In this issue:

Editorial information
PAGE 3

Michael S. Poulton
Organizational Storytelling, Ethics and Morality: How Stories Frame Limits of Behavior in Organizations
PAGE 4

Hershey H. Friedman, Joshua Fogel and Linda Weiser Friedman
Student Perceptions of the Ethics of Professors
PAGE 10

Carmelo Cannarella and Valeria Piccioni
Public Organizations and Local Rural Development: an Empirical Analysis
PAGE 16

Okan Veli Safakli
A Research on the Ethical Dimension of Banking Crises in the Turkish Republic of Northern Cyprus
PAGE 24

Pinja Halme
Eri-ikäisyys ja ikäjohtaminen – Diskursiivinen tutkimus (in Finnish)
(PAGE 31)

Call for Papers:
"Property Rights, Business and the Environment"
PAGE 41
Editorial information

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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.

The important aim of the journal is to provide an international medium which is available free of charge for readers. The journal is supported by Business and Ethics Network BON, which is an officially registered non-profit organization in Finland.

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As a guide, articles should be between 2000 and 6000 words in length. A title of not more than eight words should be provided. A brief autobiographical note should be supplied including full name, affiliation, e-mail address and full international contact details as well as a short description of previous achievements. Authors must supply an abstract which should be limited to 200 words in total. In addition, maximum six keywords which encapsulate the principal topics of the paper should be included.

Notes or Endnotes should be not used. Figures, charts and diagrams should be kept to a minimum. They must be black and white with minimum shading and numbered consecutively using arabic numerals. They must be refereed explicitly in the text using numbers.

References to other publications should be complete and in Harvard style. They should contain full bibliographical details and journal titles should not be abbreviated. References should be shown within the text by giving the author’s last name followed by a comma and year of publication all in round brackets, e.g. (Jones, 2004). At the end of the article a reference list in alphabetical order as follows

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Organizational Storytelling, Ethics and Morality: How Stories Frame Limits of Behavior in Organizations

By: Michael S. Poulton

Abstract
In this article it is argued that codes of conduct may be a starting point in examining the ethics of a business organization, but a deeper understanding of the ethics and morality of a firm may be found in the stories that circulate from employee to employee and, more specifically, from one generation of employees to another. The search for the basis of a firm’s stance on how employees should implicitly respond to both external and internal conflicts should begin with determining the “genesis” story of the firm, the primary organizational metaphor that is derived from that narrative, and how both the master narrative and metaphor frame employees’ organizational self-perception and their responses and subsequent actions in dealing with internal and external conflict.

Stories are food for the ‘epistemic’ hunger of our species. This metaphor is, however, obviously incompatible with the notion of ‘perfect fulfillment’. Just as we cannot be ever satisfied with a single meal, or even multiples ones, even if they are absolute gourmet delights, but have to keep eating at regular intervals all our lives, so we cannot ever be fulfilled by binges of narrative activity. (Rukmini Bhaya Nair in Narrative Gravity)

This paper will integrate theories of organizational storytelling and its role in forming a firm’s morals and ethics, how an organizational “genesis” narrative and subsequent organizational metaphor develop, and then how these two frame the organization’s ethic and moral responses to ambiguous situations.

I. Ethics in the business context

Ethics can be approached from a variety of directions: descriptive ethics —non-judgmental explanation of the ethical framework of societies or large institutions in a society; normative ethics — presents a specific view or approach to ethics which aims to set a standard of behavior for a group or society; and applied ethics — an offshoot of normative ethics that tries to develop ethical standards for specific areas of human endeavor like biomedical ethics, scientific ethics, academic ethics and business ethics (Buchholz and Rosenthal, 1998). Business ethics, as used in this text, pertains to human interactions when sourcing, producing and marketing goods and services for profit, and include the relationships between business management and their employees, the firm and its primary stakeholders, the business and its relationships to the community, government and society in general.

In the broadest sense, ethics is a society’s ongoing examination and pursuit of actions and practices that best promote the enrichment of peoples’ lives— both materially and spiritually. It is a society’s quest for defining and understanding what constitutes “the good life” or “the good [that] has rightly been declared to be that at which all things aim” (Aristotle, 350BC), and creating the conditions necessary for potentially all individuals to achieve it (Buchholz and Rosenthal, p. 2). Ethics is a societal discussion of what ought to be considered for overall human well-being, including the broader concepts of fairness, justice and injustice, what rights and responsibilities are operable under certain situations, and what virtues a society admires and wants to emphasize. Ethics takes an over-view, investigating the state toward which the society should be progressing economically, politically, socially and morally.

As business is a purely social construct, it, too, must be engaged in a society’s ethics debate. Economist Milton Freidman is not incorrect in suggesting that the responsibility of business is to produce goods and services people are willing to pay for and, in the process, create wealth for his owners. However, as an integral, legally sanctioned constituent of the society in which it operates, business, like every other member of society, should be a participant in ethics; that is, how business might or might not participate in establishing larger social objectives which promote a fulfilling life. For business not to participate in this discussion and eventual realization of a society’s goals is to subject itself to increased regulation and legal constraint. Regulation is merely society’s way of saying that it does not approve of the way business is operating or, that by operating the way it is, business is ignoring what the society as a whole feels are the right things to do.

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Unlike ethics, morality reflects what we are currently practicing, not ethically investigating and conceptualizing where we should be. In other words, morality more pertains to our everyday experience— our “local world” as Kleinman puts it. “Experience is moral…. because it the medium of engagement in everyday life in which things are at stake and in which ordinary people are deeply engaged as stake-holders who have important things to lose, to gain, and to preserve (Kleinman, 2000, p. 362). In business organizations, people are concerned with their status in the organization, what their work means, job security and the angst the threat of job loss can generate, definitions of their worth, relations with subordinates and superiors, coping with aggression and/
or humiliation, responding pressures to perform, and the subjugation of one's non-working morality to the demands of the organization; and each of these has a moral component. Thus, business "ethics," then, should not be confused with business "morality." Morality is the sum total of a particular society's or organization's current perceived traditions, beliefs, values, attitudes and norms that have been cultivated over time, institutionalized in religious doctrine, laws, regulations and codes of conduct which explicitly or implicitly suggest how an individual should behave in situations as they are encountered daily. Ethics may well include a discussion of moral trends, but, again, morality defines primarily where we are.

The use of formal, codes of conduct and carefully constructed principles of corporate "ethics" which explicitly define corporate morality in its policies regarding specific, concrete situations such as payments to suppliers, contract bidding, conflict of interest, external relations, corporate governance and so on, is widespread among large business organizations today. The larger and more complex the business and the greater the number and types of internal and external stakeholders, the more complex and comprehensive is its code of conduct. In the very complex, litigious, and highly regulated world in which we live, it is no wonder. Codes of conduct are widely used to inform employees and other stakeholders about the firm's recognition of regulatory obligations, to communicate corporate policies that have evolved over time, and/or to iterate the formal relationships between the firm and its employees.

For example, United Technologies' (UTC) Code of Ethics is an extensive statement of its Corporate Principles and Standards of Conduct that addresses the firm's relations with suppliers, customers, employees, shareholders, various communities worldwide, competitor relations, and its employees' responsibilities. Each of these main categories is, in turn, divided into specific topics. Under conduct toward employees, there are subtopics of adherence to equal opportunity, workplace environment, drug and alcohol abuse at work, the privacy of employees, communications policies (including use of e-mail), training, and compensation and benefits. In total there are thirty-five subsections in the UTC Code of Ethics. Additionally, the company has created a network of Business Practices/Compliance Officers to explain elements of the Code and to advise employees who may have a specific question (United Technologies). Obviously, UTC takes its Code very seriously.

Where UTC's Code attempts to be legally comprehensive, a smaller firm's codes or statement of business ethics may be quite simple and address only broad values that frame the firm's response to moral issues. Specific rules and regulations may be stated more explicitly in corporate charters and human resource publications, but the "ethics" of the firm may be stated less formally. For the mid-sized firm, the code may be a simpler statement of "Immutable Values," such as:

1) Always service the customer first — the hierarchy of service, growth, cost and profit.
2) Business designed to make profit.
3) Always have a strategy
4) Strive to be better before bigger
5) Strong work environment exists
6) Ownership and accountability is pushed down and clearly understood.
7) Always share the improvements.

(quoted by permission)

and toward customers, its "Service Values" are:

We do what we say. Integrity
What we do, we do well. Quality

We are no more that we say we are. Honesty
We say we are not more that we deliver. Modesty
We abhor mediocrity because we deserve better. Courage

(quoted by permission)

These values, then, form a structure within which ethical issues might be addressed. Given the rather terse way these principles are outlined, we can assume there is a more implicit set of rules or values the firm employees daily. For example, we do not know what the "hierarchy" mentioned in the first line of "Immutable Values" really is. We can assume they mean service is the highest and that profit the lowest, meaning that profit will flow from providing consistently good service to customers, although the next line gives profit some additional emphasis. Likewise, the "courage" to not be mediocre must have some implied meaning for the firm. It is not a connection one would normally make.

Yet, despite carefully or, in some cases, not so professionally crafted codes, we may in fact discover more about a firm's ethical and moral environment by listening to the narratives of employees and management. Where the formal code may address unambiguous moral circumstances, there are always situations which require an interpretation of rules and may rely more on personal ethics than those formally discussed at the corporate policy level (Buchholz and Rosenthal, p 177). How do individuals learn how to respond to those "gray" areas of organizational behavior? What does an employee do if the Code does not address a particular circumstance? Perhaps, as suggested in this paper, the answer lies in the stories about solutions to ethical conundrums or morally bounded situations which have occurred within the organization and which, when taken as a whole, eventually frame the ethical limits of employee responses in the future. In other words, codes of conduct represent what the firm espouses what individuals should do normatively, while stories may transmit to others what individuals in the firm actually did do — successfully or not — at any given period of time. One could argue that stories are merely tales of a response to a particular situation at a particular time in the firm's history, representing the existing morality of the firm "at that time." However, there are some values in a firm which become, over time, truly "immutable" as the stories are told repeatedly. There are moral responses for any business that do not change drastically over time as discussed below.

II. Stories in Organizations

The narrative is a way for us to make sense of our experiences to ourselves and relate those experiences to others. Generally speaking, a narrative is merely the recounting of a series of events in a particular place in which actors (ourselves, included) move through or cause a series of chronological events — a fabula (Bal, 1997). A story is a structured narrative related in a particular way, that is, the sequence of the events may not be perfectly chronological, the recounting may use non-verbal signs, descriptions of place, actors, or reactions may use a variety of tropes, and the voice of the narrator may well be a participant or observer of the fabula or simply a conveyor of the story itself. The purpose of a "good" story is to make the common themes new and fresh by using a range of poetic techniques (Shklovsky, 1965; Tomashesvky, 1965). A story is a narrative that conveys a thought, a moral or virtue, a consequence in a way that forces us to look at a common message in a new way, allowing us the opportunity of not being repetitive or mundane conversationalists, that is, "story-tellers tell particular stories in order to illustrate general truths which they expect their recipients to infer; story-
tell stories that are meaningful for others by themselves or for their audience, or by using stories to illustrate something else. Oral stories can take many forms – “terse stories” (Boje, 1985) as experiential realities as it is filtered through their psyches. As W eick also points out, stories are part of an organization’s socialization (Brown, 1985) and change (Denning, 2001) and are in integral to the storage and retrieval of organizational memory (Walsh and Ungson, 1991). An organization might be even viewed as a “collective storytelling system in which the performance of stories is a key part of members’ sense making” (Boje, 1991). But perhaps most importantly, “the power of stories and narrative derives from the story’s ability to create a framework that our mind can understand” (Brown, 2005).

Weick suggests that sensemaking in an organizational setting consists of creating a meaningful present through a combination of a past moment + connection + present moment of experience” and that “frames are past moments of socialization and cues are present moments of experience” (Weick, 1995). To create meaning for ourselves we look to the past for generalized circumstances we have either witnessed or learned about and connect them with present experiential events, and by doing so provide ourselves with some sense of what it all means. As Weick also points out, stories are part of an organizations total “vocabulary” of sensemaking (Weick, p. 111). Stories can be about frames or past socialization events, past connections made, and the cues which were extent at the time the story took place. In fact, the format of a fabula is similar to Weick’s formula above. Every story has a beginning-middle-end, which is in turn a kind of life dialectic of steady state + disruptive predicament + solution (new steady state). It is not a single event that makes a story, but rather a sequence of connected events. The very “sequence is the source of sense” (Boje, 1995). In a story from my working life in agribusiness, there was one about a silo that was both storing federally owned grain and privately owned grain for an export silo on the Gulf of Mexico. The manager was asked to ship a trainload of grain to the export silo immediately due to the unexpected arrival of a ship. Not having enough of his own privately owned stock, he shipped federally receipted grain on a Friday, hoping to replace it on Monday. As fate would have it, the federal inspector arrived on Monday to verify the federal stocks, which were unfortunately on their way south. The manager, it was always noted, had five to ten years in Leavenworth to think about his error. The moral of the story to young silo managers was clear and is still clear today — manipulating Federal receipts is dangerous.

