

wealth versus utility phenomenon is, therefore, central to these definitions. Hence, the primarily mathematical conceptualization of the utility function.

So, let $u(w)$ = utility function dependent on the level of wealth w .

The utility function and an individual's economic problem can be reduced to:

$$U(w) = \max_x E(e(w)), \text{ with } E(U/w) = \Sigma(p(w)w);$$

The above formula is the hypothesis of the expected utility of an individual's "rational behavior" when experiencing uncertainty. An individual having wealth w , the formula shows, can expect to maximize his or her utility or satisfaction level at some point in the future; this can have a probability of $p(w)$. The question at hand is which distribution of wealth w will result in maximum utility. This utility function is, by definition, nondecreasing and bounded. According to Laffont (1995, pg. 8), two vital interpretations of the function should be highlighted:

a) First, it is necessary to accept that this definition is a working hypothesis and, therefore, requires the deduction of empirically verifiable implications. If these implications cannot be rejected on the basis of empirical work, then the conclusion reached is that people do act as if to maximize the expected utility. Laffont's observation, based on philosopher Carl Popper's method, is essential to the understanding and acceptance of the utility theory, and

b) Second, the normative interpretation, $u(w)$, consists of demonstrating that rational agents "must maximize" their expected utility.

Rationality, therefore, is defined as the consistency of choosing among lotteries characterized by several axioms.

Both maximization and normativeness are essential aspects for understanding the implications of the development of the concept of a rational human under these assumptions. Any individual behaving in accordance with these two aspects is rational. A maximizer always prioritizes maximizing economic behavior (a related concept, optimizer, will be elaborated in the second part of this paper). Carroll (1998, pg. 14) develops the idea of maximizing economic behavior with Max Weber's (1958) definition of "the spirit of capitalism": the search for wealth for individual use and possession causes a capitalist system. Models and empirical verifications have been developed for this situation, as have alternatives, including those of Bakshi and Chen (1996) and Zou (1994). In another philosophical discussion on the topic, Joan Robinson (1962, pg. 17) says "utility maximization is a metaphysical concept of impregnable circularity".

In their classic work, Von Neumann and Morgenstern (1944) characterize rational agents with the following axioms: 1) the agent has complete preordering on the space M of lotteries, in other words, the agent is indifferent to the manner in which the consequences are obtained; 2) in every three preferentially ordered selections, the probability, α , is such that $\alpha a' + (1 - \alpha)a^3 \sim a^2$, in other words, there is continuity; and 3) the preferences are independent, that is, facing the same probabilities, the order of preferences does not change.

Debreu (1966) shows that the utility functions representing the behavior of rational agents are continuous and nondecreasing. Markowitz (1959) establishes the classical definitions of risk based on the utility function. Pratt (1964) and Arrow (1971) establish a classical measure of reward for risk, giving rise to the ARA (absolute risk aversion), RRA (relative risk aversion), and CRRA (constant relative risk aversion) coefficients.

The latter formed the basis for the development of “power utility functions”, as indicated in Ait-Sahalia and Brandt (2001); Friend and Blume (1975); Kydland and Prescott (1982); Mehra-Prescott (1985); and Ang, Bekaert, and Liu (2000). One type of power utility function is from the following family:

$$u(w_{t+1}) = \begin{cases} \frac{w_{t+1}^{1-y}}{1-y} & \text{if } y > 1 \\ \ln(w_{t+1}) & \text{if } y = 1 \end{cases}$$

where “ y ” represents the RRA coefficient. This power utility function family has a constant CRRA and is popular in the treatment of financial asset portfolios.

More specific aspects are dealt with in the literature. One such case is that of ambiguous risk aversion, in which an agent faces an unknown return distribution. In this case, an agent may be unable or unwilling to assign probabilities to a return ensemble, for which Tversky and Kahneman (1992) propose the following utility function family:

$$u(w_{t+1}) = \begin{cases} -l(\bar{w} - w_{t+1})^b & \text{if } w_{t+1} < \bar{w} \\ (w_{t+1} - \bar{w})^b & \text{in other cases} \end{cases}$$

In the above model, the utility function is dependent on the relative earnings or losses resulting from investment strategies at the end of a given period. This proposition deals mostly with the problem of violated utility assumptions; individuals have a subjective tendency to favor results that are considered to be certain regarding income (or wealth), but which are, in reality, merely probable. This so-called “certainty effect” results in individuals working more losses or gains that are possible than with those that are certain.

Another aspect that has been incorporated into the utility functions is the willingness of agents to pay a minimum for information. Based on Bernoulli’s utility function, Hwang and Satchell (2001) formulate how much of an agent’s wealth should be used for the acquisition of information. Treich’s definition of utility (1997) includes an explicitly assumed minimum payment, p_1 , at the end of a given period that compensates for the investor’s lack of information. The utility function is of the following type:

$$E_y(h(y)) = \max_x E[u(w_1 + p_1)]$$

Donations made by individuals have also received special attention. Literature exists which, excepting the assumptions of rational humans, has assimilated that different types of assets, including donations, behave like luxury assets. Carroll (2000) proposes adding a “joy of giving” to donation $B(s)$ that would be given by the following family type:

$$B(s) = \frac{(s + y)^{1-\alpha}}{1-\alpha}$$

Carroll, Sidney, and Inhaber (1992) note that luxury assets are generally associated with wealth, such as arts, jewels, and sporting equipment. These items are always assets in an economic sense and, therefore, subject to the same pressures as any other economic asset. In another paper, Carroll (1998) says that, while love of wealth is certainly extreme as a motivation, it is not the only motivational force. A variety of other very plausible motivators exist, which appear to be every bit as motivating as the love of wealth. Some of these are job satisfaction, status, philanthropic ambitions, and power and they correspond to the complete individual referred to in the first part of this paper.

The first two parts of this paper outline the utility function’s ancient philosophical bases as well as its strong normative component. The normative component assumes that individuals behave exclusively as maximizers and that only such behavior is rational. This last assumption implies that only one utility function is needed to explain an agent’s behavior, and that this utility function is a good representation of any other motivation. This holds for functions – logarithmic, quadratic, continuous, or twice differentiable – in which the investments are located exclusively and rationally on a curve’s upward part (be it concave or convex), but never on the downward part. At the same time, the utility function can be used to explain the behavior of an economic agent at risk.

1.3. Paradoxes of the utility function

Schumpeter (op. cit. pg. 171) asks himself why this theory (utilitarianism) was so easily accepted by so many good brains. He then tells himself that it was because those good brains belonged to practical reformers who were battling a given historical situation which seemed, to them, to be “irrational” and in such debates, simplicity – even triviality – are the primary virtues of argumentation. He says: it isn’t that those authors were insincere; we all are rapidly convinced of the nonsense we tend to preach.

It is paradoxical, then, that the utility function remains in use, only slightly modified from its original form, in spite of the reasonable critiques made of it. Von Mises (1968) helps to clarify this idea in his classic work “Human Action”. He says that any interest in the action of an economic individual is only related to the individual as a participant in a market; the objective of the action does not matter. Furthermore, the nature of the action – be it altruistic or egotistical, rational or irrational – is irrelevant. Market action is information for the analysis of an economic problem; psychological information is the business of the psychologist; and social structures are problems for the sociologist.

Economics, as an autonomous science, needs its own definition of rationality in order to define an economic subject as a maximizer. Such a definition must be global in vision. Nevertheless, from a perspective of economic rationality, and using the utility function concept, it is difficult to explain the purely economic reasoning of the utility function when faced with varied investment situations. Following are some cases that are difficult to analyze by using the principle of economic rationality and that suggest the need to develop other hypotheses.

a) Charity and Donation. Non-profit institutions and donations as a form of financing have been studied economically and the use of utility functions in their analysis is noteworthy. Dixit and Stiglitz (1977) developed a utility function for the case, assuming price to be an endogenous variable and donations solutions for a market in equilibrium. Carroll’s (2000 op. cit.) treatment of donations was also one of luxury assets, or rather, he explained donations as a simple matter of behavior

when facing savings.

Parada (2001) showed that a donor's economic return (from a donation) tends to be $a - \infty$. This is, then, contrary to the assumptions of economic rationality. At the same time, non-profit institutions, which are normally financed with donations, can demand an economic return of $-\infty$, also contrary to economic rationality. The exclusive use of economic rationality to explain donations and charity is, therefore, an extreme measure. What predominates, rather, is the vision of a complete individual. Thus, the economic rationality explanation is artificial for those donors who are inspired by values or ethical schools different from the utilitarianist school, including cultural, religious, spiritual, and "good Samaritan" donors.

It's hard for such donors to have their behavior explained by the utility function's implicit rationality, which is not to say, however, that there is not also an economic motive behind their donations. Simultaneous genetic, biological, social, and ethical factors can move an individual, even to the point of sacrificing something for the benefit of another. In other words, an individual may give up his or her maximum economic utility for an emotional sentiment that differs from purely economic rationality.

b) Ethical Investment Funds. Ethical and environmental investment funds have been in use since 1970. Analogous to a mutual fund portfolio, financial assets emitted by different production and service companies form this ethical and environmental portfolio. However, these funds are selected according to ethical and environmental criteria which are set by the financial intermediary and considered to be fundamental management aspects by the emitting companies. Purchasers are investors who are sensitized and concerned about ethics and the environment and, although they do seek returns, they are willing to sacrifice the maximum attainable returns offered by other funds for their principles – economic or otherwise. Sparkes (1995) demonstrated that, in the United States, ethical and environmental funds are also profitable.

In this case, the problem of the utility function can be simplified by using optimization with restrictions. This is, however, yet another utility function; mathematically, the restriction implies sacrificing the maximum. So it is that we arrive at a sub-optimum distanced from the basic principle of maximization.

c) Other cases. Some investors accept lower returns than those available in other feasible economic sectors in order to help decrease unemployment levels in high poverty areas; this could be a form of altruism. Others work in geographic zones dominated by the illicit drug economy without entering into this more lucrative business because of their moral and spiritual values. Although the utility function would explain this as a rejection of the risk involved in the business, such behavior could also be due to good intentions. Economically profitable interventions in the medical field, such as abortions, are often not selected as a means to income maximization because of moral and religious reasons. Patrons finance youth centers with reduced or null returns, for example, when they could obtain better economic returns elsewhere. The case of pledging credit is another example of work outside the maximum benefit zone. Although economic objectives are maintained, investments are located on an economic sub-optimum with regard to their potential (according to the utility function) and where benefits would be maximized.

