

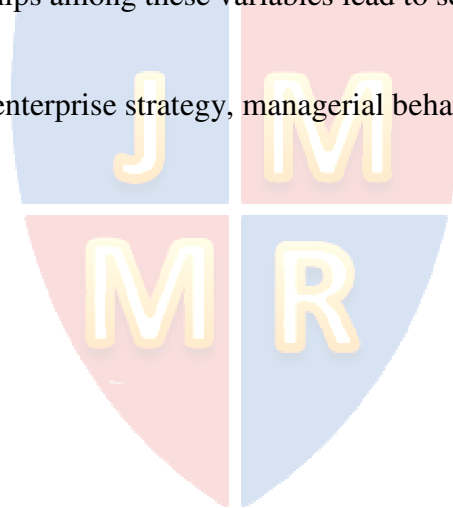
## Crafting enterprise strategy while managing employee rights

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### Abstract

A major issue facing businesses today is employee rights. Employee rights are in a transition as they evolve, expand, and contract. Business is also going through a transition. Business managers frequently resist providing additional employee rights because they argue the need to reduce costs in a global competitive arena. Likewise, business is concerned with the degree of control over employees depending on which rights are added, changed, or dropped. The purpose of this paper is to present a model on the relationships among major variables that position employee rights. The model contains five major variables; environmental forces, manager's ideology, issues, enterprise strategy, and outcomes. Each of these variables is pertinent in understanding and conceptualizing the decision-making process on employee rights and enterprise. The relationships among these variables lead to several researchable propositions for encouraging further study.

Keywords: Employee rights, enterprise strategy, managerial behaviors



## **INTRODUCTION**

A major issue facing business today is employee rights. Many issues of employee rights have received a great deal of press in the media. Those issues include allowing paternity leaves for male spouses, accommodating employees with AIDS, insuring employee privacy, providing a safe and healthy workplace, allowing prescription drugs in an ADA workplace, using electronic devices, and administering employee assistance programs. Consequently, employee rights are in a transition as they evolve, expand, and contract.

Businesses are going through a transition, too. Business managers frequently resist providing additional employee rights because such rights may be interpreted to be too costly. Businesses receive great pressure to reduce costs to compete globally. Likewise, business is concerned with the degree of control over employees depending on which rights are added, changed, or dropped.

The purpose of this paper is to present a model that describes the relationships among a few major variables that provide insight concerning managerial behaviors relative to employee rights. Machiavellianism is one variable that is offered to explain the acceptance and rejection of employee rights.

## **A MODEL OF VARIABLES AFFECTING MANAGERIAL BEHAVIORS**

A model highlighting the major variables influencing managerial behaviors is presented in Figure 1. There are five major variables contained in the model. These variables are the environment, the manager's ideology, issues, enterprise strategy, and outcomes.

## **ENVIRONMENT**

The environment consists of two major components: the macro environment and the task environment. The macro environment is comprised of the social, political, economic, legal, cultural, and technological forces affecting businesses across industries. These forces are not industry specific and evolve over time. Any changes in these forces affecting businesses can also be abrupt and unexpected. Unlike the macro environment, the task environment refers to the specific industry of the business firm and includes many other constituents such as competitors, vendors, substitutes, professional associations and other primary interest groups. Competitors are the most critical force within the task environment. They can change the operating rules quickly and can cause a firm to adopt similar strategies to neutralize the competition or to gain an advantage over other rivals.

Further, the environment can be described according to a few different influences. Boulton, Lindsay, Franklin, and Rue (1982) describe the environment in terms of the degree of its uncertainty. In addition, Khandwalla (1977) describes the environment according to the degree of turbulence it contains.

Each of these environmental influences affects the manager's ideology and issues associated with forming enterprise strategy. In turn, managerial decisions on critical issues can affect the uncertainty and turbulence found in the environment (Zeithaml and Zeithaml, 1984).

## MANAGER'S IDEOLOGY

As a manager, each individual possesses a set of key attributes that guide them in the decision-making process. These attributes include: personality, personal values, ethical philosophy, and socialization variables. The sum total of these attributes coupled with an individual's experience constitutes the manager's ideology.

**Personality.** The individual's personality is a major influence in the decision-making process. One personality variable identified in the literature as potentially useful in understanding business ethics and ideology is Machiavellianism (Stead, Worrell, and Stead; 1990). Machiavellianism describes people in terms of their degree of manipulative behavior in interpersonal situations (Vlemming, 1979). A major difference between those people who are considered high Machiavellians versus those who are low Machiavellians is the emotional detachment of the former compared to the emotional involvement of the latter in relationships (Geis and Christie, 1970).