The point here is that each event by itself carries no real meaning; but the sequence of events and the ending steady state meant a lot to a new managerial trainee. By hearing the story and putting ourselves in the role of the main character, we could envision what the consequences of our actions would be should we do the same thing. Thus, it is the stories about those employees who responded morally and were applauded or about those who exceeded the ethical and moral limits of the firm and suffered the consequences which will begin to frame the organizational morality.

At the same time, stories allow us to learn by vicariously living experiences of others through story. Throughout our lives, much of what we learn we do so through stories that they provide a opportunity to “organize lived and listened-to experiences” (Bransford, Brown and Cocking, 2000, p. 108) in ways that provide new or enhanced understanding and meaning (Prusak, 2005). In fact, it is interesting to consider Vittorio Gallese’s theory of embodied simulation and its implications for understanding the power of storytelling, that is, if simulation is “an automatic, unconscious, and pre-reflexive functional mechanism” of the brain that “generates representational content,” it could, therefore, “...play a major role in our epistemic approach to the world” (Gallese, 2004). Similar experiments using disgust as the basic emotion have determined that “there is a common mechanism for understanding the emotion in others and feeling the same emotions in ourselves.” (Wicker, Keyser, Pilaity, Royet, Gallese and Rizzolatti, 2003) Further experimentation may conclude that when individuals listen to stories (which generally includes visual cues by the teller) and “relive” someone else’s humiliation embarrassment over an admonishment, fear of losing one’s job or respect, joy at attaining success and so on, they may well be simulating those same feelings and responses on a neurological level. This could create as powerful a meaning or be as significant a learning tool as experiencing the events of the story oneself. It is beyond the scope of this paper to delve into the current theory of embodied simulation, but further studies may well suggest that much of the meaning of story may well be in “shared body states” (Gallese, 2004). If this is true on an individual level, it may well add to the understanding of organizational memory as “not just an individual-level phenomenon, but [one that] can apply to a supraindividual collective as well through a process of sharing” (Walsh and Ungson, p. 68) with storytelling only one of several methods of sharing and retaining organizational experiences as memory (Walsh and Ungson, p.64).

Stories people tell evolve over time as external conditions and their own sensemaking needs change. After all, it is well known that Charles Perrault’s original 17th century Little Red Riding Hood (“Le petit chaperon rouge” -1697) was a precautionary tale for young girls concerning the dangers of getting into bed too quickly with unsavory, but determined, sweet-talking “wolves.” In Grimm’s “Rotkäppchen” version (in Kinder- und Hausmärchen, 1812) it becomes a tale of resurrection with the live grandmother being cut out of the wolf’s stomach by the huntsman. Today, it is more a tale of courage, revenge, and the triumph of good (Riding Hood and the since added Woodsman/Huntsman) over evil (the Wolf) and may completely spare children the gory details about slitting open the wolf. In the modern tale the wolf is merely drowned in a well. Some versions have even pacified it further by having the huntsman make the wolf “spit up” grandma, knocking the wolf out, and carrying him off deep into the woods where he will not hurt anyone again. The point here is that stories develop depending on how the morality they were initially meant to convey itself changes. After all, stories are constructs. They are seldom concrete representations of reality. Stories are what individuals interpret as experiential reality as it is filtered through their psyches. As
their realities change, so do stories.

Organizational stories are no different (Weick, p. 128). As one aspect of an organization’s overall culture, stories begin and evolve over time as the organization develops through its lifecycle (Schein, p. 13) and as their ecologies change. If stories are a significant aspect of organizational memory in that they create a basis for relating how organizational problems were handled in the past (Boje, p. 106, Walsh and Ungson, p. 61), those stories also must be flexible in order to handle new and perhaps even more destabilizing circumstances. At the same time, organizations will witness the emergence of new stories as individuals comprehend, summarize and create a meaningful wholes out of the bits and pieces of organizational information that come their way (Daft and Wiginton, 1979) and become part of an organizations memory banks. Walsh and Ungson note three functions of organizational memory (1) an ‘informational role’ by which organization collect and retain facts and problem-solving in the past which are then used to expedite future problems, (2) a “control function” to reduce the time necessary to implement a newly arrived at decision, and (3) a ‘political role’ in that information and its control provide a source of power by which the actions of others can be influenced (Walsh and Ungson, p. 73). Storytelling plays an important role in the first of these three uses in that it may well be a primary method for collecting, transmitting and retaining information about past decision-making. But the question still arises, within what context do all of these bits and pieces become framed into a coherent whole so that specific solutions to internally or externally instigated problems can be approached by all members of the organization ethically and morally, using a unified model?

III. Genesis narratives as ethical frames

A metaphor may be used to define an organization in that the metaphor becomes a “experiential gestalt” (Lakoff and Johnson, 1980), but the organization’s use of a metaphor to describe itself is something more. The metaphor is derived from the genesis narrative as a way of simplify a complex of events that make up the story. The metaphor and the causal narrative behind it become the basis for how individuals in organizations frame their perception of who they are, what the organization is, and how it responds to conflict or chaos. The genesis narrative is the wellspring for understanding the new cues which employ-ees glean from incidental narratives heard everyday. The genesis narrative is a frame for interpreting cues to add meaning to the purpose of the organization, relations within the organization, and individual location in the organization.

From a social science perspective, Somers and Gibson list four types of narratives: (1) “Ontological narratives” or those which individuals use to define themselves, (2) “Public narratives” or those used by organizations to define themselves and act as frames for ontological narratives, (3) “Conceptual narratives,” or those narratives used by social scientist to establish a “vocabulary” by means of which major issues of society can be understood, and (4) meta-narratives or master narratives which are those all encompassing narratives of the environment in which we live such as narratives of social and economic progress and are general perceived as general truths (Somers and Gibson, 1994). Here a meta-narrative can become so powerful that it may shape our theories of history, economics, and social research despite the fact that the narrative may not coincide with the truth. It is our search for “the answer,” the great “Why?” of systems and civilizations. For nearly 80 years, the meta-narrative of the battle between capitalism versus communism as the great ideological conflict of the last century shaped our views of politics, history, theories of economics (Marxism and market capitalism) and even good and evil. The idea of a master narrative concept for history, for example, seems to falling out of favor (Fulford, 1999), but the term is still used in many other fields and may be useful here is discussing the genesis story.

In this paper, a ‘genesis narrative’ is the overriding, overarching story of an organization. I am reluctant to use the terms epic or myth – both terms conjure up something magical, ethereal, and god-like. That is, an epic is highly involved, complex narrative of discovery full of chance meetings with exotic, fanciful characters and “myth frequently involves fantastical elements (e.g. man-eating ogres) subject neither to the constraints of logic nor empirical falsifiability” (Pondy, 1983). Despite the desire of some to infuse organizational stories with mythical properties, the reality is that organizations are made up of ordinary people, albeit some with a more circumspect sense of leadership. It is normal for people to use metaphor or simile in narratives about “heroic” acts of past and, occasionally, present leaders, but storytellers are merely reconstructing events that involved the actions of quite regular people. True, storytellers may well exaggerate a founder’s or ground breaking hero’s “bravery,” tenacity, vision, “heroism,” honesty or borderline dishonesty in attaining organizational goals by “being victorious” over the “enemy” and “bat-tling” regulators (my apologies to Lakoff for using such metaphors), but certainly they cannot attain the mythical qualities of Achilles, Odysseus, Cuchulainn, or Gilgamesh – even over time. A business boardroom is no pantheon.

In my first firm, we were amazed at the story we were told about how the founders heroically moved tons of wheat in horse-drawn wagons from Ukraine to Europe to ‘combat’ the hunger due to prolonged drought - but we also realized that the reason for the decision was to earn a profit from grain starved European mills. Yet, this master narrative defined our purpose as young, opportunistic traders and eventually, by telling the story over and over, we convinced ourselves that we were made of the same stuff and were supposed to spend our time looking for prospects to accomplish the same feat - and the same profit. We were living an embedded narrative that transcended our realities. For us, the genesis narrative of the firm relieved us from having to ask the question “Why?” Like our genesis story, we saw a world where commodities moved freely due to market forces, not governmental intervention. We could provide commodities where they were lacking by drawing from areas of surplus. We where the force behind the market’s relentless march toward equilibrium - and we were awarded a profit for doing so. Our genesis story, moving grain to alleviate a shortage, crystallized into our metaphor – the “flow.” It seemed to us that commodities indeed did “flow” like a global river, emanating from a flood of a glut, streaming into areas of least resistance. We learned we were an instrumental part of the flow.

Genesis narratives can become so ingrained in individuals in the organization that the narrative becomes the primary way individuals organize their perceptions about the organizational component of their lives. Much like Schein’s organizational culture, the genesis narrative is similar in that it is deeply embedded in the way individuals conceptualize the organization in which they find themselves. In fact, this narrative can be seen as the foundation of an organization’s culture; and where the narrative is particularly prevalent in organizational memory, the organization’s culture is strong and more easily characterized. People do not consciously conjure up the genesis story (although some try and spend millions doing so), it is simply there because it
were introspective, inward people who expressed how they felt indistinguishable from a poet or a painter. Many of the people computers because it was so compelling. It was fresh and new. It playful, user friendly technology, as true creators helping others – Coca Cola and Apple computers – which have become meta employees with an organizational gestalt in terms of their brands definition of how they see themselves and provide their em play some of the ones who were not corruptible, and brought in more corrupt ones and paid themselves collectively tens of millions of dollars and cared more about their own glory and wealth than they did about what built Apple in the first place -which was making great computers for people to use” (Jobs, 1995). Interestingly enough, HP was also owes its 1939 origins to a California garage, where Bill Hewlett and Dave Packard built the company’s first product - an audio oscillator. The same readers may be less familiar with a private firm like Coca Cola, born in Atlanta, Georgia, on May 8, 1886 when Dr. John Stith Pemberton, a local pharmacist, produced a mildly narcotic, caramel colored syrup, took a sample down the street to Jacobs’ Pharmacy where it was mixed with carbonated water. It seems to have been a hit from the beginning. But what the firm has become truly famous for, merchandising, was begun by the man Pemberton sold out to, Asa Candler, in 1889. Candler was a dedicated and vigorous marketer and promoter, relentlessly pushing the product from the beginning via advertising, coupons, and offering promotional materials all imprinted with the product’s increasingly recognizable trademark. The symbol we know today was merely Pemberton’s original bookkeeper’s hand written rendition of what he thought would be a great name for the new carbonated drink (Coke website). The symbol has become ubiquitous. It exemplifies what the American market capitalist system has become to many - the ability to sell two cents worth of caramel coloring, sugar and carbonated water for a quarter. These two genesis stories have provided their firms with a definition of how they see themselves and provide their employees with an organizational gestalt in terms of their brands – Coca Cola and Apple computers – which have become metaphors themselves.

Apple Computer seems to see itself as was an innovator of playful, user friendly technology, as true creators helping others create. ‘Almost all of them [people working on the Mac] were musicians. A lot of them were poets on the side. They went into computers because it was so compelling. It was fresh and new. It was a new medium of expression for their creative talents. The feelings and the passion that people put into it were completely indistinguishable from a poet or a painter. Many of the people were introspective, inward people who expressed how they felt about other people or the rest of humanity in general into their work, work that other people would use. People put a lot of love into these products, and a lot of expression of their appreciation came to these things” (Jobs). Thus, Apple’s ethics were clear. Their vision was a world where people would have easy-to-use technology to create whatever they wished. It was only later when this vision of itself transitioned into a technology marketing firm did the company itself change as did the meaning of its genesis story and organizational metaphor for a time. Apple appears to be in the process of revitalizing the older narrative, coming out with new, innovative products like the iPod and iPhoto which support user-friendly consumer creativity. Coca Cola, on the other hand, has become a metaphor itself for universal brand name marketing and brand recognition. Chandler’s original ethic of having Coca Cola consumed by millions in every state of the Union has expanded to have Coca Cola become a global symbol of American brand marketing. Coca Cola is what its logo as metaphor implies and is a continuation of the firm’s genesis narrative. Like any other story, a genesis story evolves over time. The energies and feats of founders are exaggerated and less savory aspects of their personalities are downplayed, successful problem solving methodologies become incalcuated into organizational memory, failed solutions are minimized or forgotten, and new cues and events are “recorded” and relived via each new telling. What remains, however, is the genesis story itself as both master narrative and organizational metaphor. As Schein notes, “Culture is perpetually changing . . . But this ongoing evolutionary process does not change those things that are so thoroughly learned that they come to be a stable element of the group’s life”(Schein, 1984). Genesis stories can be both positive and negative for an organization’s development. On one hand, again similar to Schein’s concept of organizational culture, they can be useful in training new employees as they begin a process of socialization, coping with disruptive external and internal conflicts, creating a sense of collegiality, or perpetuating and reinforcing the values and norms of the organization (Schein, p. 12 ). On the other hand, genesis stories that do not evolve over time can become formidable barriers to change and growth as firms become locked in their own stories and cannot envision themselves being anything else or responding the environment in any other way. Witness the litany of firms that have disappeared because of their inability to change their narrative in face of changing business and societal demands. In these cases, the genesis story became a cataclysmic anchor. This, of course, is material for another article.