The above cases clearly demonstrate that an individual's economic return can purposefully be less than the maximum indicated by the utility function. Hence, the hypothesis that other behavioral functions could exist, in which case, the utility func-

tion would be one member of a set. The distancing of an individual from the utility function's maximum benefit is normally assumed to be due to another, lower utility function within the same context of economic rationality.

How can the utility function be differentiated from other behavioral functions? This differentiation can be approached by means of the human virtues, cardinal as well as theological.

Human virtues and emotions, on which the scientific bibliography is abundant, are related to ethics and human behavior. They lead to the hypothesis that the economic utility function is the mathematical envelope function of another behavioral function capable of explaining the paradox of an individual acting on the downward part of the utility curve. Sharpe (1970) indicated that beyond point r^* , where the quadratic utility function reaches its maximum, real utility decreases according to the increase of the rate of return. "This is," he pointed out "clearly unacceptable and perhaps this part of the curve should never be used for decisions when the income is over r^* ".

Unlike the normative perspective, the positive point of view finds the inability to explain the economic behavior of a return-seeking individual operating on the downward part of the curve to be too artificial and simplistic. It does not seem to be plausible to say that behavior not complying with the norm of the rational economic individual cannot be analyzed. Thus, the second part of this paper addresses the hypothesis of a greater function which, obviously, includes economic rationality.

II. Towards a function of emotional well-being

2.1. Mathematical interpretation

2.1.1. Propositions

Proposition 1. The Bernoulli-type logarithmic utility function is an envelope function for other curve families of the type: $BE(x) = a_1 \text{sen}(\pi x) + a_2 \ln x + c_1$, with $a_1, a_2, c_1 > 0$.

Proof:

Let $U(x) = \ln x + c$, Bernoulli-type utility function, where x = wealth. If $BE(x)$

has an envelope function, the parametric equations that determine said envelope function must satisfy the following conditions:

$$f'(BE(x), x, \alpha) = 0 \quad \text{and} \quad f''(BE(x), x, \alpha) = 0 \quad \text{where} \quad \alpha = \pi x$$

In other words:

$$f'(BE(x), x, \alpha) = a_1 \text{cos}(\pi x) + a_2 \frac{1}{x} + c_1 - BE(x) = 0$$

$$f''(BE(x), x, \alpha) = -a_1 \text{sen}(\pi x) - a_2 \frac{1}{x^2} = 0$$

By solving, the envelope function is equal to:

$$U(x) = (a_1 + c_1) + a_2 \ln x.$$

So we show that $\bar{U}(x)$, which is logarithmic, is an envelope function of another curve family.

Proposition 2: The function $BE(x)$ has two envelope functions. The outer envelope function is given by the relative tangential maxima with $U(x)$; the inner envelope function's points are tangential and minimum relative to the function $BE(x)$. Between these two are $U(x)$ functions differing only in the position of their coefficient C and intersecting with $B(x)$ on the curve's downward part.

Proof:

Following the procedure for calculating the envelope func-

tion, the inner envelope functions of the type $U_2(x) = (-a_1 + c_1) + a_2 \ln x$, for which we have, in each tangential point, $dU_2(x)/dx = 0$ and $d^2U_2(x)/dx^2 > 0$ are deduced. In the outer envelope function, $U(x)_1$ is verified for each tangential point with $BE(x)$ $dU_1(x)/dx = 0$ and $d^2U_1(x)/dx^2 < 0$; thus, these points are relative minima.

Let $U'(x) = a_2 \ln x + c'$; in x_2 with $x_1 < x_2$,
 $U'(x_2) = BE(x_2)$, in other words, $a_2 \ln(x_2) + c' = a_1 \text{sen}(\pi x_2) + a_2 \ln x_2 + c$
 So that $c' = a_1 \text{sen}(\pi x_2) + c$

$\therefore c' \neq c, \forall x \in \{x | x \neq 1\}$, for which there is $U'(x)$.

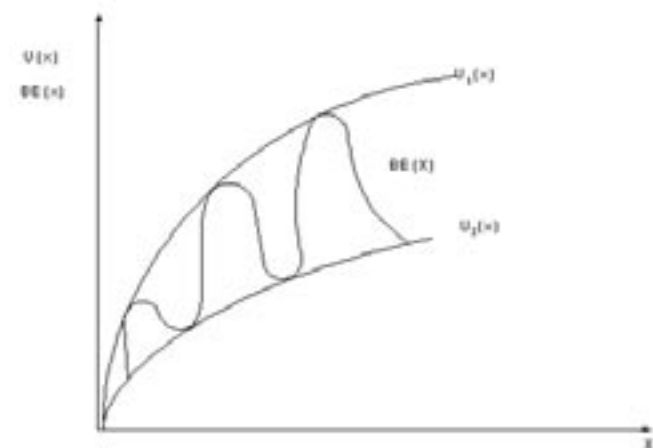
2.1.2. Characterization of the function BE(x)

Whether using the analytical method or visually inspecting the graph, $BE(x)$, $U_1(x)$, and $U_2(x)$ are characterized by the following:

$BE(x)$ is continuous in $[0, \infty]$ and twice differentiable; $\exists [z_i, z_j] \subseteq [0, \infty]$, so that in $[z_i, z_j]$, $i < j$, i and $j \in [0, \infty]$; $BE(x)$ is ascending in $[z_i, x_k^*]$, which is concave and upward since $(BE'(x) > 0$ and $BE''(x) > 0)$, and decreasing in $[x_k^*, z_j]$, where x_k^* are the relative maxima of $BE(x)$

$\forall k \in [0, \infty]$, $z_i < x_k^* < z_j$, and $\{z_i, z_j\}$ are the relative minima of $BE(x)$. In x_k^* , it is known that $BE(x)^{\text{max}} = U_1(x)^{\text{max}} \forall x_k^*$, except x_1^* , where $U_1(x)^{\text{max}} > BE(x)^{\text{max}}$ depending on a_1, a_2 , and c . In z_i and z_j we know that $BE(x)^{\text{min}} = U(x)^{\text{min}}$. Since $U_1(x)$ and $U_2(x)$ are on the curve's upward part in $[0, \infty] \rightarrow BE(x)$ is ascending in $[0, \infty]$, since $U_1(x)$ and $U_2(x)$ are the maximum and minimum envelope functions of $BE(x)$ and, therefore, $BE(x) \geq 0 \forall x, i = 1, \infty$.

Graph No. 1 shows the situations of Propositions 1 and 2.



Graph No. 1. Relationship between x and U(x).

2.2. Interpretation of the emotional well-being function, BE(x)

2.2.1. Definitions and assumptions

- Individuals know their utility functions, $U(x)$, which continue to fulfill all the normative aspects of the utility function theory.

- Individuals know that $BE(x)$ and the envelope functions, $U_1(x)$ and $U_2(x)$, exist. They assume that their behavior is limited by these two $U(x)$. $U_2(x)$ is the minimum emotional compensation required of a decision and $U_1(x)$ is the maximum emotional compensation possible.

- Emotional well-being is understood to be the degree of satisfaction resulting from an act, whether its motivation is purely economic rationality or a mixture of economic rationality, the cardinal virtues (prudence, justice, temperance, and brav-

ery), and the theological virtues (faith, charity, and hope). The cardinal and theological virtues will be called the global ethic here in order to differentiate them from the rational economic ethic. In other words, the ethical approach is more global and includes religious values in conjunction with and simultaneous to the ethics of economic rationality, which can be individualized and separated in $BE(x)$. All of this is captured by $BE(x)$.

- It is assumed that emotional well-being, $BE(x)$, can be represented by:

$$BE(x) = a_1 \text{sen}(\pi x) + a_2 \ln x + c, \text{ where } x = \text{wealth.} \tag{1}$$

- Let's assume that the coefficients a_1 and a_2 of $BE(x)$ represent the relative weights that the individuals give to global ethics and economic ethics, respectively, with $a_1 + a_2 = 1$.

If $a_1 + a_2 = 1$, and if $a_2 = 1$, then: $U_1(x) = BE(x)$; that is, we are in the presence of a behavior guided solely by economic rationality ethics. On the other hand, if $a_1 = 1$; the individual will not give economic ethics more weight; in this case, the relevant ethics are the global ethics. An individual is expected to simultaneously use both economic rationality and global ethics, and where $a_1 = 1$ or $a_2 = 1$ are extreme cases. It should be noted, however, that the utility function theory $U(x)$ is for the case where $a_2 = 1$.

- Economically, emotional compensations based on an emotional rationality stemming from global ethics are assumed to compensate the emotional sacrifices made by purposefully distancing oneself from the ethics of economic rationality.

- The level of wealth, x , can be interpreted as an interest rate, as shown by W. Sharpe (1970).

- Emotional well-being is assumed to depend on the level of wealth.

2.2.2. Analysis of the well-being function

The aforementioned definitions allow the following to be deduced:

$$\frac{dBE(x)}{dx} = a_1 \pi \cos(\pi x) + \frac{a_2}{x} \tag{2}$$

The first term on the right side of equation (2) represents the impact of changes induced in emotional well-being exclusively by behavioral aspects (that is, $\pi a_1 \cos(\pi x)$) that do not correspond entirely to a rational economic individual. The influence of the value each individual grants to this behavior is represented as a_1 . The second term represents the marginal contribution of emotional well-being to the individual's behavior as a rational economic being. Calculating, this is a_2/x , which is coincident with Bernoulli's classic approach, as cited in the previous pages. Note that, if $a_2 = 1$, then emotional well-being is completely explained by purely economic behavior. This means that the entire theoretical framework of the utility function is valid, since $BE(x) = U_1(x)$. It is interesting to note that, although the economic maximizing individual is presented as being borderline or extreme in the first part of this article, evidently such individuals do exist. There are cases, nevertheless, of individuals acting within certain utility margins without sacrificing their economic utility; in other words, $0 < a_2 < 1$.