Vlemming (1979) points out that much research has strongly supported the Machiavellian concept. Similar results have been found in business. Siegel's (1973) study points out the managers scored lower on Machiavellianism than MBA students. Other findings suggest that marketers and advertisers are no more Machiavellian than the average adult (Hunt and Chonko, 1984; Fraedrich, Ferrell, and Pride, 1989). Gable and Topol (1988) found that female managers were more high Machiavellians than male managers and that both job success and job satisfaction are inversely related to Machiavellianism in their study of department store executives.

**Personal Values.** Personal values are the individual's most basic principles affecting decisions. The primary source contributing to an individual's values stem from early training received from family, peer groups, and religious institutions. A germane value to employee rights is the importance attributed to personal autonomy to make decisions on the job related to achieving the firm's objectives.

**Socialization.** Socialization variables include work experience, sex role, religious convictions, ethnicity, and age. Stead, et. al. (1990) indicate that socialization variables will affect an individual's ethical behavior.

**Ethical Philosophy.** Ethics deals with making good choices, fulfilling duties, applying justice, being socially responsible without being obligated, and choosing right versus wrong. Ethical behavior is reflected in rights, rules, benefits, and penalties in interpersonal relations (Freeman and Gilbert, 1988). Rights are important since they define the individual's autonomy for action, providing that by having a specific right it does not violate the rights of other parties (Freeman and Gilbert, 1988).

## ISSUES

The primary issues identified in the model consist of two major components: externally-oriented and internally-oriented. The externally oriented issues focus on strategies of how to achieve success in the marketplace. The internally-oriented issues center on operations within

the firm that are concerned with implementing externally-oriented strategies. Also, the internally-oriented issues include employee rights.

Employee rights can generally be classified into four major categories. They are discriminatory practices, healthy and safe work environment, privacy, and general miscellaneous. Discriminatory job practices based on race, gender, age, national origin, or religion are legally prohibited, but they still exist in business. Too many managers still invoke the “terminate at will” doctrine to fire employees for alleged incompetence in high risk work environments. Galen (1990) points out that a subset of discriminatory issues is sexual harassment which has been a major problem in businesses. Several laws have been enacted to offer some employees protection. The Family Medical Leave Act (FMLA) of 1993, the Americans with Disabilities Act of 1991, and Title VII of the Civil Rights Act of 1964 were enacted to protect against discriminatory practices. They are federal laws requiring covered employers to provide employees job-protected and unpaid leave for qualified medical and family reasons. Qualified medical and family reasons include: personal or family illness, family military leave, pregnancy, adoption, or the foster care placement of a child.

Several researchers point out the health and safe work environment issues. Sass (1986) states that a healthy and safe work environment includes changing the environment to reduce job-related accidents while others must learn to manage hazardous materials (Fletcher, 1998). Another safe work environment issue which has gained popularity over the years is contaminated air from smoking tobacco. A central issue is for businesses to eliminate or minimize the threat to air quality in work settings particularly from tobacco smoke. Aalberts (1989) points out that many firms began implementing “no or restricted smoking” policies to self-govern and reduce such threats. Another issue was identified in a report by the British House of Commons health select committee, which stresses the protection needed by whistleblowers who draw attention to poor practices (2012). More recently, the Americans with Disabilities Act (ADA) Amendments Act of 2008 was signed into law on September 25, 2008 and became effective January 1, 2009. The intent of the law was to significantly broaden the number of employees who are subject to the protection of the ADA.

Privacy issues concern any issue that is information pertaining to an individual that management must preserve as confidential. Smits and Pace (1989) indicate such confidential issues include physical and mental health, alcohol and drug abuses, finances, and other work-related information., Jones and Johnson (1989) point out the sensitivity of managing information concerning employees with AIDS. Managers must maintain confidences surrounding employment information. Recently, Lee (2011) points out the sensitivity of employees using prescription drugs in a modern ADA workplace. She outlines the attendant risks in managing a myriad of side effects that has left employers struggling with ways to balance their interests in productivity and safety with potential liability for violating their employees' legal rights under the Americans with Disabilities Act.