One must be concerned, of course, when firms create genesis stories disingenuously, sustained or even “re-energized” to reinforce the metaphor and corporate coherence, and where internal marketing communications “recreate” the firm for control or manipulative purposes. However, forcing organizational change by creating a genesis story and metaphor that are not in tune with the embedded culture of an existing firm or are artificially messaging the facts to develop a story about a start up to force uniform, compliant behavior where none exists can only lead to employee confusion and resentment. “Corporate fantasies” (Gabriel, 2000) or official stories are not the same stories told around the lunch table, during after hours social sessions or at those times when employees discuss personal anxieties or questions themselves, their actions or those of the corporation. Genesis stories are just that — stories. The more they are told and retold by members of an organization – and not just its management public relations department – the more embedded the ethics and the morality of the firm become.
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Coca Cola Corporation web site http://www2.coca-cola.com/heritage/chronicle_birth_refreshing_idea.html


Awards


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Student Perceptions of the Ethics of Professors

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Abstract
Ethical violations are becoming common in the business world. Teaching proper ethical behavior can begin in college. In this study, we surveyed 350 students to determine what affects students’ perceptions of the ethics of professors and to determine whether or not taking a course in ethics changes this perception. The most important factor in determining whether or not a professor is ethical is “fairness in grading.” Surprisingly, there was no statistically significant difference between students who took a course in ethics and those who did not in their perception of what makes a professor ethical or unethical. There were some differences, however, between males and females in these perceptions. By learning ethical principles at the college-level, there may be an impact on ethical behavior when in the business world.

Key Words
Ethics, business, academia, teaching, college

Introduction

The improvement of ethical standards is of great importance to society. The first place to focus on ethical standards may be in our universities, as there is a high prevalence of ethical violations among college students. From 75-90% of college students admit to cheating on tests and/or plagiarizing information (Center for Academic Integrity, 2000; Pullen, Ortloff, Casey, & Payne, 2000). Formal ethics courses in college are often a student’s first exposure to ethical standards (de Russy, 2003).

Although some professors in colleges teach ethics courses, the overall discipline of professors are not perceived as ethical when compared to numerous other professions. In a November 2003 CNN/USA Today/Gallup poll (AFSCME, 2004), Americans were asked to rate the ethical standards and honesty of individuals in various professions. The top professions with “high” or “very high” ethical ratings were: nurses (83%), physicians (68%), veterinarians (68%), pharmacists (67%), dentists (61%), college teachers (59%), engineers (59%), policemen (59%), members of clergy (56%), and psychiatrists (38%). At the bottom of the list were car salesmen (7%), a group that has been at the bottom in every poll since 1977. College professors may rate higher than car salesman, business executives (18%), and lawyers (16%), but it is a bit disheartening to note that they rate well below nurses and other health-care professionals.

In one study surveying professors about ethical attitudes toward students by professors, ethical professors were those who were fair, did not ignore cheating among students, and did not take advantage of their position of power. Female professors differed from male professors and were more likely to believe that it was unethical to lower course demands for those with many work or family demands. Also, those who taught ethics courses were more likely to consider it unethical to accept a student invitation to a party as compared to those who did not teach ethics courses (Birch, Elliot, & Trankel, 1999). In another study, giving lower grades to students who disagreed with a professor’s views and also having a sexual relationship with an undergraduate student were almost unanimously viewed as unethical by professors (Robie & Kidwell, 2003).

Besides the attitudes of college professors, some studies focus on the ethical behaviors of professors from the viewpoint of college students. Keith-Spiegel, Tabachnick, & Allen (1993) found that professors and students had similar perceptions as to which behaviors were ethical and unethical. There were also few differences between men and women. The most endorsed highly unethical behaviors under virtually all circumstances included the following: “Teaching while under the influence of alcohol, cocaine, or some other illegal drug” (93.6%); “Making deliberate or repeated sexual comments, gestures, or physical contact toward a student that are unwanted by the student” (90.7%); “Teaching while under the influence of alcohol” (89.8%); “Teaching that certain races are intellectually inferior” (83.8%); “Including false or misleading information that hurt the student’s chances when writing a letter of recommendation for a student” (80.3%); and “Including material on the test that was not covered in the lectures or assigned reading” (72.8%).

In another study, Kuther (2003) studied the ethical behaviors of professors from the viewpoint of college students. She used a 5-point Likert-style scale ranging from: 1 = “Not ethical under any circumstances” to 5 = “Ethical under all circumstances.” The behaviors that were viewed as most unethical were: “Teaching while under the influence of cocaine or other illegal drugs” (mean=1.10); “Teaching while under the influence of alcohol” (mean=0.13); “Insulting or ridiculing a student in his or her absence” (mean=1.21); “Telling colleagues confidential disclosures made by a student” (mean=1.29); “Insulting or ridiculing a student in the student’s presence” (mean=1.31); “Ignoring strong evidence of cheating” (mean=1.43); and “Ignoring strong evidence of plagiarism in a written assignment” (mean=1.47).

Students and professors can view behavior differently with regard to ethics. Morgan and Korschgen (2001) com-
pared the opinions of students and professors on 16 items dealing with faculty behavior. Faculty saw the following behaviors as being more unethical than did students: using easy tests to win popularity, accepting rebates from textbook publishers, and using profanity. Students, on the other hand, found a failure to update notes as being more unethical than did faculty. Both students and faculty agreed that ignoring cheating and ridiculing students were highly unethical acts.

In this manuscript we explore what affects students’ perceptions of the ethics of their professors. Also, we study whether students who completed a course in ethics have different attitudes with regard to their professor’s ethical behavior. We hypothesize that taking an ethics course would affect their perception of their professor’s ethical behavior.

Method

Participants and Procedures

This study was conducted at a large urban university with an enrollment of almost 15,700 students; sixty-nine percent are undergraduates. All students were eligible to participate. We received 350 completed self-report questionnaires. A self-administered questionnaire was given to students in the college cafeteria and at other common facilities on campus. Students were approached at different times throughout the day. The response rate was 80.0%. The sample was 62.0% female and 86.9% of respondents were less than 26-years-old. With regard to taking an ethics course, 37.1% (n=130) took a course, 54.0% (n=189) did not take a course, 7.4% (n=26) were not sure, and 1.4% (n=5) did not answer the question.

 Measures

Close-ended questions: We asked four close-ended questions. Two separate questions consisted of “Overall, how ethical do you think college professors are?” and “How ethical do you think you are?” Response choices ranged from 1 = “extremely unethical” to 5 = “not at all ethical.” We also asked, “How important is each of the following factors in determining whether a professor is ethical or not?” There were 10 different factors consisting of: promptness, accessibility outside of the classroom, honesty in presentation of materials, use of class as a soapbox to present views about outside subjects such as politics, fairness in grading, preparedness for class, making bigoted statements, playing favorites among students, making a sexual advance, and harmless flirting. Response choices ranged from 1 = “very important” to 5 = “not important.”

Open-ended questions: We asked two open-ended questions. One question was, “Think of the least ethical professor you ever had, what about this professor made you think s/he was ethical?” The other question was, “Think of the least ethical professor you ever had, what about this professor made you think s/he was unethical?”

Statistical Analyses

We calculated descriptive statistics for the all the close-ended questions. T-tests for independent samples were used to calculate mean differences between the groups of either taken or not having taken an ethics class. We excluded those who were unsure (n=26) or omitted this question (n=5) from these analyses. We also used t-tests for independent samples for the gender comparisons. Multivariate analysis of variance (MANOVA) was used to compare mean differences among the question with the 10 different factors of determining whether a college professor is ethical or not before we conducted the univariate independent analyses. The open-ended questions were calculated with frequencies of occurrence per relevant category. All analyses were conducted with SPSS Version 11.5 (SPSS, 2002).

Results

As shown in Table 1, the average value for the student perceptions of the ethical level of their professors was 2.54. Only a bit more than half of the students believed that professors were either extremely ethical or ethical. We used a t-test to determine whether the average rating for those who had taken a course in ethics would be different from those who had not taken a course. There was no statistical difference (t-value = –0.35, df = 316, p > .05) between the average ratings of students who had taken a course in ethics (M=2.52, SD=0.73) and those who had not (M=2.55, SD=0.77).

As shown in Table 2, students perceived themselves as being more ethical than their professors with an average rating of 2.27. Examining the top two categories of the scale (“extremely ethical” and “ethical”) highlights the difference more clearly: 68.9% (n=241) for self versus 52.4% (n=183) for college professors. We used a t-test to determine whether the average self-rating for those who had taken a course in ethics would be different from those who had not taken a course. There was no statistically significant difference between (t-value = –1.01, df = 317, p > .05) the average self-ratings of students who had taken a course in ethics (M=2.38, SD=0.93) and those who had not (M=2.46, SD=0.72).

As shown in Table 3, means are used to list the courses in order of importance, from most to least important. Students believed that all the factors would be important in determining whether a professor was ethical or not. The most important factor was “fairness in grading” with a mean of 1.30. In fact, 94.3% considered this factor to be in the two highest categories of “very important” in the determination of whether a professor was ethical or not. The least important factor was “use of class as a soapbox,” with a mean of 2.61.

We compared whether having taken a course in ethics would make a difference in these importance ratings. Wilks’ lambda MANOVA omnibus test for the model with ethics course use as a predictor was not significant, F (1, 306) = 0.88, p > .05, and the null hypothesis that the ethics factors did not differ was not rejected. An examination of the univariate ANOVA analyses indicated that there also were no significant differences (p > .05) for any of the measures.

We believed that men and women might rate the importance factors in different ways. Specifically, “making a sexual advance” and “harmless flirting” were factors that we clearly believed would have sex differences. Wilks’ lambda MANOVA omnibus test for the model with gender as a predictor was significant, F (1, 333) = 2.72, p = < .001, and the null hypothesis that the ethics factors did not differ was rejected. As shown in Table 4, univariate ANOVA analyses indicated 5 significant factors of “preparedness for class,” “playing favorites among students,” “making a sexual advance,” “harmless flirting,” and “accessibility outside the classroom.” These significant values were maintained even after adjusting for having taken an ethics course. After a Bonferroni correction and setting p-values for
significance at 0.005 (0.05/10), three of the factors (“playing favorites among students,” “making a sexual advance,” and “harmless flirting”) remained significant where women believed that these factors were more important in determining the ethics of a professor than did men.

As shown in Table 5, the average value for importance for a professor of ethics to be ethical before you would listen to what they have to teach was 1.92. More than three quarters of the students endorsed this as either definitely or probably. We used a t-test to determine whether the average rating for those who had taken a course in ethics would be different from those who had not taken a course. There was no statistical difference (t-value = 0.028, df = 311, p > 0.5) between the average ratings of students who had taken a course in ethics (M = 1.91, SD = 1.12) and those who had not (M = 1.91, SD = 1.10).

With regard to our open-ended question of what makes a professor ethical, being a fair grader was the most important factor in being perceived as ethical (n = 81, 23.1%). For example, students wrote, “His tests were very fair and so was his grading system,” and “Her exams were directly from her lectures.” Other important factors were not showing favoritism to any students (n = 42, 12.0%), coming to class on time (n = 36, 10.3%), presentation of class materials without bias (n = 32, 9.1%), and caring for students (n = 31, 8.9%).

Favoritism included comments such as, “open to everybody/no favoritism,” and “Professor ___ because she treated us well and equally.” Coming to class on time included comments such as, “She was always on time.” Presentation of class materials without bias included comments such as, “She taught from everyone’s point of view,” and “When presented with a controversial discussion of race in a racially mixed class, the professor presented facts and opinions in a professional and non-insulting manner, as not to show favor or to insult any students.” Caring for students included comments such as, “My political science teacher two semesters ago, he always took time after class on the phone to help with work and other aspects of life,” “He really listened to each student,” “always has a friendly relationship with her students,” and “He was very understanding.” Other factors that made students believe that a professor they had was ethical included knowing the material well, being organized and following the syllabus, and being available to students.

With regard to our question of what makes a professor least ethical, similarly the converse of being unfair to students was the most important factor in being perceived as one who lacks ethics (n = 48, 13.7%). For example comments included, “unfair grading,” “She told us at the beginning of class that she does not give As,” and “lies about what will be on test.” Other important factors were: making sexist/bigoted statements (n = 35, 10.0%), showing favoritism (n = 32, 9.1%), poor teaching/being unprepared (n = 24, 6.9%), being consistently late for class (n = 23, 6.6%), and not relating well to students/bad attitude (n = 21, 6.0%). Ten students (2.9%) mentioned not following the syllabus as a factor. Factors that did not get many mentions but are still alarming include: “not making a sexual advance” (n = 7, 2.0%), “using foul language” (n = 7, 2.0%), “making sexual remarks” (n = 3, 0.9%), and “having an affair with a student” (n = 1, 0.2%).