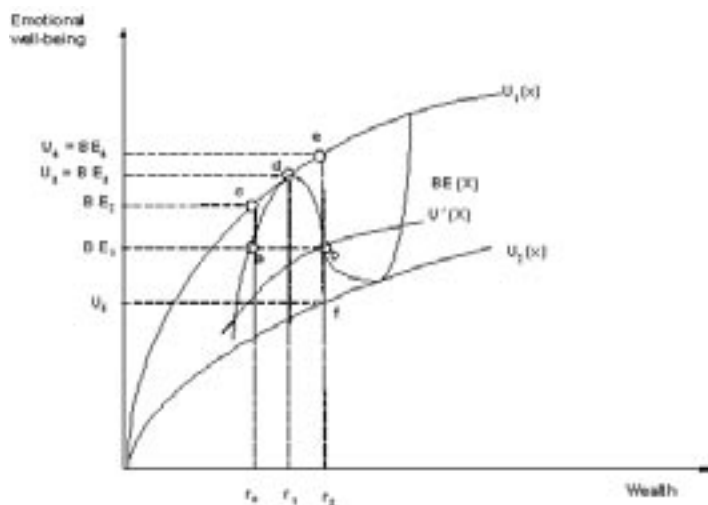
Equation (2) also shows that, economically, the change in emotional well-being remains an inverse proportion of wealth to utility; Bernoulli's hypothesis is verified, in other words, since $d(B(x))/dx = a_2/x$. However, by conceiving of individuals as more than purely economic beings, others facets can be seen to have ascending or descending ranges in the change of emotional

well-being. In this sinusoidally shaped logarithmic function, values can reach both the upward and downward parts of the curve. Intuitively, this suggests which variable results when including the analysis of values; in equation (2), this is represented by the first addend. Within the utility function, consideration is only given to individuals located on the upward part of the curve. Nonetheless, individuals can remain economic beings, retain their rational character, and still sacrifice utility for other goals. This is possible because the new interpretation of the economic being allows an individual to be located between the superior and inferior limits, on the curve's upward or downward part. This sinusoidal representation of the emotional well-being function makes the interpretation of human behavior more sensible and can explain the outcome of an individual's location on the downward part of said function.

The utility function, $U_2(x)$, indicates a minimum economic rationality and whether decisions are motivated by ethics, religion, spirituality, or some other value, there is an economic base below which the individual is not willing to make economic decisions. This analytical framework brings a slight change in the economic perception of risk. As will be seen later in this paper, the utility minimum defines the parameters of the economic sacrifice an individual is willing to accept in order to make a decision that is distanced from the economic rationality.

2.2.3. Joint analysis of BE(x) and U(x)

In the interest of simplification, the following analysis will be limited in focus to a part of the curve in Graph No. 2¹:



Graph No. 2. The wealth – utility – emotional well-being relationship.

At level r_0 , an emotional well-being of $BE(r)$ is obtained. Economically, this should be $BE_1(r)$ of Graph No. 2 (point a). Therefore, although there is an economic sacrifice, the greater level of wealth, r_1 , is still attractive. Obtaining an emotional well-being of $BE_3(r)$ on this point is coincident with the rationally economic utility of $U_3(x^*)$ of the graph. In other words, a total well-being is achieved here. From this point of view, the maximizer, an economic individual, need not analyze any function other than the rational economic individual's utility function, since $U_3(x^*) = BE(r^*)$ and r_1 is the point that maximizes the function $BE(r)$.

A greater level of wealth, however, could accompany less economic utility because of the facets of human behavior differing from those of the rational economic individual. Here, wealth level r_2 obtains an emotional return of BE_1 , or point b on Graph No. 2. This is equal to the benefit obtained in r_0 . What might motivate someone to act this way? Here, the individual's

behavior is motivated by values other than those indicated in the preceding paragraphs, such as the global ethic. The individual knowingly sacrifices the greater utility, point e, for ethical, religious, or spiritual reasons. What is sacrificed? Since an economic utility of U_4 (point e) can be obtained for wealth level r_2 , the investor remaining in $BE_1(r_2) < U_4(r_2)$ makes an economic sacrifice of $U_4(r_2) - BE_1(r_2)$. The individual, nevertheless, still receives returns, as the minimum required is U_5 (point f). The compensation for an individual distanced from the economic sacrifice is:

$BE_1(r_1) - U_2(r_2)$. On the other hand, making this decision at point b results in another economic utility function, $U'(x)$, which leaves the individual economically satisfied². The individual, being complete, is willing to make an economic sacrifice in exchange for different kinds of compensation. Finally, a comparison between sections $U_4(r_2) - BE_1(r_2)$ and $BE_1(r_1) - U_2(r_2)$ gives the degree of the emotional well-being sacrifice or compensation.

The analysis of the new function, $U'(x)$, is a response to the exclusively economic focus and is in accordance with the previously indicated human action approach of Von Mises (1968). In spite of its intellectual validity, the approach is not complete. The economic and value implications resulting from the $U_1(x)$ to $U'(x)$ change should be explained through emotional well-being variables. Saying that individuals lower their expectations of economic demand, and that the reasons for doing so do not matter, seems to be a case of oversimplification. However, some people act this way because of both economics and values (related with the human virtues) and the latter cannot be abandoned as if they were neutral or constant when facing an economic decision.

In the downward part of the $BE(x)$ function of Graph No. 2, the following situations are given between points b and d:

a.1. Sacrifice for not following the economic ethic = $U_4(r_2) - BE(r_2)$. For small variations in wealth this is: $d_1U(x) = (a_2/x)dx$. Evidently, if the variations are large, then they require $\Delta U(x)$.

a.2. Decrease of the emotional well-being functions, given by:

$$U_3 - BE_1 = \Delta BE(x) = [a_2 \ln(r_1) + (c_1 + a_1)] - BE(r_2)$$

If Δx is small, then this decrease is:

$$dBE(x) = (a_1 \pi \cos(\pi x) + a_2/x)dx$$

a.3. In point $BE^*(x)$, $U_1^*(x) > BE^*(x)$ can be given, originating an initial loss that is carried to the analysis of the change of wealth in r_2 , given by $U_1^*(r_1) - BE(r_1)^{max}$. The sacrifice of not behaving like an economic rational individual and accepting other value-related aspects that take the individual to point b of Graph No. 2 is:

(a.1) + (a.2) $\forall x^*, i = 2, \infty$. For $i = 1$, it can be (a.1) + (a.2) + (a.3). In other words, (a.1) is not earned, emotional well-being decreases from point d to b of Graph No. 2, and a probable loss in the first curve, or a total sacrifice = $(a_2/x)dx + (a_1 \pi \cos(\pi x) + (a_2/x))dx$ is incurred.

In the downward part of $BE(x)$, between points b and f, or between $BE(x)$ and $U_2(x)$, the following situations are given:

a.4. On moving to a new utility function, a greater compensation is perceived which is given by:

$U'(x)/dx$. This is for the move from point $(r_1, U_1'(x))$ to $(r_2, U_1'(x))$. It is a new emotional economic situation.

a.5. A remnant of $U'(r_2) - U_2(r_2)$ represents well-being operating over a desired minimum. Satisfaction, which is given by $U'(r_2) - U_2(r_2)$, decomposes from two aspects: the new satisfaction of the economic individual for being above the new utility function $U'(x)$ and a safety buffer. Both compensate the individual's economic loss for not having followed a purely economic

ethic. This economic sacrifice has, at the same time, compensations allowing its $BE(x)$ to be lower than the economic individual's maximization. Why do individuals distance themselves from the economic maximum to arrive at $BE(x) < U_1(x)$? Other facets of the complete individual explain this behavior, which an exclusively normative assumption of the rational economic individual cannot. The individual can also operate as an optimizer (and not a maximizer), being positioned within two ranges of economic utility, in other words, between $U_1(x)$ and $U_2(x)$. Finally, the individual will compare (a.1 + a.2) versus (a.3 + a.4).

2.3. On the subject of risk

The development of utility function theory regarding the evaluation and behavior of an individual facing risk is solid according to the quantitative evaluations, built on statistical measures and definitions, which are used to represent risk, as explained in Part I of this paper. Both Bernoulli-type functions and finance and economic theory's choice of investment opportunities are founded on the essence of this definition of risk.

Risk, then, is not a trivial topic in the development of an emotional well-being function. This is especially so because of contributions from other scientific areas, such as genetics and the study of attitude when facing risk (see Bishop and Waldholz, 1990, Ch. XV) and ethics in the form of the social sciences. The development of the $BE(x)$ function has centered on the development of the human virtues which, although qualitatively defined, have an implicit concept of risk behind them. Human virtues, therefore, are difficult to measure with indices or statistical averages. Prudence, strength, temperance, and justice are the cardinal virtues on which the analysis concentrates, as indicated in Parada (2003).

Prudence encourages action with good intentions. It means being realistic, sensible, and correct. This first value obviously affects the degree of risk assumed. Strength is bravery in action, a sort of middle ground between fear (the rejection of risk) and daring (the "risk lover"). The meaning of economic utility theory, thus, is only completely relevant to the human virtue of strength. Temperance indicates moderation in mitigating the tendency toward excesses and, finally, justice operates as the behavioral standard of doing what is right. These four virtues, all value-related and qualitative, directly influence the level of risk assumed by a given individual.

Example:

If we suppose that an individual behaves as if $BE(x)$ is given by $a_1 = 0.6$; $a_2 = 0.4$; and $c = 2$, then the analysis functions are:

$$U_1(x) = 0.4 \ln x + 2.6$$

$$U_2(x) = 0.4 \ln x + 1.4$$

$$BE(x) = 0.6 \text{sen}(\pi x) + 0.4 \ln x + 2$$

With this data, and for $0.5 < x < 1.5$ (for the sake of simplification, only the first part of $BE(x)$ is taken), we arrive at the following calculation:

$\text{Max}(BE(X)) = 2.3660$ con $x_0 = 0.6126$ (according to Newton's numerical calculating method).

Supposing that we want to analyze an investor who is located on the downward part of the curve, $BE(x)$, in $x_1 = 0.62$. This implies $\Delta x = 0.0074$. With this data, we arrive at the following:

	$x_0 = 0.6126$	$x_1 = 0.62$	Δx
$U_1(x)$	2.404	2.4088	0.0048
$U_2(x)$	1.204	1.2088	0.0048
$BE(x)$	2.3658	2.3667	0.0001

This is the analysis of sacrifice and compensation for an investor located on the downward part of $BE(x)$.