The fourth category is a potpourri of employee rights including participation of employees on board of directors for employee stock ownership plans (ESOPs), rights of women versus rights of fetuses in choosing hazardous work, pre-notification of plant closing and layoff, and right to refuse a polygraph test unless it is used for security or drug-related situations (Fraze and Finney, 1998). Economic, social and demographic changes in the US workplace have created an environment conducive to workplace romance (Paul and Townsend, 1998). There are several perspectives on such occurrences as well as their causes and consequences. Many laws are involved, although most were written to address other matters. The laws offer few guidelines

since they differ for private and public sector employees, vary by state, and are applied on a case by a case basis. Paul and Townsend (1998) admonish employees to note what message their dress and body language send. Employers are encouraged to get involved in employees' privacy matters only when job performance is affected and to educate employees on the risks involved in workplace romance. Dupont and Clark (2010) point out the confusion surrounding privacy policies and employees' use of electronic devices in the workplace. Such was the case taken to the Supreme Court that concerned a SWAT member in Ontario, California when the city employer monitored the SWAT member's personal text message through a city owned system. According to Dupont and Clark (2010), "But aside from describing the complexity of the question, Justice Kennedy and the majority unfortunately provided no definitive rules."

Discussions on employee rights tend to focus on whatever is salient at the time. Two major problems are apparent with the "news approach" to the subject. First, very little attention is devoted to conceptualizing where employee rights fit within the decision-making framework. Second, very little empirical research has been published on employee rights.

## **ENTERPRISE STRATEGY**

Enterprise strategy is the combination of ethics and strategy. Freeman and Gilbert (1988) state that enterprise strategy represents a firm's commitment to a set of purposes and ethical values. Further, it defines the way the firm will conduct itself in its business.

It is generally acknowledged that the roots of enterprise strategy lie within the confines of stakeholder theory and stakeholder management. Donaldson and Preston (1995) point out that stakeholder theory has three aspects: (1) descriptive - useful in explaining specific organizational characteristics and behaviors; (2) instrumental - valuable in helping organizations to achieve their objectives; and (3) normative - providing a framework for finding the moral and philosophical foundations of the organization. Further, they state that the "ultimate justification for stakeholder theory is to be found in its normative base" (Donaldson and Preston, 1995). Clarkson (1995) agrees, saying, "The moment corporations and their managers define and accept responsibility and obligations to primary stakeholders. . . they have entered the domain of moral principles and ethical performance, whether they know it or not." Jones (1995) says that stakeholder theory makes it clear that "behavior that is trusting, trustworthy, and cooperative, not opportunistic, will give the firm a competitive advantage." Carroll (1995) says that the practice of stakeholder management is "imbued with ethical implications."

It is this moral dimension of stakeholder theory that is the primary focus of enterprise strategy. Freeman (1984) and Hosmer (1994) argue that the early scholars in the field of strategic management are clear in their admonitions that strategic management has a strong moral and ethical component. According to Hosmer (1994), this component has been all but ignored in the strategic management literature except by Freeman (1984) and Freeman and Gilbert (1988) in their development of enterprise strategy.

Edward Freeman has been most responsible for expanding and refining the concept of enterprise strategy (Freeman, 1984; Freeman and Gilbert, 1988; Hosmer, 1994). Freeman (1984) proposes that enterprise strategy allows firms to address their most fundamental ethical question of what they stand for. He says that setting corporate direction at this level entails "understanding the role of a particular firm as a whole, and its relationships to other social institutions" (Freeman, 1984). In both Freeman (1984) and Freeman and Gilbert (1988), a strong case is made that the true strength of enterprise strategy is its potential to provide a framework in

which a firm's ethical component can be incorporated into its strategic management processes. Freeman (1984) notes that his framework for enterprise strategy specifically addresses the value-systems of managers and stakeholders in concrete terms that focuses attention on what should be done (Freeman, 1984). Freeman and Gilbert (1988) develop in some depth the idea that enterprise strategy makes ethical reasoning an explicit part of strategic decision-making processes.

Freeman (1984) proposes an analytical framework for formulating enterprise strategy. His framework includes three interacting components: (1) values analysis, (2) stakeholder analysis, and (3) issues analysis. Values analysis is a key component of enterprise strategy formulation because values are at the core of a firm's ethical system, making explicit knowledge of them crucial in uncovering the firm's ethical underpinnings. Freeman (1984) and Milbrath (1989) distinguish between core values (or intrinsic values), which are values pursued on their own merit because they represent ideals which are good in and of themselves, and instrumental values, which provide the means for achieving the ideals expressed by core values. Milbrath (1989) says that democracy is an example of a core value, and that the right to vote, the right of free speech, the right of assembly, and so forth are some of the instrumental values through which the ideals of democracy are implemented.