Making sexist/bigoted statements included, “She always bothered on racist statements. She was very covert in how she said them. I hated that because it would be very hard to prove,” and “He was extremely rude and made racist comments.” Showing favoritism included, “He was playing favorites among students even when he gave grades,” and “The professor was unethical because he picked favorites and those out of his favor never scored as high as those he liked.” Poor teaching/being unprepared included, “My least ethical professor comes unprepared to class, rushes through the material,” and “always repeated that the subject she teaches is not her specialty.” Being consistently late for class included, “He was never on time,” and “always late.” Not relating well to students/bad attitude included, “She was unpleasant and mean towards me and other students.”

Discussion

We found that only a little more than 50% of students believed that professors were either extremely ethical or ethical. Also, students perceived themselves as being more ethical than their professors. One consistent result obtained from both our quantitative and qualitative analyses is that fairness in grading is the critical factor that many students use in determining whether a professor is ethical or unethical.

These results about fairness in grading are similar to the results obtained by Kuther (2003). Kuther found that dishonest grading practices were one of the areas considered unethical by students. These areas included ignoring strong evidence of cheating, allowing for the likeability of a student to influence the way one graded, and ignoring strong evidence of plagiarism in assignments.

Contrary to our hypothesis, having taken an ethics course did not affect students’ perception of their professor’s ethical behavior. One may expect that among students who have not taken a course in ethics, they would consider being a fair grader the major factor in determining whether a professor is ethical or not. This could be due to the influence of self-interest influencing decisions. However, among students with some knowledge of ethics this is quite surprising. They should be able to recognize that fair grading (usually meaning easy grading and/or not using questions on exams that were not discussed in class) indicates very little about the ethics of a professor. Ethical professors may be tough graders and unethical ones may be easy graders. It is just not easy to measure “fairness” when it comes to grades.

Our findings with regard to gender where women considered “making a sexual advance,” and “harmless flirting” as more important ethical issues than men may be because of the gender roles related to those areas. Presumably, women tend to be more concerned about flirting and sexual advances on the part of professors than men since they are more likely than men to be at the receiving end of these behaviors. These results differ from the study of Keith-Spiegel et al. (1993) where they found minimal if any differences between men and women. It is possible that since our study was conducted 10 years after their study, in today’s world women in universities are more comfortable about asserting their rights to be treated fairly without being sexually harassed.

Professors can benefit by considering their ethical obligations and responsibilities. Cahn (1986) attempts to provide ethical guidelines for professors so they will be aware of their professional responsibilities. For instance, professors, just like physicians and attorneys, have an obligation to stay current in their professional responsibilities. For instance, professors, just like physicians and attorneys, have an obligation to stay current in their professional responsibilities. They also must give fair exams, grade them carefully, and return them promptly. The AAUP has a Statement on Professional Ethics on its website (http://www.aaup.org/statements/Redbook/Rbethics.htm). The statement includes such principles as a professors’ primary responsibility to their subject is to seek and to state the truth as they see it. To this end professors devote their energies to developing and

http://ebo.jyu.fi/
improving their scholarly competence.” In addition, professors should “avoid any exploitation, harassment, or discriminatory treatment of students.” They should “respect and defend the free inquiry of associates. In the exchange of criticism and ideas professors show due respect for the opinions of others.” Interestingly, with regard to the harassment topic that the AAUP clearly defines as indicative of unethical behavior, the male students did not consider this area as of great concern as compared to the female students. We recommend that universities who need to monitor a professor’s behavior with regard to possible harassment issues should consider consulting with predominately female students who are more sensitive to this topic.

Our study has some limitations in that we only assessed students at one college and our results may not be representative of other colleges. Although a small possibility, it also is entirely possible that the students whom we surveyed did not do well on their ethics courses and may not be representative of students who take ethics courses.

In summary, our study with students has implications for the business world. Students need to learn more about ethics in order to prevent ethical violations from occurring once they enter the workplace. There are numerous analogies between the academic world and business world. A professor who flirts with students is not much different than a corporate employer who tolerates sexual innuendoes. Fairness in grading is not much different from the way a manager treats a worker. By having students learn and understand ethics in college, they will be more prepared to successfully incorporate these principles into the business world.

References


SPSS. (2002), Version 11.5. Chicago: SPSS.

| Table 1 | Beliefs of 349 Students Regarding How Ethical They Perceive Their College Professors |
|-----------------|-----------------|-----------------|
| Extremely ethical (1) | 14 | 4.0 |
| Ethical (2) | 169 | 48.4 |
| Somewhat ethical (3) | 134 | 38.4 |
| Slightly ethical (4) | 27 | 7.7 |
| Not at all ethical (5) | 5 | 1.4 |
| Mean | 2.54 |  |
| Standard Deviation | 0.76 |  |

| Table 2 | Beliefs of 350 Students Regarding How Ethical They Perceive Themselves |
|-----------------|-----------------|-----------------|
| Extremely ethical (1) | 42 | 12.0 |
| Ethical (2) | 199 | 56.9 |
| Somewhat ethical (3) | 85 | 24.3 |
| Slightly ethical (4) | 19 | 5.4 |
| Not at all ethical (5) | 5 | 1.4 |
| Mean | 2.27 |  |
| Standard Deviation | 0.80 |  |
### Table 3
Beliefs of 350 Students Regarding the Importance of Various Factors in Determining Whether a Professor is Ethical

<table>
<thead>
<tr>
<th>Factor</th>
<th>Very important (1) % (n)</th>
<th>2 % (n)</th>
<th>3 % (n)</th>
<th>4 % (n)</th>
<th>Not important 5 % (n)</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairness in grading</td>
<td>78.0 (273)</td>
<td>15.7 (55)</td>
<td>3.7 (13)</td>
<td>0.9 (3)</td>
<td>1.1 (4)</td>
<td>1.30</td>
<td>0.60</td>
</tr>
<tr>
<td>Honesty in presentation of materials</td>
<td>72.0 (252)</td>
<td>20.3 (71)</td>
<td>6.0 (21)</td>
<td>0.0 (0)</td>
<td>1.7 (6)</td>
<td>1.39</td>
<td>0.75</td>
</tr>
<tr>
<td>Preparedness</td>
<td>56.9 (199)</td>
<td>28.0 (98)</td>
<td>9.7 (34)</td>
<td>2.3 (8)</td>
<td>2.3 (8)</td>
<td>1.64</td>
<td>0.92</td>
</tr>
<tr>
<td>Promptness</td>
<td>40.9 (143)</td>
<td>33.1 (116)</td>
<td>15.1 (53)</td>
<td>4.9 (17)</td>
<td>6.0 (21)</td>
<td>2.02</td>
<td>1.14</td>
</tr>
<tr>
<td>Lack of bigotry</td>
<td>48.0 (168)</td>
<td>19.1 (67)</td>
<td>18.9 (66)</td>
<td>4.3 (5)</td>
<td>8.3 (29)</td>
<td>2.04</td>
<td>1.27</td>
</tr>
<tr>
<td>Sexual advance</td>
<td>61.4 (215)</td>
<td>7.7 (27)</td>
<td>7.1 (25)</td>
<td>5.1 (18)</td>
<td>18.6 (65)</td>
<td>2.12</td>
<td>1.60</td>
</tr>
<tr>
<td>Accessibility</td>
<td>35.1 (123)</td>
<td>34.0 (119)</td>
<td>18.9 (66)</td>
<td>6.6 (23)</td>
<td>5.4 (19)</td>
<td>2.13</td>
<td>1.13</td>
</tr>
<tr>
<td>Playing favorites</td>
<td>50.6 (177)</td>
<td>16.6 (58)</td>
<td>11.1 (39)</td>
<td>6.3 (22)</td>
<td>15.1 (53)</td>
<td>2.19</td>
<td>1.49</td>
</tr>
<tr>
<td>Harmless flirting</td>
<td>46.6 (163)</td>
<td>15.1 (53)</td>
<td>12.6 (44)</td>
<td>8.0 (28)</td>
<td>17.4 (61)</td>
<td>2.34</td>
<td>1.54</td>
</tr>
<tr>
<td>Class as soapbox</td>
<td>24.6 (86)</td>
<td>22.9 (80)</td>
<td>28.9 (101)</td>
<td>10.9 (38)</td>
<td>11.4 (40)</td>
<td>2.61</td>
<td>1.29</td>
</tr>
</tbody>
</table>

Note: Sample sizes may vary slightly due to omissions by participants. Percentages may not total 100% due to the presence of omissions. M=mean and SD=standard deviation.

### Table 4
Significant Gender Differences Among 349 Students Regarding the Importance of Various Factors in Determining Whether a Professor is Ethical

<table>
<thead>
<tr>
<th>Variable</th>
<th>Male M (SD) (n=132)</th>
<th>Female M (SD) (n=217)</th>
<th>F-statistic</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparedness</td>
<td>1.80 (1.00)</td>
<td>2.63 (1.21)</td>
<td>6.67</td>
<td>.01</td>
</tr>
<tr>
<td>Sexual advance</td>
<td>2.46 (1.63)</td>
<td>1.54 (0.87)</td>
<td>9.90</td>
<td>.002</td>
</tr>
<tr>
<td>Harmless flirting</td>
<td>2.66 (1.50)</td>
<td>2.13 (1.52)</td>
<td>9.78</td>
<td>.002</td>
</tr>
<tr>
<td>Accessibility</td>
<td>2.30 (1.19)</td>
<td>1.98 (1.04)</td>
<td>7.03</td>
<td>.008</td>
</tr>
<tr>
<td>Playing favorites</td>
<td>2.51 (1.47)</td>
<td>1.98 (1.45)</td>
<td>10.30</td>
<td>.001</td>
</tr>
</tbody>
</table>

Note: Sample sizes may vary slightly due to omissions by participants. One individual did not report his/her gender.

### Table 5
Beliefs of 343 Students Regarding the Importance of a Professor of Ethics Being Ethical

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitely (1)</td>
<td>160</td>
</tr>
<tr>
<td>Probably (2)</td>
<td>102</td>
</tr>
<tr>
<td>Not sure (3)</td>
<td>42</td>
</tr>
<tr>
<td>Probably not (4)</td>
<td>28</td>
</tr>
<tr>
<td>Definitely not (5)</td>
<td>11</td>
</tr>
</tbody>
</table>

Mean 1.92
Standard Deviation 1.10
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Public Organizations and Local Rural Development: an Empirical Analysis

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Abstract
This paper describes an empirical approach designed and adopted to analyze and qualify the role of some public agencies devoted to rural development. These public organizations operate as critical agents in managing local public goods within a complex relation system functioning on a rural area. On the bases of the experiences and observations made on a case study in Central Italy, it emerges an analytical framework deriving from the correlation of an objective and subjective perspectives in the evaluation of these organizations’ performances. From these correlations, it derives a model to empirically classify these agencies evaluating also their potentials in creating integration, condensation and amalgamation phenomena based on trust, efficiency and effectiveness and their eventual potentials in determining positive impacts for the rural areas in which they operate.

Key Words
Public organizations, rural development, trust, efficiency, local public goods

1. Introduction
The aim of this study is the analysis of the role of some public subjects devoted to support and boost local rural development, as critical components of a complex, continuing evolving, territorial relation system. These Public Organizations for Local Rural Development (POLRDs) are here defined as public entities, often special agencies or services of major public authorities at local, regional, national and European level, having a significant technical nature and producing goods/services, transferable to territorial rural agents, focused on public interests.

This complex relation system, based on a network of various types of human interactions (i.e. social or business relationships), multi-goals and multi-expectations between agents, represents the “context” within which POLRDs operate in vivo. A possible interpretation of properties and functioning of such a system can be provided by some theoretical models described in literature (Bollbás 1998, Bouchaud and Potters 2000, Mantegna and Stanley 2000, Albert and Barabási 2002, Newman 2003). These models have been developed for the description of phenomena distinctive of other disciplines but they hold interesting analogies (and useful interpretative keys) with the present analysis. These models of networks may outline the description of a network’s structure biased on cohesive blocks and groupings and prototypes for the measurement of “cohesion” and “embeddedness” in their links (relations, imitations, synergies, alliances, etc.) derived from graph based concepts.

The analysis of the mechanisms at the base of the creation, development and enforcement of this network (and on the contrary its obstacles and failures) may contribute to understand and interpret the paths through which knowledge can become more productive, transforming Knowledge Centers (SMEs, research centers, local development institutions, innovation supporting agencies, etc.) into Knowledge Networks through the improvement of the interconnections (edges of the system) among these different local nodes (vertices of the system) of expertise. A POLRD is thus one of the possible agents in the system whose evolution may depend on a wide range of parallel processes: i.e. new vertices (agents) are added to the network or the attachment of new vertices.