1. Emotional sacrifice for not being a rational economic individual.

a) Losses due to lack of economic rationality:

$$dU_1(x) = (a_2/x)dx = (0.4/0.6126) \times 0.0074 \approx 0.005$$

$$\text{or } \Delta U = U_1(0.62) - U_1(0.6126) = 2.409 - 2.404 \approx 0.005$$

b) Decrease in $BE(x)$ due to location below the initial optimum:

$$dBE(x) = (0.6\pi \cos(\pi x) + 0.4/x)dx$$

$$= 0.6\pi \cos(0.6126) + 0.4/0.6126 \times 0.007 \approx 0$$

$$\text{or } BE(0.62) - BE(0.6126) \approx 0$$

c) Initially (in x_0), we have $BE(0.6126) < U_1(0.6126)$; therefore we arrive at a sacrifice of: $U_1(0.6126) - BE(0.6126) = 0.0373$

So the total sacrifice is: $0.005 + 0.0373 = 0.04$

$$\text{or } U_1(0.62) - BE(0.62) = 2.409 - 2.3667 \approx 0.0423$$

2. Emotional compensation, or $BE(0.62) - U_2(0.62)$, for locating oneself higher than $U_2(0.62)$.

a) Compensation due to the new utility function, or $U'(x)$:

$$dU'(x) = (a_2/x)dx = (0.4/0.6126) \times 0.0074 \approx 0.005$$

b) Compensation due to being over the required minimum, $U_2(x)$:

$$U'(0.6126) - U_2(0.62)$$

This requires knowing the C' of $U'(x)$.

$$\text{Since } U'(0.62) = BE(0.62), \text{ then } 0.4 \ln 0.62 + C' = 0.6 \text{sen}(0.62\pi) + 0.4 \ln 0.62 + 2$$

$$\text{Or, } C' = 2.5579$$

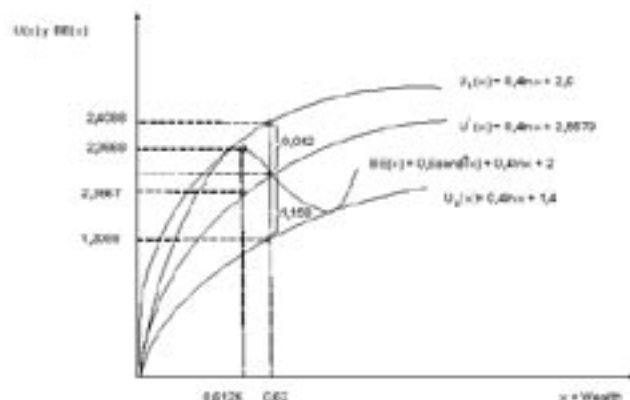
$$\text{So } U'(0.6126) - U_2(0.62) = 2.3619 - 1.209 \approx 1.153$$

$$\text{Total emotional compensation} = 0.005 + 1.1531 \approx 1.158$$

$$\text{or, } BE(0.62) - U_2(0.62) \approx 1.158$$

In summary, this individual's position, which weights global ethical reasons at 60% and economic reasons at 40%, is on the downward part of function $BE(x)$, below the economic utility function. If acting exclusively according to the economic ethic ($a_2 = 1$), the individual's satisfaction would equal $U_1(x) = 2.4088$. However, the individual opts for the lower satisfaction of $BE(x) = 2.3667$.

This creates an emotional sacrifice of 0.0423, but an economic satisfaction of 1.158. The investor can, then, operate on the downward part of $BE(x)$, as Graph No. 3 shows:



Graph No. 3. Wealth-Emotional Well-being Relationship.

Conclusion

The process of developing the utility function theory, the basis of economic and finance theory, has been a long one. Initially influenced by Greek philosophers, the utility function eventually took shape after growing out of the ethical schools of Utilitarianism and Hedonism with the development of economics as an autonomous science. The central assumption is that the function is the response to an individual's behavior who, normatively, is a maximizer of utilities considering the level of wealth possessed. The utility function's explanation of individual behavior, however, falls short when its normative aspect is violated by the assumption that individuals are complete, and not exclusively economic, beings.

Therefore, a hypothesis develops of other families of func-

¹ In the functions $BE(x)$, $U_1(x)$, and $U_2(x)$, the axes can be moved so that they pass through the origin, which is more economically sensible. This implies that the x values in the functions can be $x = x' + 1$, since if $x = 0 \rightarrow$ emotional well-being also equals zero.

² This new function is: $U(x) = a_2 \ln x + c'$. Since $U'(x)$ goes through point $BE(r_2) \Rightarrow U'(r_2) = BE(r_2)$. Replacing, one arrives at $c' = a_1 \text{sen}(\pi x) + c$.
If $x = 1 \Rightarrow c' = c$.

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Social Accountancy (Accountability): Social Balance as a (no) instrument of ethic corporative action

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1. Introduction

Recent historical events, especially the violent reactions of minorities against American hegemony, increased the academic debate on the social role of the organizations in building the so-called sustainable development. In this context, social accounting is seen as an instrument of management information that intends to guide the organizational strategies to attend the social demands of economic agents.

The proposed article for discussion "Social Balance: a New Instrument for the Enterprise Social Responsibility" (Tibúrcio Silva e Souza Freire, 2001), presents the Wide Social Balance (WSB) as an important instrument for the establishment of social responsibility in enterprises, so far as providing feedback to the decision-making process with information directly related to the social performance according to the viewpoint of the main economic agents involved with the organization. Admitting the difficulty to set a universal concept of the term "Social Responsibility" as a starting point, the text outlines the present social and economical reality of the increasing pressure of external forces on the social performance of enterprises; and the need for an instrument of measurement able to offer society a wide perspective on the organization performance concerning its ethical commitment and its influence on the social groups affected directly or indirectly by the organization.

In Brazil, the beginning of the debate about social responsibility in enterprises reaches back to the 60's, with the establishment of the Enterprise Christian Leaders Association and the creation of the law 76900/75, that obligated enterprises to provide individual information about their workers. The crisis of the economical model based on the State, more recently, made the social aspects (previously relegated to the background) gain greater importance in the way that companies started to act and be evaluated. In this way, the social reports appear as a way to spread the social actions of the organizations and build a positive image to society.

Within this context, the wide social balance appears as an alternative to the traditional social balance, because it adds information of quality order and makes information take an opposite direction from the traditionally used one, flowing from society to organization. According to the authors, "the WSB allows extended information volume, with other points of view being added to the decision-making process. The information raised by the WSB can also be treated, grouped and summarized according to the analysis needs. Escaping from the centralized model, the WSB avoids partial reports, where prevails, if not dominated completely, the opinion of the company regardless the opinion of the different economical agents (internal and external) with which it interacts.

The choice of economic agents to be consulted for WSB

elaboration, as well the indicators to be considered, is an aspect of great relevance, because different groups of opinion need to be considered in order to have a precise identification of possible problems to be faced. Conflict of opinions and interests between the economic agents allow a better foundation of a decision-making process, considering the information collected. The choice of indicators, of its own, is important information, because it demonstrates a relevant degree from many variables to be measured and evaluated during the process.

Through a statistic process, qualitative data is converted in quantitative information and can, from that point, be compared and calculated. The analysis of the disagreement level between interviewees or the redundancy of data is proposed as one of the next steps. Polemic indicators, like the ones with high levels of dispersion, can reveal potential problems and/or critic aspects in future decision-making processes. On the other side, very low disagreement levels can indicate indifference or passivity from the interviewees in relation with certain item of analysis. Very high-redundancy levels hold little informative conclusiveness, because they indicate little relation between two variables.

In relation with WSB advantages, it is considered that an enterprise can adopt a proactive attitude in its relationships, increasing its capacity of prevision. Besides that, WSB allows an enterprise to evaluate itself and be accountable more efficiently to the society in general. In relation to the decision-making process, it can look up considerably, from identification of the more relevant variables pointed for economic agents during interviews, as deepest involvement of the many hierarchical levels of organization, which will start to act with even more transparency related with external agents expectations.

According to the authors, potential problems decurrently of WSB can occur as a result of many factors, such as conflict of interests between the agents, lost of information through quantification of qualitative data, prohibitive costs for small and medium size enterprises, or the conflict between standardization of the model and its adequation to the characteristics of each enterprise.

2. Knowing the Literature

The lecture of the proposal article for analysis provides, at least, two basic issues of approach: (a) Social Responsibility as basis of sustainable development and (b) Social Accountability as a tool to measure the social impact of organizations in society. A third approach, (c) The need of ethical training in the academic teaching of administration, assessing related literature; offers yet other possibilities to the development of future discussions and analysis.

(a) The question of Social Responsibility of Organizations

Orchis et al (2002) mention the importance of Oliver Sheldon (1923) on the amplification of the administration concept

and its relation with society. Yet on the first half of the twentieth century, the Third Sector concept emerges in the US and, with this, opens up possibilities to partnership between civil society organizations and traditional enterprises, in order to fight social problems. Since then, many specialized entities on Enterprise Social Responsibility development emerged on the international stage, such as: The Prince of Wales International Business Leadership Forum (UK), Business in the Community (UK), European Network against Social Exclusion (US), Business for Social Responsibility – BSR (US), Institute for Social and Ethical AccountAbility (UK), The Stakeholder Alliance (US) and The Copenhagen Centre (DEN).

According to data from The Copenhagen Centre in cooperation with the AccountAbility Institute (2002), the European Commission, this July, suggested the creation of a European “multi-stakeholder” forum, with the objective of making possible an opened space of discussion between government, society and market about methods of social and environmental evaluation. Initiatives like this reflect the increasing international concern in amplifying and rend the involvement from diverse economic agents on the building of sustainable development of nations and the entire society.

Though, despite the favorable atmosphere for organization participation on the resolution of social problems, the concern with Social Responsibility on Business has been a target of polemic discussions between critics and defenders. Besides the concept variety, literature about the subject includes conflicting opinions: while some authors defend Social Responsibility as a solution for long term sustainable problems of organizations and society deadlines (Key e Popkin, 1998; Waddock, Graves e Frooman in Key e Popkin, 1998), others are emphatic in affirming that it is not reasonable to imagine that enterprises are capable of attending social and environmental demands and yet, still capable of keeping enough levels of success in an hostile business environment (Ansoff, 1981; Gray, 2002).