Another analytical component of enterprise strategy formulation is societal issues analysis, the understanding of the social context of the organization. Freeman (1984) says that an adequate issues analysis requires that firms identify the central differences between the major issues facing society today and the major issues that will likely be important over the next decade. Freeman (1984) says, "The analysis of social issues can be combined with stakeholder analysis to look at the impact of current and future social issues on the stakeholders of the firm."

The final component of enterprise strategy, stakeholder analysis, helps the firm to identify its various stakeholders and to understand the "stake" and "power" that each stakeholder has. Freeman (1984) originally defined a stakeholder as "a person or group that affects and is affected by the achievement of the organization's objectives." He notes that the stake of a given stakeholder comes from ownership interests, market interests, and/or political interests. Stakeholder power is derived from a stakeholder's voting rights, economic influence, and/or political influence. The greater the power base, the greater the ability of a stakeholder "to use resources to make an event actually happen" (Freeman, 1984).

Performing the values-issues-stakeholders analysis allows firms to choose the type of enterprise strategy they will pursue. Freeman (1984) and Freeman and Gilbert (1988) develop a typology of enterprise strategy which rests on the need for organizations to know whose interests they really serve. Freeman (1984) says the typology "involves tradeoffs about the relative importance of stakeholder concerns, values and social issues." Freeman and Gilbert (1988) say that the typology reflects "the trump cards" held or that it reflects the stakeholders with the most perceived power in influencing the firm's strategic direction.

Freeman (1984) includes five types of enterprise strategy in his 1984 typology. Later, Freeman and Gilbert (1988) expand it to seven types of enterprise strategy. Each of these types assumes different moral views and gives different answers to the question, "What do we stand for?" (Freeman, 1984). In other words, these enterprise strategy types identify to whom the corporation owes moral obligations and whose interests it believes it should serve. The seven types they identify include: (1) stockholder enterprise strategies, which seek to maximize the interests of stockholders; (2) managerial prerogative enterprise strategies, which seek to maximize the interests of senior management; (3) restricted stakeholder enterprise strategies,

which seek to maximize the interests of a specific group of stakeholders; (4) unrestricted stakeholder enterprise strategies, which seek to maximize the interests of all stakeholders; (5) social harmony enterprise strategies, which seek a strong congruence of values between the firm and the community/society; (6) Rawlsian enterprise strategies, which accept inequalities among stakeholder groups only if these inequalities raise the level of the worst-off stakeholder group; and (7) personal projects enterprise strategies, which maximize the ability of organizational members to find fulfillment via creative expression through their own organizational projects. The personal projects type is the one considered most appropriate in the paper since individuals are treated as ends rather than the means to ends. It is this strategy that Freeman and Gilbert (1988) state the firm “should maximize its ability to enable corporate members to carry out their personal projects.”

## OUTCOMES

An organization’s outcome can be separated into quantitative and non-quantitative measures. The main quantitative outcomes include sales, profitability, return on investment, and earnings per share. Key non-quantitative outcomes are the psychological feelings of satisfaction from socially responsive behaviors of the organization. Such socially responsive behavior includes serving in communities, tutoring at schools, and others. As a result of these non-quantitative outcomes many stakeholders of the organization may also benefit.

## PROPOSITIONS

Figure 2 highlights the framework that forms the basis for the propositions. The framework contains the environment, Machiavellianism, employee rights, and the enterprise strategy. The environment is separated into degree of turbulence and uncertainty. Figure 2 presents the propositions in graphic format.

- P1: The degree of turbulence in the environment will affect ethical behaviors and the enterprise strategy.
- P1A: In a turbulent environment, the manager will exhibit lower ethical behaviors and will demonstrate more Machiavellian behaviors as well.
- P1B: The lower ethical behaviors and higher Machiavellian behaviors will cause the enterprise strategy to become less congruent and less effective resulting in lower outcomes.

When the environment is stressful or adverse resulting in hasty solutions, ethical behaviors will increase so as to cope. Lemke and Schminke (1991) found that turbulence created in the task environment from the entire industry declining caused the respondents to resort to less ethical behaviors. It follows that changes in ethical and Machiavellian behaviors will cause the enterprise strategy to become fragmented and less purposeful. As a result, outcomes such as financial returns will be poor and stakeholder satisfaction will be down.

- P2: The degree of uncertainty in the environment will affect the dependence on personal values and ethical philosophy.

P2A: High uncertainty in the environment will cause managers to be more dependent on their personal values and ethical philosophy to guide their decisions on employee rights.

P2B: Low uncertainty in the environment will cause managers to be less dependent on their personal values and ethical philosophy.