Local rural development dynamics (at economic, social and political level) change during the time course making the context in which these public agents operate a rather fluid framework. All the agents involved into the system tend to consequently modify and adapt strategies and behaviours to the changed scenario, thus contributing to produce further modifications to the context. In theory behaviours and performances of these POLRDs should be correspondingly rather fluid: using analogies from complex system theories, one could say that responses from these organizations can highly vary according to their integration strength. At a first level a POLRD may show so weak connections to activate certain rates of occasional and selective “escape” from the system in which the organization operates. The second level is condensation, that is to say a transition from a state in which the organization has low interactions to a state where it forms with other agents an entity characterized by a substantial interaction and cohesion. The third level is amalgamation where links of cooperation, cohesion and exchange that agents establish are greatly enhanced. In this case local development is carried out through a sort of melting pot mechanism in which agents work together showing a relevant coordination and significant magnitude in “mixing” their activities. Different integration strength contributes to the creation of local networks characterized by the presence of “hubs”: dominant hubs in the system are those showing a large number of paths in the network, accordingly to a power law, passing through these hubs while other vertices will show only a few edges. This phenomenon results from processes leading to the formation of networks not based on random attachment of new vertices but rather on some type of ‘preferential attachment’, that is to say that agents may detain a certain preference for example for the more connected vertices or showing certain types of connections (Vazquez 2003). Within these
processes Positive Word of Mouth (PWOM)/Negative Word of Mouth (NWOM) may have a profound effect on relation patterns because PWOM/NWOM may increase/decrease a POLRD’s evaluation, influence imitative processes and contribute to a POLRD’s success/failure to meet its expected results.

This is theory. It should be explained how a POLRD may contribute to produce de facto substantial benefits improving, in a large extent, the wealth levels of a rural area through its activities while intervening in specific aspects of the economic and social life of the territory (employment, innovation, new technologies, environment protection, local products’ promotion, quality, business support, training activities, tourism and recreation initiatives, etc.). These organizations intervene (or interfere, as some critics affirm) in a rural area for example:

- implementing global rural development strategies (also in cooperation with other public authorities)
- making research and statistical activities about the current status of local economy and society
  - doing local promotion and marketing
  - supporting local tourism
  - investing in infrastructures
  - supporting and expanding employment
  - supporting technological and innovation transfer and scientific partnerships
  - supporting SMEs
  - supporting socio-cultural activities
  - developing territorial labels
  - making training activities
  - promoting distribution and marketing of local products
  - supporting special initiatives for specific groups (young, women, disabled persons, etc.).

The aim of this study is not to demonstrate whether the presence of POLRDs in a rural area is a right option or not or whether the markets can or cannot work in support development, but rather to highlight the role and weight of these organizations in determining “quality” and impact of rural development processes in which they are involved helping markets to properly function.

The present study derives from research activities within the project “Development Dynamics and Increases in Competitive- ness of Rural Areas” (DICRA) resulting from an agreement between the Research Team on Development and Innovative Processes at the Institute of Chemical Methods (I.M.C.) of the National Research Council of Italy (C.N.R.) and the Municipality of Viterchiano (a 4000 inhabitants village in the province of Viterbo, about 100 km north of Rome in Central Italy). Project DICRA has been designed to funnel, through the development of constantly updated relation networks, expertise, knowledge, experiences and capabilities from different agents placed in very different dimensions and showing different nature (individuals, families, communities, firms, public institutions, research centres, etc.) all acting within a given rural area. The rural area selected for the project is characterized by traditional agricultural activities, small scale industries and mining activities being exposed to consistent migration flows from urban centers (Viterbo, 55,000 inhab. distance: 7 km - Rome 4m. inhab. distance: 100 km) with consequent specific residential problems and coexistence of consolidated agricultural vocations with semi-urban issues and needs. The territory is coping with a complex transformation process affecting economic, human and environmental resources with peculiar impacts in environment, employment and administrative management. The coexistence of a theoretical and an operational side in the project is essentially directed to implement and test these models thanks to continuous adjustment processes in which they could be constantly transformed and potentially improved also to optimize strategies and tools to a) develop realistic collaboration networks; b) strengthen these networks and evaluate their effective impacts and c) evaluate and improve the integration capability of some focal subjects in the system.

2. Conceptual framework

2.1 An objective analytical level

The conceptual framework this study refers to is composed of two analytical levels the first of which directed to the identification of the POLRDs’ objective features deriving from their declared activities, organization and scopes. This level can be described identifying four basic questions: a) Why; b) Who; c) What and d) How.

a) Why - The reasons for the presence of POLRDs in a rural area are in the expressions of a government’s activist approach to development, promotion of interregional equity, social justice and provide solutions to and correct market failures (when markets do not reflect the full costs and benefits of development) which may create pressures on a rural area (society, economy and environment). Theoretically, this presence is justified on the ground that they should contribute to improve economic, environmental and social efficiency and therefore the welfare of local communities (North 1990, Halkier et al. 1998, Hughes 1998, Danson et al. 2000, Burnside and Dollar 2000, Clower et al. 2004).

Governments support POLRDs’ presence because it may generate positive externalities at local level assuming that market efficiency and total welfare can be improved through their interventions thanks to material and non-material “incentives” or “subsidies”.

b) Who - Synthetically, a POLRD’s anatomy can be drawn through the analysis of its vertical and horizontal structure and organization (offices, departments, working groups, etc.), budget, number of employees, declared missions, scopes and operational fields, tasks (task relations, task decomposition, subtasks) etc. (Hall 1968, Galbraith 1973, Corkill and Lander 1998, Daft 2001, Townley et al. 2003, McNulty and Ferlie 2004). The implementation of activities and the achievement of objectives require a structured and well-defined set of “protocols” to be followed by the identification of the various components of the POLRD’s organization outlined on the base of roles, responsibilities, relationships and procedures for each POLRD’s component also to standardize and coordinate the work of many individuals (managers and operators).

c) What – The essential core of a POLRD’s activity is always linked to the provision of goods and services dealing with “public goods”. Literature provides a wide range of studies about this issue (Samuelson 1954, Milleron 1972, Champsaur et al. 1975, Thomson 1999, Bloise et al. 2002, Rege 2004), from which it is possible to identify three interrelated characteristics of “public goods”: 1) they generate significant externalities; 2) they are at a considerable degree “non-rival” and “non-excludable” and 3) they create opportunities for the enhancement of welfare through collective actions.

In particular POLRDs are more concerned with “local public goods” which differs from other public goods for their more limited geographical reach of the benefits conveyed. These local public goods are a class of public goods connected to regional and national goods whose production requires a cross-area collective action (that can engage neighbouring territories also...
from different administrative regions) for the presence of cross-area problems and cross-area externalities (Reese 1997, Beer and Maude 2002, Beer, Haughton and Maude 2003). Local goods are managed by a POLRD through two macro-actions: the former involves activities focused on business development increasing the number of firms in the area or supporting the development of the existing ones. The latter encompasses capacity building initiatives which in theory should be aimed to create a widespread impact for the territory as a whole, increasing capabilities and the general quality of life standards. In some cases a POLRD is likely to be specifically designed to clearly pursue activities included in one of these macro-groups while in others activities are chaotically mixed within the same POLRD: this confusion may be also deliberately created to increase the “legitimacy” degree of the organization and to better justify, with a wider and not well defined openness towards all the possible intervention levels, its existence on the market of development support.

These activities materialize different forms of incentives/disincentives to stimulate development which may operate as direct subsidies (i.e. financial contributions) or indirect subsidies (consulting, training and other services) whose effectiveness may also vary in the time course. In this way, POLRDS operate their “obtrusive approach”, as critics label it, in directing resources, subsidizing certain firms, granting special tax breaks for some and not for others and creating a network of regulatory incentives and disincentives which affect behaviour in the economy. These interventions may create favourable and stimulating conditions but also distortions by failing to correct development failures or by creating them or making them worse. In this case, the result is a POLRD’s policy failure which highly differs from a market failure: a policy failure consists of distortions created by an active POLRD intervention (i.e. a subsidy) while a market failure (externality) implies a lack of a POLRD intervention.

We here assume that, given the characteristics of the goods/services provided by these organizations, their interventions acquire the nature of “subsidy” defined as any policy that creates forms of economic/non economic, material/non material transfers through market mechanisms (Bingham and Bowen 1994, Feiock, Dubnick and Mitchell 1993, Goss and Phillips 1977) (table 1).

Table 1 Classification of POLRDs’ subsidies

<table>
<thead>
<tr>
<th>Budgetary subsidies</th>
<th>a) direct subsidies - grants or payments or producers</th>
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<td></td>
<td>b) budgetary effect of tax policies – exemptions, allowances, exclusions, deductions, preferential tax treatment, etc.</td>
</tr>
<tr>
<td>Public provision of goods and services below cost</td>
<td>Provision of infrastructure and complementary services and government R&amp;D expenditure</td>
</tr>
<tr>
<td>Capital cost subsidies</td>
<td>Preferential loans, debt forgiveness, etc.</td>
</tr>
<tr>
<td>Policies creating transfers through the market mechanism</td>
<td>Quality controls, regulations, legislation.</td>
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The key question is how to evaluate whether the policies, at the base of these forms of material or non material subsidies (including the POLRD’s presence itself), are actually functioning according to their original scope or have become counterproductive or at what cost and with what effect on local development. The analytical knot is therefore how to distinguish a positive (beneficial) intervention from an ineffective or a negative one comparing actual results within the local context with the original declared goals. Some interpretative keys can derive from the analysis of the impacts on the context according to economic (i.e. increases in GDP), environmental (i.e. better management of natural resources) and social (i.e. wealth distribution between small and big farmers) parameters. However reforming or removing incentives or a POLRD can become a very complex issue: it is easier to introduce forms of direct or indirect material/non material support than to remove one because it creates fierce opposition from those groups that benefit from them even in case of adverse incentives or ineffective agencies which may have negative impacts on the economy as a whole and on the welfare of a larger part of the society (damage to public goods, negative impacts on global employment, economic losses, etc.).

2.2 A subjective analytical level

Translating local potentials into actual resources implies that these organizations, through their administrative, professional, financial and operational capabilities, materialize the logic connections between, Why, Who and What with a variable impact degree due to How factor. Of course, we have to admit that this impact degree may highly vary according to the problematic intensity scale of the issues the POLRD is designed to cope with and the financial and human resources available.

A POLRD’s operational behaviour is linked to its objective structure and to a number of subjective endogenous and exogenous factors. Separating internal and external dynamics of a POLRD is an extremely difficult task because the observable behaviour of a public agency reflects the mechanisms governing the internal interactions between the organization’s components and the effect of external “perturbations”. The magnitude of these external perturbations cannot be explicitly controlled and the impact of the external modifications on the POLRD’s activity cannot be completely removed to gain “pure” insights into the internal dynamics of an organization. The operative dimension of a POLRD is a constant exchange of internal relations linked to visions, interests, approaches, values, expectations, opinions, etc. shared by staff and managers directly reverberating into the organization’s operational side. A POLRD has not a “natural” attitude towards rural development. Sometimes, static conditions, opposition to change, resistance to innovations are not simply due to ignorance or indolence of rural communities and individuals: causes and responsibilities of many experiences of failure or very limited success in rural development programs can be caused also by the incapacity of a POLRD to activate constructive relations, presence of a superiority and too bureaucratic mind or a scarce predisposition to learn from experience. A parallel analysis about for example adaptation times, gratifications, motivations and general job satisfaction, sensibility to problems, sense of responsibility, etc. becomes essential to draw the POLRD’s “subjective” profile and to identify eventual critical points highlighting: a) POLRD’s values and priorities; b) characteristics of POLRD’s culture; c) prevailing mentalities; d) characteristics of decisional and management processes; e) approaches and methods used by the staff and f) the “climate” (perceptions and feelings of management and staff).

This subjective profile makes the implicit goals of the individuals operating within the POLRD more evident and it may denounce their eventual collision with the formal organizational patterns. Formal organizational configurations tend to be static
due to bureaucracy’s effects which structure staff and functions to achieve the declared goals. Staff and managers have to cope with living experiences made of concrete problems, adaptive attitudes, compromises, etc. A POLRD will tend to achieve a sort of equilibrium between these two forms and resist to excessive unbalances: nonetheless empirical evidences can show that the presence of a gap is in some extent essential for a POLRD to cope with changed situations and a continuing evolving scenario. Working rigidly to the rules could cripple the POLRD and its mechanisms won’t work as expected.

This condition creates a vast web of possible, extremely difficult to analyze, interactions between the POLRD and its users based on a certain degree of uncertainty depending on the characteristics of the context but also by the POLRD’s performances, efficiency, responsibility, effectiveness, its degree of “indifference” towards the rural area’s needs and its authority. For the aim of this study, this concept of POLRD’s “authority” plays a critical role: it can formally result from for example type/types of public goods managed, a collective action, a hierarchical organization, norms and regulations, etc. (Artoni 1993, Cassese 1994, Lanzalaco 1995, Donolo 1997), but, in its substantial form, it depends on trust. A trust-based relation allows a POLRD to support its formal authority with a substantial one (Dasgupta 1988, Seligman 1997, Ganesan and Hess 1997, Nootboomp 2000, Glaeser et al. 2000, Bachmann 2001, Sigmund, Fehr and Nowak 2002, Smallbone and Lyon 2002).