Supporters of Social Responsibility, such as Pascal Lamy, EU Trade Commissioner, claims that there is a direct correlation between social and environmental principles of organization and its financial performance (Swift e Zadek, 2002). According to this school of’ thought, more and more Social Responsibility goes beyond its legal obligations, which meets Milton Friedman’s thought (apud Klein, 1999). According to him, the only goal of an enterprise is profit increase.

In Brazilian contemporary author’s discourses (Ashley et al, 2002; Toldo in Instituto Ethos, 2002; Orchis et al in Instituto Ethos, 2002), what prevails is the belief that enterprise strategies based on social and environmental responsibility are compatible and desirable in order to achieve sustainable development. Generally, favorable arguments to Business Social Responsibility based on the idea that a better society has better conditions to provide enterprise profits. Besides that, authors argue that the actions connected to society welfare upgrade the enterprises public image, avoid governmental regulation necessity, prevent the aggravation of essential problems and, above all, are ethically desirable.

On the other side, arguments against organizational Social Responsibility make serious restrictions to the viability of enterprise actions with no-profit objectives, under the risk of paralyzing business and increasing prices illegally. According to this point of view, responsible social action is not the enterprise objective, but has immensurable costs and may increase in an uncontrollable way the power of enterprises over the society (Mansen Jr. in Certo e Peter, 1993; Friedman, Chamberlain, Manne in Ashley et al, 2002).

(b) The subject of Social Accountability

Researches referring to the Social Balance evolution (Kroetz, 2000), point to the 60’s as a crucial moment, when the first manifestations in favor of a new moral an ethic posture from enterprises began to unfold in American society. Although in Germany there was reference to Social Balance since the 30’s; it was in the 1970’s that it became popular, especially in the US, Germany and France, reaching later on Europe and Latin America. Some enterprises are already internationally known for their countable proceedings on the social area, according to BSR (2002) data: British Telecom’s, Ford Motor Co., Mountain Equipment Cooperative, Royal Dutch/Shell’s, Kellogg Company’s, American Electric Power, among others.

In Brazil, the Social Balance is not yet obligatory all over the country, and a small number of enterprises are concerned in making account of their actions to society. The first academic works about the subject were made at USP since the 1980’s and 1990’s.

In 1978, ADCE brought up a Social Balance proposal, lately amplified for FIDES Foundation (1980), through a great seminary about the subject and other afterward actions. Though the Social Balance popularization has been only happening in a wider way since the 90’s, when sociology professor Herbert de Souza (Betinho) acted as a promoter and a supporter of the idea through Brazilian Institute of Social-Economic Analysis (IBASE). Regulation about the issue is still in phase of formalities in most part of the country,

One of the basic propositions from social accountability favorable to the contemporary point of view is based on Keith Davis’ ideas (apud Certo & Peter, 1993, p.281). According to him, “enterprises must operate as an opened system with two hands, with information reception from society and opened advertisement about their operations with the public”. According to this proposition, an enterprise must be willing to listen to society and work on building its welfare. Another proposition of this model is that social benefits costs provided by enterprises must be completely calculated and considered. In this sense, decision-making on enterprises must consider other factors, such as short and long deadlines, social consequences, which go beyond the traditional concern with economic profitability and technical viability.

Critics to social accountability are based on the conceptual difficulty of Social Responsibility in a wide and applicable way to different realities. Little reach, superficiality and difficulty of practical applications of social-environmental balances content, are pointed also as criteria for negative evaluation (Ball et al, Gray e Bebbington, Gray et al, Owen et al in Gray, 2002; Kanitz, 2000).

Besides the Social Balance, other criteria to Social Responsibility evaluation have been proposed and established: the norms (AS 8000, AA-1000), INDICES (Dow Jones Sustainability Group Indexes), indicators (Indicadores Ethos de Responsabilidade Social Empresarial) and certifications (Fundação Abrinq). Though, according to Swift and Zadek (2002), the criteria to competitiveness evaluation of countries does not take in count the Corporative Responsibility, giving priority to economic aspects, business efficiency, governability and infrastructure.

(c) The subject of Ethics on Administration

A recent discussion raised on Panel on the Crisis in Corporate Confidence, during the National Academy of Management Meeting (2002) approached the crisis on organization’s ethics and proposed a discussion of some important questions of reflection. According to Child (2002), enterprise’s ethic ob-

ligations are not confined to their stakeholders. Investors, employees and community in general must be considered with the account render. Considering that multinational American enterprises have increasing influence in developing countries – like Brazil and China –, the ethic issue assumes a different dimension. Though many multinational companies act in a “responsible social manner” through job creation and environment protection, in a general way there is not a commitment of involvement with local community in the accountability and decision making process. One of Child’s (2002) suggestions is for a general reform of the academic formation of future leadership, to make directors learn how to give voice to local partners and to understand regional differences in the countries where they will act.

According to the debaters, the place of academic formation on Ethic teaching in business is crucial, because its function of Education will guide future administrators about moral and social aspects that have been forgotten in organizational practices. Recent Corporative American scandals came to prove ethic defaults in the formation of directors that come from big multinational American enterprises, and though they are demanding from employees more capability in terms of ability and competence (knowledge), there is no representative response of decision-making processes and access to information (Adler, 2002; Chil, 2002; Gioia, 2002; Kochan, 2002).

3. Analitic Problematization

“A informação é um dos pressupostos da cidadania. O Balanço Social é um instrumento de informação”.

Marta Suplicy (Folha de São Paulo, 1997)

Accountancy has been traditionally used as a toll of decision-making (Hendriksen in Iudicibus, 1997), from its approaches: ethics, behavior, macroeconomics, sociology and systemic. According to this last approach (systemic), many relations are objects of social accountancy: enterprise relationships with employees, environment and society.

Social Balance is a part of social accountancy, a subordinated area to the big system of Account Science. “It can be affirmed that it is a tool of information, to provide social character and benefits to many kinds of users, as conductors, employees and the society where the enterprise is introduced” (Rizzi, 2002, p.180).

According to Ethos Institute (2002), the social balance is a strategic tool of decision-making, and must have the same amount of quantitative and qualitative data. In this way, social balance serves as a source of minimum elements that are essential to decision-making in reference to programs and responsibilities inherent to the organization (Oliveira, 2002).

According to BSR (2002), companies that engage their stakeholders gain valuable feedback about themselves, their operations and the way they are perceived. Diversity of opinions allows the enterprise to integrate different interests on decision-making processes. Kroetz (2000) also claims that the Social Balance cannot be a mere tool of marketing. Social Balance is, above all, “a tool of management support, serving as a tool of control, of relief on decision-making and an adoption of strategies”.

Therefore, even though the whole importance of social balance and social responsibility is to be present as a consensus through supporters of the idea, some questions related to strategic decision processes bring up some deeper reflections:

- Until what extent does the popularization of social bal-

ance, related to the increasing importance of social responsibility, provide consistent answers to the need of information used in the decision-making process within the organizations?

- Is the social balance a tool of management information or is it a stratagem to legitimize the role of the organization in society?

Orchis et al (2002) raise an essential question:

“The question that can be raised here is if social responsibility would be really a concern of the enterprise or just a way to satisfy stakeholders in order to use them in its favor, being a mere tool of publicity to upgrade image, cooperation or acceptance; and not a commitment with interests that overpass enterprise frontiers.” (p.54)

According to Gray (2002), the account making based on the stakeholder’s model is not enough, given the complexity of interests between the parts involved. Meaning that a model like WBS would confront at least two basic problems: a great amount of disconnected data and lack of limitations and focus of analysis. The author suggests to answer the question through a redefinition of accountability concept: social balance would be a formal document about the extensibility of the organization’s inability in attending society needs, and not an affirmation of achieved responsibilities.

“Accountability is a quintessentially democratic notion that is about society deciding on the world – and the businesses – it wishes to aspite to. A social, environmental and sustainability reporting based on accountability would take us a small step in this direction.” (Gray, 2002)

The approaches about strategic emergency through learning (Mintzberg), the myths of opened environments (Shapiro), the development of formal arguments (Dèry) and, above all, an analysis of information as a symbol (Feldman and March), puts up a frame for a deeper analysis of the concepts presented on the article, contributing to raise important questions to future reflections and researches.

The approach of necessity and organizational objectives formation (Cyert and March) and the incorporation of new values to enterprise objectives (Ansoff) also contribute to the analysis.

According to Mintzberg and Quinn (2001), formulation and implantation of the strategy are connected processes, interactive and complex, in which politics, values, organization culture and management styles determine or impose some decisions and strategies. The strategies can be deliberated – from concretization of intentions earlier existent (plane) –, or emerging – from the development of patterns that ignore the intentions (pattern). On the analyzed article, the WSB can be considered a tool of strategy formulation, through what arise objectives to configuration of the deliberated strategy. In this case, strategy is understood as a plan, which can be pre-determined and wide-ranging, integrated with the objectives to be achieved. This point of view does not consider the conflicts of interest between the agents from what the objectives arise, and the difficulty of implementation of a strategic plan that, in the beginning does not have the entire organization’s approval.

In the School of Learning’s case (Mintzberg, Ahlstrand e Lampel, 2000), strategy is a process of learning that occurs through the convergence of actions over behavior patterns that work. Inside this perspective, the WSB meets Karl Weick’s proposition (1970). According to Weick, the reality emerges from the constant interpretation and evolution of our past experience. Through the participation on the social balance elaboration, the many agents would be, in this case, reflecting about past experiences and influencing strategic formation.

Another aspect allows a deeper analysis: the proposition of WSB assumes the organization as an open system, in which information flows in a relatively easy way, such as internally as well as externally. Shapiro (1999) alerts to the fact that no organization is an open system. Whether it is for lack of rewards or fear of punishment, people, most of the times, do not present their ideas and observations voluntarily. Generally the rumors are more faithful to reality than official information. "Though it would be a great thing if there were a free flow of ideas and observations, the natural flow of information opposes to the organizational objectives: the information that flows up tends to be censored or suppressed, while the information that flows down is frequently ignored or distorted". So, the existence of contributions immune of distortion is questionable.

Referring to information, it is crucial to understand how the organizations function. According to Feldman and March (1981), information has a strong symbolic value in respect of organizational strategies. Traditional decision-making models wrongly assume that it is possible to have unlimited access to the information, and that only relevant information will be searched. Actually, these models ignore the fact time on the relation between research and decision. According to these authors, the importance of collected information lies on the symbology connected to its importance on decision-making, according to the traditional model. In the search of involvement from the agents to the elaboration of WSB, it is possible that the organization will be searching legitimacy for its strategies and its decisions, using the collected information as a tool of power and as a mechanism to increase the trust of its subsequent decisions.