High or low environmental uncertainty causes managers to rely less or more on other parties and information and more or less on their ideology to make decision concerning the rights of others. When uncertainty cannot be reduced through relevant and accurate information then individuals are left to rely on themselves to make decisions.

P3: Machiavellianism will affect the adoption of employee rights in the organization.

P3A: Higher Machiavellians will be later adopters and rejectors of employee rights.

P3B: Lower Machiavellians will be earlier adopters of employee rights.

Employee rights are viewed as new to the organization or innovative to it. Roger's (1962) paradigm of classifying adopters and non-adopters of innovations is useful in categorizing individual's acceptance of Machiavellianism. Constrainers are managers who seek to reduce existing rights while rejectors adopted specific employee rights and then later abandoned them.

P4: Machiavellianism will affect the perceived importance of employee rights in the organization.

P4A: Higher Machiavellians will perceive a lower importance of employee rights in the managing a successful organization.

P4B: Lower Machiavellians will perceive a higher importance of employee rights in managing a successful organization.

High Machiavellians will place a lower importance to employee rights in operating a successful organization since they view people are to be manipulated and controlled relative to the purposes of the organization or the manager. Managers who are low Machiavellians should place higher importance on rights and therefore more responsive to granting rights to employees.

P5: Machiavellianism will affect the adoption of an enterprise strategy.

P5A: Higher Machiavellians will be later adopters or rejectors of the enterprise strategy concept.

P5B: Lower Machiavellians will be earlier adopters of the enterprise strategy concept.

Higher Machiavellians will consider the combination of ethics and strategy as unworkable in dealing with others and performing their managerial duties. Their strength is their ability to influence others to get desired outcomes. Their expectations are first, reject, and second, adopt, if they are forced to add an enterprise strategy. Contrastingly, lower Machiavellians are quite opposite and believe that all strategy has ethical dimensions and that the two should not be separated practically or ideally.

## CONCLUSIONS

In a model on managerial behaviors, the three key variables interacting to influence enterprise strategy are the environment, manager's ideology, and issues. Enterprise strategy is hypothesized to be a major influencer on an organization's outcomes. The interactions of the three key variables are presented in the form of propositions to guide future research on these



important relationships. Particularly, Machiavellianism is representative of the manager's ideology while employee rights focus on critical issues confronting managers. The model is offered as a framework to encourage research in explaining these relations.

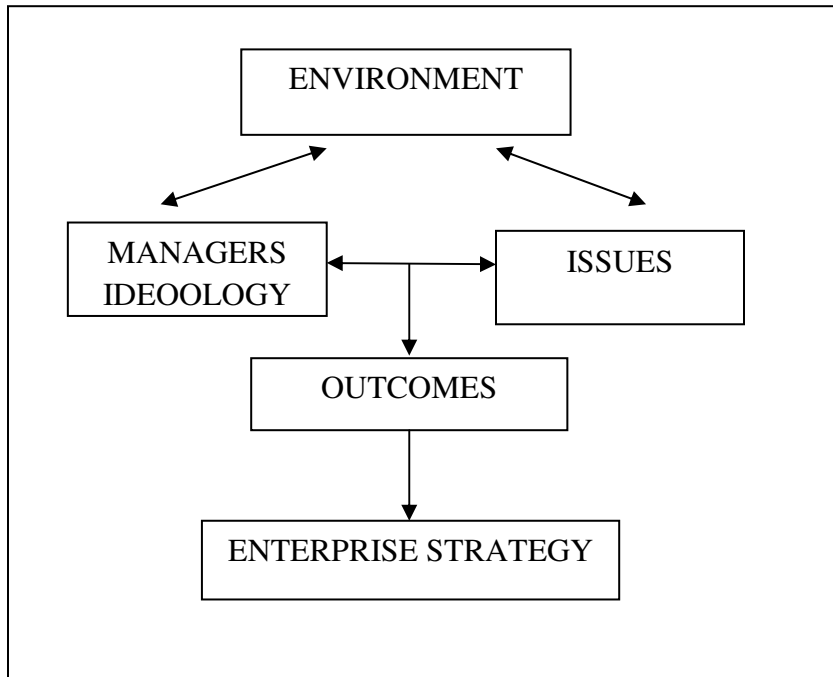
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**FIGURE 1**

**A MODEL OF THE MAJOR VARIABLES AFFECTING MANAGERIAL BEHAVIORS**



**FIGURE 2**  
**SPECIFYING THE MODEL AFFECTING MANAGERIAL BEHAVIORS**