This trust-based relation network results from a wide variety of behaviours and strategies local agents adopt often reflecting the characteristics of the context where they operate: trust works as a tool to reduce uncertainty and risk margins both at rational and at irrational levels in relational transactions. Reputation is a first source of information useful also to establish the degree according to which similar future options will be made (erosion/consolidation of reputation). For the aim of this study, three types of trust have been identified:

- personal trust – deriving from direct knowledge of a specific person in the POLRD based on individual reputation and informal norms;
- collective trust – deriving from direct knowledge of a group of individuals in the POLRD based on staff reputation and shared conventions;
- institutional trust – deriving from direct/indirect knowledge of the POLRD considered as an anonymous source of information based on definite norms, regulations, roles and procedures.

These forms of trust operate within three interrelated problematic dimensions:

- a macro-level – the global context composed of political, juridical, legal, economic, social and cultural elements;
- an intermediate level – groups and associations, trade unions, etc.;
- a micro-level – personal behaviour and values.

These dimensions and forms of trust contribute contemporaneously and dynamically to determine attitudes and behaviours of the economic and institutional agents, individuals, communities and, above all, their potentials in developing local relation networks on the base of stable information: for instance, in case of inefficient norms and regulations, personal and collective trust can compensate at micro or intermediate level a lack of institutional trust or a syndrome of “institutional mistrust” at macro level.

A rural area could be identified as a “low trust level context” when agents perceive a sense of restriction, obstacles in starting new activities, a limited free and correct competition and the presence of certain subjects with privileged positions: on the contrary, a “high trust level context” should be considered an opposite environment. In the creation of this environment, POLRDs can play a primary role deriving from: a) previous negative/positive experiences of organization services users; b) opinion and visions provided by others (PWOM/NWOM); c) institutional reputation and d) managers’ and staff reputation.

From marketing research, we learn that NWOM is more influential than positive one and its spread occurs on a faster time scale than the direct contact with a POLRD’s good/service. In particular marketing literature identifies some main characteristics of NWOM: it is more informative than positive word of mouth, and thus may have a stronger effect, and it may be contagious and spread independently of exposure to the POLRD’s good/service (Herr, Kardes and Kim 1991, Marquis and Filiatrault 2002). If an agent is in contact with a POLRD and the quality of the POLRD’s services are equal or higher than the agent’s expectations, then the POLRD’s interaction “strength” and trust are enhanced by a PWOM which “percolated” successfully through the network and, empirically, by an increase in the size of the service’s adoption cluster (Solomon et al. 2000). If the POLRD fails to meet the user’s expectations and standards, not only the agent will tend to ignore the POLRD’s goods/services but the related information will be passed to the agent’s neighbours: a sense of “disappointment” will be at the root of NWOM and disappointment casts a ‘cloud’ of NWOM around it. Increase of resistance and mistrust happens instantly, before any further exposures of new agents to the POLRD’s service are considered: if the agent experiences negative relations with a POLRD, its disappointment is immediately cast upon all its non-adopting neighbours because NWOM propagation requires just one conversation with one friend while a contact with a POLRD is an unavoidably slower process.

To be effective, a POLRD has to continually gain trust among its users both through its capability to meet its obligations (the organization does what it publicly affirms to do) and from the idea of “integrity” perceived by the individuals resulting from the procedures’ and operational activities’ transparency.

3. Methods adopted and results

For the present study, short questionnaires and brief interviews have been adopted and submitted to a rather restricted group of individuals (15 units) composed of POLRDs’ members, farmers and entrepreneurs used and not used to have contacts with POLRDs. These questionnaires have been supported by frequent informal talks with the respondents to obtain more independent information about these topics. Of course all this implies a certain degree of subjectivity but in the creation and consolidation of the substantial authority individual and collective prejudices can play a not secondary role compared to the more institutional factors of the issue. Given the very limited dimension of the sample-group of respondents, it has been deemed most advisable to adopt a statistical approach to the resulting information but rather to use these data to articulate some pragmatic and empiric-based observations.

Several public agencies and institutions operate, in a way or another, within the selected rural area: in particular five POLRDs affiliated or depending on principal public institutions and funding (Lazio Regional Administration, Chamber of Commerce, EU rural development programmes, etc.) focused major attention.
3.1 POLRDs' classification

These five organizations have been classified identifying and separating their formal features and substantial characteristics.

Formal features encompass inner norms and procedures, organizational structure, budget, mission and goals, declared services, power (weight in terms of political inward and outward influence, public relations). Substantial characteristics derive from the quality of norms and procedures (complexity and transparency), technical skills and competence of staff and managers, methods and practices adopted to select and motivate the staff and personal, collective and institutional trust and reputation perceived by the POLRD's users.

These data outline two corresponding perceived forms of authority: a formal and a substantial authority correlated in the diagram of figure 1. This diagram identifies four categories useful to classify a POLRD.

![Diagram of formal and substantial authority](image)

Area 1 – High formal and substantial authority: this is a condition of excellence because the POLRD has juridical, technical and financial resources and skills, reputation and capabilities to produce positive impacts.

Area 2 – High formal authority but scarce substantial authority: in this case the POLRD detains financial resources and a solid bureaucratic structure, power and just connections with political entities but it shows weak trust relations with its users contributing to its ineffectiveness (scarcely, negative or no impact on the rural territory).

Area 3 – In this case the POLRD has insufficient financial tools, scarce capabilities and skills, a weak structure: it is coping with a confused and chaotic legal framework and users show mistrust towards this POLRD which is ineffective, inefficient, stagnant and immobile. This kind of POLRD is highly auto-referential and it survives just to socially and economically preserve its management and staff status.

Area 4 – these POLRDs detain scarce financial and technical resources but its management and personnel, even if frustrated for the inadequacy of resources, have reputation and gain trust in the local people which acknowledge their skills and capabilities.

In this case-study, all the five POLRDs are included in area 2: their activities are likely to produce limited impact in the area and their initiatives found very "mild" responses and scarce institutional trust (sometimes compensated by personal or collective trust) by the respondents. From the "demand" side:

"It is not clear to me scopes and mission of that agency". "If you haven't the right contacts there, nobody will help you. They support only their friends". "They are scarcely committed to listen to me and understand my real problems. It is quite frustrating and discouraging to cope with that organization; it is better to find support somewhere else". "In theory, that organization makes a lot, but when I went there I realized that in practice, it organizes only training courses". "Too bureaucracy, personnel is too cynic and think to its immediate interests". "I cannot waste my time with them". "Staff and managers are very good people but they cannot do much for me". "Procedures are too complicated, forms are unclear".

From the "supply" side:

"We 'must' carry out certain activities (on paper) because we 'must' spend money otherwise next year funds will be cut". "If you want to enhance the possibility to finance your project, you must use words like "innovation", "local development", "rurality", "technology" etc. no matter for the real contents. Now these terms are in vogue. Just mention them to satisfy the formal features of the project as our bosses require". "Our organization is composed of public and private partners and we don't welcome interferences". "We would like to improve our activities but we must be very careful not to hurt parallel well protected private interests: we can do very little".

At this stage, the implementation of this model opens the way to the problem of the "qualification" of this dichotomy between the POLRD's technical needs and local technical needs as expression of local social interests.

3.2 The problem of a POLRD's inefficiency and ineffectiveness

Literature identifies different forms and types of "institutional" inefficiency (Visco Comandini and Volpe 1986, Granaglia 1988):

- inefficiency in allocation – the POLRD suffers inadequacies during the selection of what kind of goods and services must be produced and how to produce them;
- inefficiency in distribution – inadequacies in distributing goods and services;
- dynamic inefficiency – inadequacies in using resources to improve quality and quantity of goods and services;
- inefficiency in organization – inadequacies in the procedures determining the internal organization.

An organization can reverberate one of more of these inefficiencies into the following spheres:

Expenditure – funding the achievement of public interests, a POLRD's inefficiency can hit one or more of the following phases:

- the beneficiaries' selection
- funds appointment
forms and time of funds’ payment.

Coercion – this dimension involves controls and inspections: safety controls, environmental norms, hygienic requirements, etc. Here a POLRD’s inefficiency is likely to be remarkably sensitive because it determines those discrepancies between particular and general interests.

These conditions may result from the perverse combined action of two distinctive problematic dimensions: a) inefficiency of procedural regulations and b) management and staff inefficiency.

Inefficiency of point a) depends on the attitude of norms, regulations and procedures to make a POLRD capable to achieve the expected results. A norm can be considered inefficient when, at cost parity, another one may be designed capable to generate better results, in the opinion of the average of the individuals concerned. A confused framework of norms and regulations, which are directed to chaotically regulate rural development through an extensive network of fences in social and economic issues, induces inefficiency in the public organizations committed to apply it.

This survey highlights the shared opinion within these five POLRDs’ management that too many heavy detailed norms (at local, regional, national and EU level), duplications and normative conflicts slow down procedures because often these norms are very complicated and must be also interpreted. These complications make difficult to verify the observance of these norms by private subjects and to assure the observance of these procedures by the POLRD itself.

A critical side of the issue is the widespread opinion of the agents about methods and praxes adopted to select POLRDs’ managers and staff. The commonly practiced habit in Italy to make these selections often on the base of political affiliation, contributing also to an excessive dilatation in the number of public offices and positions, contributes to populate public offices with individuals without adequate intellectual and technical expertises and skills (adverse selection). This condition may weaken the POLRD: without competent professional human resources, which on the contrary it should in theory have, the organization is often forced to massively and frequently utilize external consultants’ support. A too frequent outsourcing of activities can thus become an indicator of a POLRD inefficiency. This scenario is generally shared by the respondents who are convinced that these things are deeply rooted in “these affaires” and “unavoidable”, even when not corresponding to truth.

These considerations open the way for the inefficiencies related to point b). The quality of selection criteria, the internal systems of controls and incentives, influence the overall quality of the POLRD, its observance of legal rules and its global efficiency. In several cases, the presence of a sound regulation and procedural framework cannot grant per se the achievement of the organization’s results and objectives because POLRD’s management and staff elude these regulations and procedures, the personnel seems not adequately committed, devotes its time to non-productive activities and shows scarce technical skills and capabilities. The “moral hazard” problem, even relevant for the private sector as well, is likely to be more critical for a public subject which cannot “go bankrupt” for its own “incapability”.

Common negative symptoms emerging from the survey are POLRDs’ staff and management attitude to be more concerned on “jobs” than “functions”, with major attention to practical everyday duties and scarce consideration (or no idea) for the tasks and goals of the POLRD in which they operate, or a too frequent use of “conformity controls” within the organizations superficially adopted to verify if a certain action has been planned and implemented in the strict observance of procedural parameters (without considering whether this action has produced or not the expected result). Other negative signs derive from the characteristics of inner incentive schemes: working more or less, bad or well, the personnel cannot see any gratification, modification in retributions or in job careers’ opportunities (motivational erosion). On the contrary, it is assumed that incentives are influenced by different types of “protections” and “blessing” ( perverse motivations).

Perceived “diseases” in management are likely to be biased in a too firm “security” of the job, the power the position can generate and (not rarely) links with the political sphere. In the worst cases, managers are considered to see their job as a “private property” which can guarantee different forms of power, devoting much time to elaborate a system of personal power rather than efficiently and effectively cope with their tasks and duties. Consequently, the involved organizations seem to be more structured around managers’ and staff needs than POLRD’s functions and objectives.

To better qualify POLRDs’ inefficiency, procedural (impersonal quality) and personnel quality (human quality) are correlated in the model of figure 2.

In the case-study, two POLRDs fall into Sector 1, one into Sector 2, one into Sector 3 and one into Sector 4. Even if no POLRD creates amalgamation phenomena for the territory, POLRDs in Sector 1 may show signs of positive condensations: the others, in a way or another, are charged by the respondents by one or more types of inefficiencies listed above, showing low integration levels and generating among the respondents a sense of mistrust in the organization’s efficiency and, in some cases, an idea of partiality of the procedures which regulate the access to service. This sense of mistrust can highly vary creating, in the worst cases (when the organization is seen as “indecipherable”, “absolutely not user oriented”, “not transparent”), the pre-conditions for a sort of incentive to find privileged contacts with the POLRD to access to service, reduce time or have a “special
treatment”: these institutions in fact can decide to make or not to make controls and inspections, rigidly apply or not to apply norms and regulations.

The POLRD in sector 3 poses particular questions because it evokes a commonly perceived sense of “partiality”. A POLRD is expected to be neutral holding an adequate degree of autonomy, in particular from politics, when implementing its activities of management, control and intervention (financial support, definition of rules, etc.). This organization is expected to pursue general interests but respondents recognize that it suffers the threat of particular pressures being exposed to the implications of politicization. Being a public entity, this POLRD is seen responsible for economic and non economic costs for the local rural area because it wastes public investment supporting privileged agents selected on the base of political fidelity: non economic costs are focused in the fact that this organization doesn’t operate in the public interest with a reduction of its functionality and capability to manage public goods. This is an example of a hub’s “preferential attachment” and “adverse condensation” which can contribute to generate favourable conditions for a potential “corruption supply” from the POLRD to which corresponds a growing “corruption demand” from the POLRD’s users contributing also to the development of a “low trust context”.