The collection and constant request of information is a sign from the so-called Economy of Information (Feldman e March, 1981). Therefore, how can the validity of information be trusted? How can it be known that the Social Balance will not be used as a symbol of information to attend social pressures by enterprises accountancy?

According to Ansoff (1991), Post-industrial Era social aspirations are transferred from "quantity" to "quality" of life. Big enterprises are questioned of "knowledge ethics" and for the need of realignment of social priorities. Social Responsibility of private sector has gone to be charged and considered on the decision-making process. Social-Politic relations from enterprises with the environment became important sources of information, becoming threats and opportunities at the same time. One of the central questions of strategic management is "to know what kind of objectives an enterprise must pursue: maximum profit, maximization of investors richness, or a balanced satisfaction of the stakeholders involved." (Ansoff, 1991, p.48) The WSB, In this case, can the WSB be considered an instrument of Social Responsibility that attends stakeholder's demands?

Social Responsibility became an enterprise goal reflected by Cyert and March's argument, that objectives are from people, and not from enterprises. In this way, organizational objectives would be, actually, a negotiated consensus between influent participants objectives (Orchis et al in ETHOS, 2002). Though, WSB's proposition as a tool of Social Responsibility seems more as the theory of interest groups, in which conflict solutions of demands is presumably reached by high management, while Cyert and March affirm that consensus is negotiated through coalization bargain (Ansoff, 1991).

According to Williams (1998), accountancy is a metaphoric language, hence it can't describe perfectly the reality and capture the essence of enterprise in a rich and clear way. Account systems function as a "signal of reputation", because acquire traditionally a formal credibility.

"In this respect, accountancy, or any other 'business language', from which reputation and employment depend on capturing the organizational essence, would be more efficient if allied its own interests to the interests of groups to which its supposed to serve." (Williams, 1998)

Finally, and with no pretension to exhaust the subject, one of WSB problems, according to the article, is the transformation of qualitative opinions in a numeric scale and, lately, the statistic tabulation of collected data. In this respect, it is important to show that informal argumentation (qualitative), when transformed in a formal argument (quantitative, in this case, account), increases considerably the power of persuasion related to it (Dèry, 1996), reducing the margin of different interpretations and debates. The actor-decider is reduced through this process, to an information-treatment machine that, in this case, serves much more as a symbolic instrument and as a tool of decision-making control.

4. Proposals

"The system of capitalism will simply not permit corporate management to act with the principles of social justice as the centrepiece of their strategy." (Gray, 2002)

Many questions remain opened about Social Responsibility as a base to sustainable development; about Social Accountancy as a tool of measurement of social impact, and still about the lack of Ethics in academic education in management. Generally, some questions can originate future researches, such as:

- How does social responsibility influence decision-making processes in organizations?
- Are there precise and measurable criteria of evaluation of the level of importance from social responsibility on enterprise strategy definition?
- What are (do they exist?) objective criteria to determine an acceptable level of involvement of social responsibility (size, AREA DE ATUACAO, for example)?

But there are still many other approaches to be proposed. The following paragraphs present some suggestions and proposals to future development.

Cyert e March (1992), for example, suggests that sequential attention to conflicting objectives is a mechanism that makes possible to solve existent contradictions between different objectives. It will be this an effective mechanism to solve demands generated by a tool able to give origin to as many objectives as WSB? According to the authors, information about the market is searched just in time for crisis or any fail indication. In this case, it will be WSB a prevention mechanism against this tendency, because it captures information before problems happen (or start to get worse?)

Considering decision categories proposed by Ansoff (1991) – strategic, administrative and operational –, in which categories could the information resulted from WSB be "incorporated"? Is there balance or predominance by any category?

According to Swift and Zadek (2002), not always the practice of Social Responsibility by some enterprises means benefit to the entire economy. What are the situations in which this proposition can be applied? In this case, what are the ethic principles to be considered?

Orchis et al (2002) make an analysis from (un) existence of social responsibility concept related to the schools of strategy proposed by Mintzberg, Ahlstrand e Lampel (2000). According to this analysis, social responsibility concept is directly mentioned only by schools of design and planning, being ignored by

other schools, though it is possible to conceptually project the impact of social responsibility on different schools formation. So, from the referred analysis, what are the practical implications of the application of the social responsibility concept to different models of strategy?

Hirschman (in Child 2002) points three options of relationship between high management and employees: exit, voice and loyalty. In this sense, will WSB be an efficient tool to give employees voice?

According to Key e Popkins (1998), organizational ethics involve a dynamic of forces mutually dependents, not merely lonely actions. Therefore, medium-level managers decisions acquire an important ethic dimension, while it can also have serious chain affects. From this approach:

- * Are there situations where ethic "incompatibilities" can occur on different levels during decision-making processes?
- * Is there a difference between general ethic concepts and ethics applied to business? In an affirmative case, what "ethic" must be evocated when stakeholder's interests are incompatible with wide-ranging social interests?
- * Can ethics work as a factor of alignment in the decision-making process within the organization?

5. Conclusion

This paper presents an analysis of Social Responsibility and Ethics concepts applied to organizations, from the study about Wide Social Balance (WSB) as an important instrument to concreteness of Business Social Responsibility (Tibúrcio Silva e Souza Freire, 2001).

Themes of bigger wide-ranging – Social Responsibility, Social Accountancy and Business Ethics –, were approached on the first part, from literature research. It was possible to verify that Social Responsibility is a target of intense debates between supporters and critics. Main discussions occur about the viability of long-term sustainable development, having as a base strategies based on Social Responsibility.

In terms of Social Accountancy though, there is a favorable atmosphere to its legal obligatoriness. Many critics found in literature are founded on the poor ranging and difficulty of practical application of social reports content.

Ethics is a very wide and deep issue that goes way beyond

this paper's objectives. It was approached following recent reflections of AOM about ethic crisis in American corporations and its negative consequences on the developing countries economy. The referred author believes that the roots of the problem are found on the low importance of ethics in business schools, where there is generally emphasis on profit search.

On the problematic analysis, the central themes of the chosen article were questioned, leading to the conclusion that many variables can interfere negatively in the WSB utilization as a tool of management information and Social Responsibility in enterprises. From the approaches about strategy emergence through learning (Mintzberg), the myth of opened environments (Shapiro), the development of formal arguments (Dèry) and, especially, the analysis of information as a symbol (Feldman e March), the mainly concepts presented on the article were analyzed, contributing for the arousing of important questions for reflection and future research. The approaches about necessity on organizational objectives formation (Cyert e March) and the incorporation of new values to enterprises objectives (Ansoff) also contributed to the theme analysis.

In relation to the initial questions asked on the problematic analysis, it was possible to infer that deliberated strategy formulation (Mintzberg) based on WSB information gives the go-by conflicts between economic-agents interests. Besides that, the influence of informal flows of information and resistance to voluntary contribution in the presentation of ideas and observations (Shapiro) can transform themselves in "saboteur" factors on the wide-ranging proposes of WSB.

Through the participation of the mainly economic-agents on WSB elaboration, it is possible that the organization is trying to legitimate its strategies and decisions, using collected information as a power instrument as well as a mechanism to raise trust in the post-taken decisions (Feldman e March). In the same way, the charge by responsible corporative action and by participation of organizations on long-term sustainable development viabilization can be, a way of inducement through the use of Social Accountancy as a "signal of reputation" (Williams, 1998).

Finally, the quantification of qualitative data is questioned as a manner of persuasion power increase and as a way to inhibit active participation of organizational actors in the decision-making process control (Dèry).

As a conclusion to this paper, other suggestions of analysis and future developments were proposed.

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www.acm.pace.edu

Abbreviatures:

BSA - Balanço Social Abrangente (BSA)
 Associação dos Dirigentes Cristãos de Empresas (ADCE)
 Business for Social Responsibility (BSR)
 Universidade de São Paulo (USP)
 Instituto Brasileiro de Análises Sócio-Econômicas (IBASE)
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Individual, Job, Organizational and Contextual Correlates of Employment Empowerment: Some Greek Evidence

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Abstract

This study is part of a larger project exploring the usefulness of the empowerment construct in the Greek context. Using a sample of 154 mature working students we examined the influence of demographics (gender, age and work experience), personality traits (locus of control), job factors (managerial status), organisational attributes (size), and contextual variables (industry type) on psychological empowerment and its four dimensions: meaning, competence, self determination and impact. Findings provide partial support for the investigated research hypotheses. Implications for future research are discussed.

Keywords

Employee empowerment; Greece

Introduction

In recent years the issue of employee empowerment has received increasing attention (Zani and Pietrantonio, 2001). Despite its popularity though relatively little rigorous empirical research has been conducted on its antecedents and consequences (Menon, 2001, p.154). Identified 'determinants' of empowerment may be distinguished into four major categories (see Table 1): person factors, comprising employee demographics (Mainiero, 1986; Spreitzer, 1996; Zani and Pietrantonio, 2001) and psychological variables (Dimitriades, 2002; Honneger and Appelbaum, 1998; Menon, 2001; Menon and Hartmann, 2000; Spreitzer, 1995); job and/or work role factors (Cagne Senecal and Koestner, 1997; Hayes, 1994; Spreitzer, 1996; and Savery and Lucks, 2001); organisation factors (Menon, 2001; Menon and Pethe, 2002; Sagie, 2002; Siegall and Gardner, 2000; Spreitzer, 1995;1996); and context factors (Cunningham, Hyman and Baldry, 1996). While reported outcomes of employment empowerment include job involvement (Menon, 2001; Menon and Pethe, 2002); job satisfaction (Hayes, 1994; Savery and Lucks, 2001); organisational commitment (Menon, 2001); and extra-role behaviour (Menon, 2001).

Empowerment research has highlighted a number of issues that warrant further investigation. Specifically, mixed findings have been reported on the relationship between gender and empowerment (Honneger and Appelbaum, 1998; Mainiero, 1986; Sagie, 2002; Spreitzer, 1996; Zani and Pietrantonio, 2001) as well as between age and empowerment (Honneger and Appelbaum, 1998; Sagie, 2002; Spreitzer, 1996), while available evidence on the influence of job level (Honneger and Appelbaum, 1998), organisation size (Spreitzer, 1996; Wyer and Mason, 1999) and industry type (Cunningham et al, 1996) is at best limited and inconclusive.