4. Concluding comments

The limited dimension of the sample group and the procedures adopted in this survey perhaps do not allow rigorously statistic and scientific conclusions to be extended and generalized. These considerations require further investigations and validations according to more rigorous and orthodox procedures. Having these precautions in mind, this study offered the occasion to reflect about concrete operational expressions of some critical subjects of local rural development, to open a wider debate on the issue and to contribute to redefine strategies above all for a better use of public investments.

A ‘quantitative’ approach to rural development, with a massive presence of poorly coordinated public intervention subjects, duplications and the creation of a cloud of local offices, agencies and task forces, doesn’t grant per se condensation and amalgamation phenomena with the activation of positive impacts for rural areas in economic, environmental and social terms, even when data show a large amount of financed projects, training courses attended, economic activities supported.

Empirical observations confirm that when POLRDS properly work, a more positive environment for the construction and consolidation of trust can be reported: these organizations operate as positive referring points for the definition of business strategies for farmers and other entrepreneurs.

Nonetheless, a more “qualitative” approach can demonstrate that not every POLRD operating on a rural area will provide a positive contribution to economic efficiency and overall local welfare. POLRDS which badly operate or produce poor performances can distort the economy and create forms of material and non-material subsidizing and wasting of public financial resources. A lack of a clearly defined and empirically tested development strategy may cause POLRDS to dissipate scarce public resources on activities which cost more than the benefits these activities should deliver to rural communities. Inefficient POLRDS’ interventions may reduce, rather than enhance, the efficiency of local economy and the welfare of local residents also eroding the sense of trust in a rural area and contributing to reduce the sense of respect, shame and honour in individuals and communities.

Intuitively, all these considerations seem to agree with common sense stimulating an agenda for our future research: the efficiency of a POLRD, one of the possible agents of the system and a local public good itself, could be resumed in its capability a) to strengthen these links contributing to enhance the stability of the whole system and b) to increase its number of edges, but we have to cope with our present limits in measuring the strength of interactions and gathering the information useful to describe the network structure and the way such system works.

At the current stage, we can conclude that, in our case-study, local rural development doesn’t require new and more sophisticated political and administrative tools but rather substantial improvements in values, procedures and practices governing the operational activities of the existing tools and the management of local public goods.

References

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A Research on the Ethical Dimension of Banking Crises in the Turkish Republic of Northern Cyprus (TRNC)

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Abstract
In an era of sustainable economic development models there is an increased attention on sectoral compatibility, environmental protection, and professional ethics. As in the past, the banking and finance sector is still considered to be the heart of all development models. Financial institutions such as banks provide the necessary funds for all the manufacturing or service organizations in all the sectors. Therefore stability in the finance sector is necessary for the stability in all the other sectors. Analysing the recent bank and business failures it can be seen that the business and professional ethics is one of the most important elements of stability in banking and finance industries. In this respect, the basic objective of this study is to look at the ethical issues among the reasons for the recent bank failures and outline the professional and business ethics that has to be adopted in order to provide stability in the banking and finance sector of TRNC. As the summary It can be asserted that the most serious ethical problems which led to financial crises in TRNC were, connected lending, credits without adequate collaterals, favorism by the management, inadequate use of funds, dealing in non-financial activities, political interference, lack of accountability, illegal use of funds, lack of transparency, and risky investments with low returns.

1. Introduction
Analysis of the bank and financial institution failures in different parts of the world shows that the ethical issues are among the most important reasons behind these failures. Failure to adopt the banking laws and regulations is among the primary reasons for bank failures. Even the larger banks are deemed to fail by not adopting to the banking regulations (Ayyoup 2002). Some of the common non-ethical behaviours in the banking sector are, bribery, misuse of authority, and exploitation (Hauri 2000; Carse 1999). ICAC (Independent Commission Against Corruption) investigated around 250 banks for corruption between 1997 and 2001 and found out that many top professionals/managers acted as if they are the owners of the banks and the banks’ funds (Lai 2001). Another ethical dimension in banking industry is named as the connected lending (Eichengreen & Rose 1988, pp.2; Hoenig, 1999). Connected lending is described as lending to the owners, managers, and the relatives and close business associates. According to the 1992 Basel report as many as 90% of the countries limit the credit level at maximum 60% of the total paid up capital for a single client. In developed countries the maximum amount of credit for a single client is limited at 25% of paid up capital (Goldstein & Turner 1996, pp.21). While some of the connected lending may be done in bad faith, failure for appropriate risk analysis also causes problems in connected lending (Kara–bulut 2002, pp.55). Lack of transparency, which is shown as a microeconomic reason for bank failures, is also an ethical issue. Lack of transparency, which emerges from lack of regulations, prevents the clients and the shareholders from obtaining adequate information (Coşkun 2001, pp.4). Some of the other ethical issues concerning the banking industry are the political interferences, such as using influence to finance risky public investments (Parasız 2000, pp.227; Öçal & Çolak 1999, pp 284-285). Moral hazard risk is present when one of the parties has false intentions, gives wrong information, exaggerated and overvalued collaterals, and taking inappropriate risks for gaining personal profit at the banks’ expense (Süer 2002, pp.21; Mishkin 1998, pp.35). In this respect, the main aim of this study is to research on the causes of banking crises in the Turkish Republic of Northern Cyprus (TRNC) with particular emphasis on ethical dimension. With this perspective, first, ethical dimension of the banking industry will be outlined. The study will follow with the findings of the research on the bank failures. The report will intensify on the ethical issues and recommendations will be offered in order to avoid such problems.

2. Concept of ethics in banking
Financial sector in general and banking sector in particular are important instruments of speedy economic growth and development. Other than financing, banks play an important role in restructuring the economy and to bring about a long-term sustainable macroeconomic stability. Banks are critical organizations for stability and development of the economy. Success of the banks, both in short and long term depend on trust and confidence between the all parties (Arrow 1972; Deiss 2001). Ethical values and behaviour play very important role in creating and maintain mutual trust and confidence. Banks should never forget the importance of ethical behaviour while aiming to maximize their profit.

Conceptually, ethics refers to well based standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues. Moral and ethics are closely related. In many instances ethics is used as alternative name for moral (TBB 2003a, pp.2). When looked at the banking sector, ethics can be described as the appropriate behaviour to create mutual benefit for the stakeholders such as the clients, depositors, shareholders and the employees. In other words while carrying out the business activities...
the bank must aim at the goodness, rightfulness and the lawfulness rather than bad, wrong and unlawful (Hong Kong monetary Authority 1999, pp.71). Within these principles, the banks must carry out their responsibilities by implementing an effective and efficient deposit-credit system, to avoid any negative effect to the public, to be environmentally concerned in the public interest, to obtain confidence by safeguarding the clients’ interest and to provide overall stability within and around the bank (Awoke 2003, pp.2). After this conceptual introduction, banking ethics can be described as honesty, impartiality, trustworthiness, compatibility to the banking regulations, and transparency (TBB 2003b; Office of the Banking Adjudicator 2003; Longstaff 1993). Short explanations of these are as follows:

- Honesty: Banks must be honest to their clients, employees, shareholders, competitors and the other organizations that they are in touch Australasian Institute of Banking & Finance (2003).
- Impartiality: Banks should not differentiate between the clients, or the clients and the employees or between any of the stakeholders.
- Trustworthiness: Banks must carry out all their activities timely, precisely, accountably, and accurately, and inform their clients accordingly (Hellenic Bank Association 1977, pp12).
- Compatibility to the banking regulations: banks must carry out all their activities in accordance to the banking rules and regulations (Hungarian Banking Association 1999, Ayyoub 2002).
- Transparency: Banks must give clear and easily understandable information about their products, services, risks and benefits to their clients. (Hellenic Bank Association 1997 pp. 11).

3. Results of the banking crises in TRNC

Banks are established and function under the law 39/2001 which was accepted and published in the official gazette numbered 122 on 23 November 2001. As of 2004, there are 2 state banks, 2 cooperative banks, 15 commercial private banks and 6 foreign branch banks, totaling to 25 banks operating in TRNC (TRNC Central Bank 2005, p. 29). The number of banks prior to the crises was 37. 12 of these banks ceased their operations due to weakening financial positions, bankruptcy, or mergers.

According to the law 39/2001 the minimum paid up capital requirement for banks is $2,000,000 (Two million American Dollars) (İhtisas Komisyonu 2002, pp.2).

As stated earlier Turkey faced major economic crises at the end of the 1999, in November 2000 and finally in February 2001 which led to substantial devaluation in the Turkish Lira. These crises had magnified negative effects on the TRNC economy, which uses Turkish Lira as official currency. The estimated cost of the banking crises is 200 trillion Turkish Lira. This figure is 50% of the GDP in 1999. Floating exchange rate was adopted after the crises. This led to reduction of consumers’ buying capacity at 50%, loss of production and recession. GNP compared to the 1977 prices increased to 190 trillion Turkish Lira. These crises had magnified negative effects on the TRNC economy and led to increase in the savings in real terms.

There is also a real decrease in the savings in the 12-month period. The increase in the consumer prices in May 2000 – May 2001 were 70.8% while the increase in the savings in the same period was only 49.6%. The share of the current accounts in the total savings in the period January May 2000 was increased to 19.6% from 14.1% the year before. The rate of the interest accounts decreased to 80.4% from 85.9% in the past period. The share of the current accounts in total accounts in 2001 decreased to 23.5% from 29%. The share of the interest accounts increased to 76.5% from 71%.

Total current accounts in twelve-month period May 2000- May 2001 decreased by 15.1% from 504,249.1 thousand dollars to 428,928.8 thousand dollars. Interest currency accounts reduced by 25.2% from 328,879.6 thousand dollars to 246,025.6 thousand dollars. The current currency accounts has slightly increased by 3.9% from 175,369.5 thousand dollars to 182,263.2. Currency transactions are reducing year by year. Reduction in the May 2000-May 2001 period was as high as 48.1% from 3,460.1 thousand dollars to 2,015.3 dollars.

Total banking investment/credits during January-May 2000 period had decreased by current prices at 10.5% to 493,666,251.0 million TL from 551,339,571.0. The investment credit in the same period of 2001 increased by 39.8% from 525,442,898.0 TL to 729,673,065.0 million Turkish Lira.

When the 12-month period, May2000-May 2001 is taken increase in the investments is at 47.8%. The consumer price increase in the same period is at 70.8%, which means that the growth is negative in real terms. The credits given out in this period intensified to public organizations, international trade, personal and business credits (DPÖ 2001, pp.50-53).

4. Basic causes of bank failures in TRNC and the dimension of ethical issues

Liberalization movements around the world influenced economic policies, which started to take shape in the beginning of the 1980’s. Governments who adopted more liberal economic policies prepared the ground for competition by allowing more banks to be established. The liberalization movements had been especially effective in the banking sector. Number of the banks in the beginning of the 1980s was only 12. At the time of the bank crises the number of the banks tripled to 36. Allowing many small cooperatives and the credit and finance firms to deal in the finance industry gave rise to intensive competition. While the actors in the industry had risen the government and the related authorities failed to keep track. The industry lacked appropriate regulations. Lack of regulation and inspection left banks on their own with their own destiny. This situation increased the fragility of the banks. Holding banks were especially fragile and the crises originated from Turkey led to collapse of these banks.

The banking crises in TRNC started when the Yurtbank was taken over by the authorities and the clients of the Nicosia branch queued up to draw back their deposits. The fear of further banking crises was quickly expands. Weak banks quickly run into trouble after the immense demand for withdrawals. Holding banks such as the Hür bank, Kibris Finansbank, Everestbank, and Cyprus Credit Banks, and later the Cyprus Industry Bank, and Peyak failed to continue their operations (Bektaş
Causes of the bank failures, which had a cost of $200,000,000, will be looked into in the following part of the study.

4.1 Basic Causes of the Bank Failures in TRNC

Banking crises in TRNC was largely influenced from the outside developments. Therefore the reasons of failures will be investigated under two headings, namely the external and internal influences.

a) External Reasons

As explained earlier TRNC is using Turkish Lira as official currency and therefore ant positive or negative development in the Turkish economy has direct influence on the TRNC economy. Weak Turkish economy, devaluation, high inflation and high interest rates had direct effects on TRNC economy.

b) Internal Causes

Following are the basic internal causes for bank failures:

Legal regulations

When looked at the bank failures in the developing countries similar trends take place. As these countries try to liberalize their economies they allow more competition in the market. However failing to make necessary regulations and keep track of the developments lead to problems.

In TRNC, while the governments encouraged liberalization in the finance industry, they failed to introduce appropriate regulations that would facilitate the finance companies to institutionalise.

It is clear from the accounts of the failed banks that these banks had in adequate paid up capital ratios, had accumulated bad debt, and were mismanagement. Ratio of the credits to the capital played a critical role in failure. Capital adequacy control alone could be a critical tool controlling the banks health. Laws prior to the crises included no ratio requirements.