The purpose of this paper is to support and extend existing empowerment research by further illuminating the link

between employment empowerment and the aforementioned individual, job, organisational and contextual influences.

Theoretical Framework and Hypotheses

Conceptualising Empowerment

Major approaches to conceptualising employee empowerment according to Menon (2001) can be classified into three major categories: "Empowerment has been considered an act: the act of granting power to the person(s) being empowered. It has been considered a process: the process that leads to the experience of power. It has also been considered a psychological state that manifests itself as cognitions that can be measured" (opcit, p. 157).

Psychological empowerment has been defined by Spreitzer as "a motivational construct manifested in four cognitions: meaning, competence, self-determination and impact" (Spreitzer, 1995, p. 1444), whereas

Meaning is "the value of a work goal or purpose, judged in relation to an individual's own ideals or standards"... Meaning involves "a fit between the requirements of a work role and beliefs, values and behaviors" (1995: 1443).

Competence, or self efficacy, is "an individual's belief in her capability to perform work role activities with skill" (1995: 1443).

Self-determination is "an individual's sense of having choice in initiating and regulating actions" (1995: 1443), while

Impact is "the degree to which an individual can influence strategic, administrative or operating outcomes at work" (1995: 1443-1444).

Hence according to Spreitzer empowerment, as a psychological state, is an 'active work orientation where an individual wishes and feels able to shape his/her work role and context' (Spreitzer, 1995, p. 1444).

Hypotheses

Building on previous research find-

ings, we suggest that three demographic variables (gender, age and work experience), a personality trait (locus of control), job level, organisation size and industry type may be expected to be related to psychological empowerment.

Gender. The belief that, in general, men hold more power in organisations than women is widely accepted (Mainiero, 1986, p. 633). In an effort to explain gender differences in power, two perspectives have been developed: the socialisation perspective, suggesting that women and men differ in their attitudes and behaviour (empowerment strategies) as a result of their learned experiences and that these differences will appear regardless of structural inequities; and the structuralist perspective maintaining that the lack of information and support that accompanies low-power jobs will cause all such job-holders, regardless of gender, to feel disempowered and to behave in a powerless manner (ibid, p. 633). Based on the socialisation perspective gender may be expected to be positively associated with self-report feelings of empowerment, with male employees feeling more empowered than their female counterparts. Thus,

H1a: Positive associations are hypothesised between (male) gender and all empowerment dimensions, as well as between gender and overall empowerment.

Moreover, in line with the structuralist perspective,

H1b: gender and management level should be unrelated.

Age. As the workforce grows older its needs and interests may change: many will become bored with their present jobs and/or careers and will desire different challenges (Mondy, Noe and Premeaux, 2002, p. 43). Hence aging may influence perceived empowerment although the direction of the relationship remains unclear.

H2: Psychological empowerment is hypothesised to be related to age (two-tail).

Work Experience. Interpersonal sources of power in organisations comprise reward power; coercive power; legitimate power; expert power; and referent power (Hellriegel, Slocum and Woodman, 1995, p. 499). Expert power is "an individual's ability to influence others' behavior because of recognized skills, talents, or specialized knowledge" (ibid, p. 500). Work experience may be assumed to contribute to the development of expert power; therefore,

H3: positive relationships may be hypothesised between total work experience and all dimensions of subjective empowerment.

Locus of Control. Internal locus of control is a personality trait that explains "the degree to which people believe that they, rather than external forces, determine what happens in their lives. Individuals with an internal locus of control regarding life in general are more likely to feel capable of shaping their work and work environments and hence to feel empowered" (Spreitzer, 1995, p. 1446). Thus,

H4: Internal locus of control is expected to be positively related to all dimensions of psychological empowerment.

Job Level. According to Emerson (1962) individuals who are in a position to have others dependent on them are considered powerful, while those who are dependent are considered relatively powerless. Consequently,

H5: Job level (managerial status) is expected to be positively correlated with all empowerment dimensions, as well as with overall empowerment.

Organisation Size. As organisations progress through the life cycle, growing larger and more complex, they usually take on bureaucratic characteristics potentially threatening basic

personal liberties (Daft, 2001, p. 289). Based on this line of reasoning, large organisation size may be seen as disempowering. Yet, this hypothesis was not supported by findings reported by Spreitzer (1996) who concluded that "results also indicate that large units are not necessarily seen as disempowering" (ibid, p. 499).

Interestingly, Wyer and Mason (1999) recently argued that "small businesses are potentially ingrained with disempowering structures, many of which derive from owner-manager and size-related characteristics. For example, one can expect to find that owner-manager attitudes and motivations in many small firms centre around independence, autonomy and control manifesting in an autocratic management style whereby any form of delegation or empowerment are kept to a minimum" (Wyer and Mason, 1999, p. 190). Moreover, the authors go on, "examples of size-related characteristics and constraints are limitations relating to the small business ability to offer career paths or reward packages equitable with large organisations which can marginalise the small firm in relation to the labour market and the attraction of quality workforce" (opcit, p. 182). Thus,

H6: A positive association is proposed between all empowerment dimensions and large organisation size.

Industry Type. Employee empowerment has been shown to be more common in manufacturing industries compared to services (Cunningham et al, 1996, p. 147). However the special nature of services, in particular the simultaneity of production and consumption, is one of the major reasons why contact employees should be allowed a degree of discretion when dealing with customers (Rafiq and Ahmed, 1998). This is particularly true in view of the key role that employees play in modern service organisations as the empowered service employee is said to "respond more quickly to customer service requests, act to rectify complaints and be more engaged in service encounters" (Lashley, 1999). Hence,

H7: Feelings of empowerment may be hypothesised to be positively associated with industry type (services).

Method

Procedure and Sample

The non-probability sample used in this study consisted of Greek employed students enrolled in two tertiary education institutions in the metropolitan Athens and Thessaloniki areas during Spring semester, 2001. A total of 270 self-administered surveys were distributed by the researchers to mature working students attending eight business-oriented postgraduate programmes at the aforementioned universities. Participation in the study was voluntary, participants' identities were anonymous and confidentiality of responses was assured. Since English is a commonly used language, especially in professional and managerial circles, the survey was in English and no translation was required.

A total of 163 questionnaires were returned within one week, yielding a response rate of 60.4 percent. A second attempt to collect additional surveys yielded none. One hundred and fifty four questionnaires were found acceptable to use in the analysis. Surveys that were rejected were due to important missing data such as demographic information or entire sections of the survey that had been left incomplete. A number of comparisons were made in order to establish the similarity of the two samples. No differences were found for sampling by gender. Yet, the Thessaloniki sample consisted of slightly more mature individuals in terms of age and work experience

(mean age was 31 years compared to 28 years in the Athens sample, while total work experience was 7.9 years in relation to 5.6 years, respectively). However, these differences were not significant and therefore the two samples were combined for the purposes of data analysis. In the overall sample, 55% of respondents were male, participants' mean age was 29.5 years whereas average full-time work experience and job tenure were 6.8 years and 4.7 years, respectively. 77% of the subjects were employed in service industries, while 49% of the sample worked for organisations with less than 100 employees. 56.6% of the participants held supervisory positions. Because no surveys were collected in the second attempt, comparison with non-respondents was not feasible.

Measures

Psychological Empowerment. Empowerment was assessed using the instrument developed by Spreitzer (1995). Spreitzer's measure, comprising four 3-item subscales, taps the empowerment dimensions of meaning (e.g. "The work I do is very important to me"), perceived competence (i.e. "I am confident about my ability to do my job"), self-determination (e.g. "I have significant autonomy in determining how I do my job") and impact (for example, "My impact on what happens in my department is large") by asking respondents to indicate their degree of agreement, or disagreement, with 12 Likert-type statements. In the present study responses were recorded on a seven-point scale, ranging from "strongly disagree" to "strongly agree".

Demographics. The three demographic items examined gender, age and total work experience. Two of these variables, age and experience, were measured using a ratio scale with the remainder being measured by use of a nominal scale.

Locus of Control. Sapp's and Harrod's (1999) three-item measure was used to assess internal locus of control by asking respondents to indicate on a seven-point Likert-type scale the degree of their agreement or disagreement with the following items: "My life is determined by my own actions"; "I am usually able to protect my personal interests"; "I can pretty much determine what will happen in my life". Unfortunately, the alpha coefficient of reliability for this scale was very low (.50) and therefore this variable was excluded from subsequent analysis.

Job Level, Size and Industry Type. All three variables were tapped via use of nominal scales.

Analysis and Results

To investigate the multidimensional nature of the empowerment construct in the Greek context -and the discriminant validity and reliability of its basic dimensions- confirmatory principal component analysis with varimax rotation was conducted. The orthogonal varimax rotation was preferred because the dimensions of empowerment are envisaged to be conceptually distinct (Siegall and Gardner, 2000; Spreitzer, 1995). The results of the factor analysis are reported in Table 2. Further, correlation analysis was employed to examine the relationship between empowerment and hypothesised antecedents. Results are cited in Table 4.

Reliability and Validity of the Empowerment Measure

As may be noted from Table 2, in the initial unrestricted solution all four dimensions of psychological empowerment (i.e. impact, self-determination, competence and meaning) seem to emerge fairly clearly. However, in the case of items Meaning1: "The work I do is very important to me" and Competence1: "I

am confident about my ability to do my job" not only do these items have fairly low loadings on their associated factors (Factor 4 and Factor 3, respectively), they also have relatively high loadings on other components. Hence, refinement of the original 12-item measure involved the exclusion of these two items. All remaining items had strong loadings on their associated components and weak loadings on all other factors.

On the ground of these findings a three-factor solution was retained explaining 60.3% of variance and corresponding to the three dimensions of impact, perceived competence and meaning with eigen values of 2.92, 1.59 and 1.52 respectively. The first factor extracted accounting for 29.2% of variance was identified as impact. The second factor which accounted 15.9% of variance was labelled perceived competence and the third factor explaining 15.2% of variance was termed meaning. The fourth dimension, self-determination, was subsumed by impact - potentially denoting a conceptual overlap between these two dimensions (in line with findings reported by Siegall and Gardner, 2000).

Based on the results of the last factor analysis three scales were defined by summing and averaging respective items. An overall empowerment score was also computed by summing up the three subscales. Descriptives are cited in Table 3.

Correlation Analysis

The existence of a link between empowerment, its subscales and hypothesised antecedents was explored via correlation analysis. Results are cited in Table 4. As may be noted from Table 4, research propositions were only partially supported by current findings. As expected, job level was positively associated with the empowerment dimensions of impact ($r = .48, p < .001$), perceived competence ($r = .19, p < .05$) as well as with overall empowerment ($r = .44, p < .001$) but was unrelated to the empowerment dimension of meaning. Moreover positive associations were identified between age, perceived impact ($r = .22, p < .01$), perceived competence ($r = .17, p < .05$) and overall empowerment ($r = .20, p < .05$) as well as between work experience, perceived impact ($r = .23, p < .01$) and overall empowerment ($r = .18, p < .05$). Unexpectedly, large organisation size was significantly negatively correlated with the meaning dimension of empowerment ($r = -.21, p < .01$); hence, rather than being viewed as disempowering, small organisations seem to provide more meaning to individuals. Further, contrary to expectations, employees in service industries were not found to be more empowered compared to their counterparts in manufacturing. Finally, (male) gender was unrelated both to empowerment and to job level in the present sample.

Discussion and Study Contribution

This research takes an initial step towards exploring the link between employment empowerment and individual, job, organisation and industry factors in the Greek context. Confirmatory factor analyses of Spreitzer's measure revealed a conceptual overlap between the dimensions of impact and self-determination, in line with findings reported by Siegall and Gardner (2000). Moreover, the alpha coefficients of the perceived competence and meaning subscales were marginal.

The correlation analysis results provide support for some of the investigated research propositions. It is clear that job level is moderately positively correlated with overall empowerment and two of its dimensions (perceived impact and competence), but is unrelated to meaning. These findings contradict those reported by Honneger and Appelbaum (1998), who found no relation-

ship between empowerment and position level (managerial status). One possible explanation for this discrepancy may lie in the nature of the samples studied. Thus the Honneger and Appelbaum study was organisational, exploring empowerment among professional nursing staff in a small healthcare institution; whereas the present study was cross-sectional, comprising employees from a variety of organisations.

In line with expectations, empowerment was found to be correlated with two employee demographic variables: age and work experience. Current findings regarding age support results reported by Spreitzer (1996), who also identified a positive relationship between age and perceived competence ($r = .19, p < .01$), but are contrary to conclusions reached in the Honneger and Appelbaum (1998) study on the link between empowerment and age.

An interesting finding relates to the relationship between organisation size and employment empowerment. Hence, both in the Spreitzer (1996) and in the present study size was significantly related to the meaning dimension – only in the adverse direction. Thus while in the Spreitzer investigation larger organisations seemed to provide more meaning to individuals, the reverse was true in the present survey – contrary to expectations. This may be explained either by the contingency approach to “empowering management processes” within growth-oriented small businesses whereby dualistic paradigms may be evident (Wyer and Mason, 1999, p. 191); and/or by the structure of the Greek economy, consisting primarily of small business organisations (see *The Greek Economy in Figures*, 2002).

Unexpectedly, gender was not related to empowerment in the present sample – contrary to findings reported by Mainiero (1986) and Zani and Pietrantonio (2001). However, although these studies are not directly comparable, it should be noted that their findings were somewhat contradictory. Thus while Mainiero found that males employed different employment strategies than females, with women tending to use an “acquiescence strategy” (i.e. accepting the power imbalance and acting in a helpless,

dependent way) to a greater extent than men (Mainiero, 1986, p. 633), Zani and Pietrantonio revealed that women scored higher than men in empowerment with respect to meaning and perceived competence (Zani & Pietrantonio, 2001, p. 43). Hence, the relationship between gender and employee empowerment remains unclear and warrants further investigation. Further, in the present sample men and women were not found to differ in the relative power of the jobs they held (i.e. in terms of managerial status) – in line with findings reported by Mainiero (1986, p. 633).

Finally, although in the expected direction, no statistically significant relationships were identified between industry type (services) and employment empowerment.

Study Limitations and Recommendations for Future Research

Embedded within the study lie several methodological limitations. First, although results seem to be in line with some of the existing findings, it would be difficult to generalise beyond this sample without further testing both within Greece and other countries. Second, given the relatively weak reliabilities of two of the Spreitzer subscales in the present investigation respective findings should be interpreted with caution.

Despite the acknowledged limitations, this study represents an attempt towards illuminating the link between empowerment employee demographics, job level, organisation size and industry type in the Greek context and also indicates some questions for future research. Future research should aim to refine the discriminant validity of Spreitzer’s subscale of self-determination and to further explore present inconclusive findings on the link between (a) empowerment and gender and (b) empowerment and industry type as well as replicating the identified relationship between empowerment and service employment.

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Appendix I

Table 1. Identified Correlates of Employee Empowerment

ANTECEDENTS	
PERSON FACTORS	ORGANISATION FACTORS
<p>Demographics</p> <ul style="list-style-type: none"> -- Gender (Mainiero, 1986; Spreitzer, 1996; Zani & Pietrantonio, 2001) -- Age (Spreitzer, 1996) <p>Psychological Attributes</p> <ul style="list-style-type: none"> -- Self-Esteem (Menon, 2001; Spreitzer, 1995) -- Locus Control (Honneger & Appelbaum, 1998) -- Cultural Values (Dimitriadis, 2002) -- Career Values (Menon & Hartmann, 2000) 	<ul style="list-style-type: none"> -- Culture (Sagie, 2002) -- Climate (Menon & Pethe, 2002; Spreitzer, 1996) -- Centralization (Menon, 2001; Sagie, 2002) -- Leadership Behaviour (Menon, 2001; Sagie, 2002) -- Communication Practices (Siegall & Gardner, 2000; Spreitzer, 1996) -- Reward Systems (Spreitzer, 1995) -- Size (Spreitzer, 1996)
JOB/WORK ROLE FACTORS	CONTEXT FACTORS
<ul style="list-style-type: none"> -- Job Characteristics (Hayes, 1994; Cagne et al, 1997) -- Role Ambiguity (Spreitzer, 1996) 	<ul style="list-style-type: none"> -- Industry Type (Cunningham et al, 1996)
OUTCOMES	
<ul style="list-style-type: none"> -- Job Involvement (Menon, 2001; Menon & Pethe, 2002) -- Job Satisfaction (Hayes, 1994; Savery & Lucks, 2001) -- Organisational Commitment (Menon, 2001) -- Extra Role Behaviour (Menon, 2001) 	

Table 2. Factor Analysis Results – Spreitzer's Scale

A. Principal components with varimax rotation – unrestricted

Item	Factor 1	Factor 2	Factor 3	Factor 4
Meaning 3:	.23	-.02	.11	.75
Meaning 1:	.31	.05	.55	.49
Meaning 2:	.04	.23	.08	.82
Competence 1:	-.16	.61	.41	.36
Competence 2:	.12	.19	.78	.17
Competence 3:	.13	-.01	.81	.05
Self-Determination 1:	.20	.81	-.01	.12
Self-Determination 2:	.28	.60	.26	-.24
Self-Determination 3:	.34	.64	-.02	.08
Impact 1:	.75	.30	.13	.18
Impact 2:	.72	.27	.26	.12
Impact 3:	.89	.01	.09	.10
Eigen Value	2.31	2.06	1.92	1.77
% variance (cumulative)	19.2	36.4	52.4	67.2

B. Principal Component Analysis with varimax rotation – retained solution

Item	Factor 1	Factor 2	Factor 3
Impact1:	.74	.18	.23
Impact3:	.69	.16	.18
Impact2:	.68	.34	.20
Self Determination1:	.71	-.03	.06
Self Determination3:	.69	-.02	.10
Self Determination2:	.62	.28	-.25
Meaning3:	.04	.18	.83
Meaning2:	.18	.09	.78
Competence3:	.05	.85	.08
Competence2:	.20	.76	.16
Eigen Value	2.92	1.59	1.52
% Variance (Cumulative)	29.2	45.1	60.3

Table 3. Descriptive Statistics

Variables	Scale	Mean	SD	Alpha
Overall Empowerment	1 – 7	4.88	.88	.79
Impact	1 – 7	4.73	1.09	.80
Competence	1 – 7	5.42	1.09	.60
Meaning	1 – 7	4.87	1.37	.61
Gender	0 - 1	0.55	.50	-
Age	23 - 53	29.55	6.95	-
Experience	1 - 28	6.85	6.33	-
Level	0 – 1	0.60	0.50	-
Size	1 – 3	1.89	0.93	-
Sector	1 – 2	1.77	0.42	-

Table 4. Correlations of Empowerment with Antecedent Variables

Antecedent Variables	Empowerment Subscales			
	Impact	Competence	Meaning	Overall Empowerment
Gender	.06ns	.01ns	-.06ns	.03ns
Age	.22**	.17*	-.00ns	.20*
Work Experience	.23**	.13ns	-.03ns	.18*
Job Level	.48***	.19*	.15ns	.44***
Size	-.11ns	.05ns	-.21**	-.13ns
Sector	.07ns	.13ns	.05ns	.11ns

N = 154

ns = non significant

* p < .05, ** p < .01, *** p < .001

Appendix II

Spreitzer's Empowerment Scale

Meaning

Meaning 1: The work I do is very important to me.

Meaning 2: My job activities are personally meaningful to me.

Meaning 3: The work I do is meaningful to me.

Competence

Competence 1: I am confident about my ability to do my job.

Competence 2: I am self-assured about my capabilities to perform my work activities.

Competence 3: I have mastered the skills necessary for my job.

Self-Determination

Self-Determination 1: I have significant autonomy in determining how I do my job.

Self-Determination 2: I can decide on my own how to go about doing my work.

Self-Determination 3: I have considerable opportunity for independence and freedom in how I do my job.

Impact

Impact 1: My impact on what happens in my department is large.

Impact 2: I have a great deal of control over what happens in my department.

Impact 3: I have significant influence over what happens in my department.

Source: Spreitzer, G.M. (1995). Psychological Empowerment in the Workplace: Dimensions, Measurement and Validation. *Academy of Management Journal*, Vol. 38, No 5, 1442-1465.

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