Auditing and Observation

Auditing and observation mechanism is a necessary activity in order to detect the problems and remedy them before the crises actually take place. However the lack of adequate personnel and lack of any implementation power had failed the authorities to carry out these activities before the crises. Lack of inspection relaxes the industry and breaking the rules becomes a habitual incident. Banks neglect the regulations and take unnecessary high risk.

In TRNC, the Central Bank and the Ministry of the Economy and Finance carry out Auditing and observation of the banks. There are also both internal and external auditors. However there were no standard auditing mechanisms. Auditors also lacked power. Hence the auditors had not been able to obtain the necessary information to perform appropriate inspections. Management with bad intention could easily hide information. The system lacked appropriate observation, inspection and auditing.

Internal auditors were biased in favour of the banks and the external auditors lacked appropriate power to make proper investigation in the TRNC Banking sector. Lack of observation and inspection inevitably led to bank failures (Şafaklı 2003a, pp.217-232)

Holding Banks

Holding banks have different structural set up than the other commercial banks. Such banks are just one of the strategic business units of the holdings and other organizations take place in different sectors under the same umbrella. The bank is usually used for the finance of the holding companies. Taking high risks did such financing usually.

Most of the banks newly established in TRNC after 1980s are holding banks. Law capital requirement and flexible and inadequate banking law encouraged many holdings to start their own banks. Large margin between the deposit accounts and the credit accounts was another influence on entering banking activities.

Law capital requirements were one of the most important influences on the businessman to start their own banks. By establishing their own bank, instead of borrowing at very high credit interests they would be able to collect deposits at lower interest and use it for their business purposes. In the long run however mismanagement of the accumulated funds which had been invested in non-productive fields weakened the banks position.

Another important reason for the bank failures were the lack of liquidity of the banks. The holding banks failed to keep enough liquid money since they rather used these in their business ventures. Once the rush had started these banks failed to meet the demand of the clients.

The Central Bank

Role of the central bank, and the money issuing issues had been discussed at many occasions. Without going into these issues, the study will look into the role of the Central Bank as the last resort for crises.

Central banks may sometimes print money and supply the banks in crises to save them. The Central Bank of TRNC has no money printing capacity and also lacked any funds to make available for the banks in crises. Hence the Central Bank had failed to make necessary interference to avoid systemic failures.

Credit Risk and Management

Investigations show that the failed banks lacked professionalism in assessing the credit applications. They neglected to take into consideration the active/passive ratios, liquidity ratios, capacity, character and cash flows of the applicants. They gave credit with high risk without taking appropriate collaterals (Akgi, 2000, pp.15). Banks also failed to follow up the destiny of these credits. The credits usually ended up in low-return investments. As it will be explained in the ethical dimensions of the bank failures the owners and managers of the banks were given credit above the limits identified by the banking law.

• Banks had no effective internal auditing mechanism
• Banks entered speculative activities with the board of directors permission
• Failed banks gave very high real interest rate. For example failed Everest Bank gave 25% interest rate for foreign currencies while the Cooperative Central Bank gave only 18%.
• Cooperative banks performed just like the commercial banks while they had no obligations that the banks had.

Capital Adequacy

Unlike the other intuitions, capital is a safety factor for the banks. In general about 70% of the actives of the banks comprise the credits (Rose 2002, pp.115). Paid up capital plays as the safety valve against the credit risk. According to the BIS (Bank for International Settlements) criteria the ratio of the
bank capital to the rest of the risk assets should be at least 8% (Şafaklı 2003a, pp. 217-232). Capital adequacy ratios are most important instruments in determining the health of any bank. It was explained before that there was no effective inspection and auditing of the banks prior to the crises. The legal capital requirement for a bank prior to the crises was only 50 billion Turkish Lira. Low capital requirements led to inflation in the banks. Figure 1 shows the increase of the banks from 13 to 37 in just three years time while figure 2 shows the ratio of the equity capital to the GNP.

Findings of a survey carried out in 18 different countries including TRNC, South Cyprus and Turkey proved that TRNC was number one in the list for the number of banks per capita (Şafaklı 2003b).

After the bank crises in 2001 minimum capital requirement for banks to operate was raised from 50 billion Turkish Lira to 2 million American Dollars. This figure is still low relative to the international norms. For example minimum capital requirement in the EU countries is 5 million Euros, and the requirements in the South Cyprus is 3 million Cyprus pounds (Baçak & Menteşoğlu 1998, pp.539; Düzgün 1999, pp.239-240).

4.2 Ethical Dimension of the Bank Failures in TRNC

Looking into the basic reasons of bank failures in TRNC, it is found out that almost all the ethical principles were broken prior to the crises. Among the ethical issues the ones that contributed most to the bank failures were the operations against the law and regulations and political interference.

Working against the regulations
Following are the findings of the Central Bank that the failed banks conducted against the regulations.
- Not confirming to the legal levels of liquidity, and deposit of appropriate rate of deposits to the central bank.
- Presentation of misleading and intentionally wrong accounts to the Central Bank.
- Misleading information on the deposits in respect of the safety fund.
- Ignoring the directives of the Ministry of Finance.
- Giving Credits to the owners and the board members or their business entities in excess of the defined limits in the banking law. Most of these credits were invested in wrong areas with high risk and such situation had been a primary reason for bank failures. Connected credit ratios of the failed banks Hürbank, Everest Bank, Finance Bank and the Yurtbank ranged from 58.8% to 92.3% (Cyprus today 2000).
- Banks accepted unaccounted deposits.

Political Interference
One of the most important factors in the banking sector is the political influence on the system. Authorities that are responsible for inspection and regulations are responsible towards the political authority. The reason for bank inflation prior to the crises is due to the fact that the decision-making authority for giving permissions for new banks was the Ministry and the Board of Ministry. Decisions were made according to the political interest and not the economy.

Prior to the crises the banking sector was under the influence of the Ministry of Finance and board of the Ministers. Politicians act according to their political interest but not according to the economic and public needs. This attitude created problems in the long run. Political authority who lacks the basic knowledge and expertise on banking is another shortcoming and important effect on the crises.

Bank deposits at the Central Bank was used inappropriately by the political authorities and were not available for the Central Bank to be used as an instrument to resolve the crises. Insufficiency of the Central Bank to avoid the crises had contributed to the bank failures.

Apart from the above factors most bank managers had hidden information or gave false information to the auditors. Internal auditors acted non-professionally and didn’t carry out effective auditing. Favorism towards the board members and the owners, accepting unaccounted deposits and discrimination among clients are some of the other ethical misconducts in the banking sector that was frequently witnessed prior to the crises.

5. Research method and main findings

In order to confirm the critical factors effective on the banking crises in the TRNC put forward in the descriptive analysis above, a research has been carried out in July 2005. For this research, 275 depositors of liquidated banks in different regions of TRNC were chosen randomly and they were interviewed face to face. The main findings of the research expressed in per-
percentages are as follows:

5.1 Demographic Results

Demographic profile of depositors as shown in Table 1 is summarized as follows:
• Majority of depositors (66%) are male.
• When looked at the age distribution of depositors, it is seen that 70% of them are 34 and above.
• According to marital status, 66% of depositors are married.
• Educational status of depositors shows that they carry high intellectual capacity. Such that 78% of them have the educational level of high school or above while 41% of them possess university and postgraduate degree.

<table>
<thead>
<tr>
<th>Table 1: Demographic Results</th>
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<tr>
<td>Factor</td>
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<tr>
<td>Sex</td>
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<td></td>
</tr>
<tr>
<td>Age</td>
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<td></td>
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<tr>
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<tr>
<td>Marital Status</td>
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<td>Education</td>
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5.2 The Reason of Choosing Liquidated Banks and Responsible Authorities

• When interviewed with depositors, majority of them (63%) stated that basic motive driving them to deposit in liquidated banks was high interest rates (Figure 3).

![Figure 3: Effective Factors on Choosing the Liquidated Banks](image)

• According to depositors' evaluation, fraud of bank owners represents the basic responsibility and/or guilty for the bankruptcy of liquidated banks (Figure 4).

5.3 Asymmetric Information and Ethical Behavior

In addition to the results of the research above, other perceptions of depositors related to specially asymmetric information and ethical behavior are specified in Table 2 by using Likert type scale. Factors affecting the occurrence of the banking crises in TRNC have been inquired with a scale as follows: 1- I definitely disagree, 2- I disagree, 3- I hesitate, 4- I agree, 5- I definitely agree. Two methods that are, percentage and arithmetic mean have been applied for the analysis of the findings obtained by the scale. For arithmetic mean calculation, the scale values have been used as: (I definitely disagree = -2, I disagree = -1, I hesitate = 0, I agree = +1, I definitely agree = +2). Findings obtained within this framework as shown in Table 2 have been summarized as follows:
• Depositors of liquidated banks did not have enough information about the financial position and riskiness of banks.
• The liquidated banks did not implement ethical principle of transparency.
• Depositors were not well informed about the deposit insurance system in TRNC.
• Liquidated banks illegally and unethically used the deposits for their own interest. Parallel to this, research also shows that owners of liquidated banks did not obey the ethical values (transparency, honesty) and unethical behavior of banks played important role in the occurrence of banking crises. Therefore, Board of Directors and top managers played an important role in the bankruptcy of liquidated banks.
• Because of the asymmetric information and lack of professionalism, depositors did not feel the need of financial and other type of data about the liquidated banks.
• Naturally, as stated in the relevant theory, banks run accelerated the bankruptcy of banks.
• Research findings also show that TRNC Central Bank was not independent. Therefore, government intervention intended to finance specially budget deficit negatively influenced the banking crises and bankruptcy of liquidated banks.

6. Conclusion and recommendations

As a conclusion it could be stated that the ethical misconduct played an important role in bank failures in TRNC. The owners, the board of directors, top executives and the internal auditors had been involved in unethical conduct prior to the bank failures. Furthermore, government intervention to Central Bank's independence proved to be both unethical and detrimental to the liquidity of banking sector. Moreover, high degree of asymmetric information and lack of transparency in the banking sector of TRNC are other realities stated contrary to ethical behaviour. Risks were immensely increased since almost all the banks gave connected credits to the owners and the privileged board of directors. Most of such credits failed to be paid back. Allowing new banks to be established with as low as 50 billion TL capital was another critical mistake that contributed for the bank crises.

After the economic crises and the bank failures, the political
influence has been reduced on the sector. Permissions for new banks and branches are now left for the Central Bank. The Central Bank has also been removed from political influence. There are still a lot has to be done to build up ethical principles in the banking sector. In this respect, the following recommendations can be made:

- Holding Banks should be constantly under focus in order avoid connected lending.
- The Central Bank should publish a guide on ethical conduct and distribute these to the banks.
- Among the many criteria good personality, honesty and professionalism should be some of the values required for top executives, board membership and managers.
- Internal auditing should be carried out independently and impartially.
- Training should be provided by the Central Bank to improve awareness on ethical issues.
- A transparent system must be created whereby the unethical behaviour of any bank is publicly known.

### Table 2: Perception of Depositors Related to Banking Crises in TRNC

<table>
<thead>
<tr>
<th>Perception of Depositors</th>
<th>1 (%)</th>
<th>2 (%)</th>
<th>3 (%)</th>
<th>4 (%)</th>
<th>5 (%)</th>
<th>Arithmetic Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depositors were well informed about the financial performance and riskiness of liquidated banks</td>
<td>34</td>
<td>44</td>
<td>9</td>
<td>9</td>
<td>4</td>
<td>-0.96</td>
</tr>
<tr>
<td>Liquidated banks were transparent</td>
<td>28</td>
<td>41</td>
<td>19</td>
<td>11</td>
<td>1</td>
<td>-0.84</td>
</tr>
<tr>
<td>Depositors were well informed about the deposit insurance system</td>
<td>22</td>
<td>41</td>
<td>21</td>
<td>13</td>
<td>29</td>
<td>-0.14</td>
</tr>
<tr>
<td>Owners of liquidated banks obeyed the ethical values (transparency, honesty)</td>
<td>44</td>
<td>32</td>
<td>14</td>
<td>6</td>
<td>4</td>
<td>-1.06</td>
</tr>
<tr>
<td>Liquidated banks illegally used the deposits for their own interest</td>
<td>5</td>
<td>15</td>
<td>21</td>
<td>30</td>
<td>29</td>
<td>+0.63</td>
</tr>
<tr>
<td>Depositors did not want to learn the financial position of liquidated banks</td>
<td>7</td>
<td>18</td>
<td>13</td>
<td>44</td>
<td>18</td>
<td>+0.48</td>
</tr>
<tr>
<td>Board of Directors and top managers played an important role in the bankruptcy of liquidated banks</td>
<td>6</td>
<td>12</td>
<td>15</td>
<td>40</td>
<td>27</td>
<td>+0.70</td>
</tr>
<tr>
<td>Banks run accelerated the bankruptcy of banks</td>
<td>5</td>
<td>17</td>
<td>18</td>
<td>46</td>
<td>14</td>
<td>0.47</td>
</tr>
<tr>
<td>Dependent position of TRNC Central Bank negatively influenced the banking crises</td>
<td>6</td>
<td>14</td>
<td>25</td>
<td>40</td>
<td>15</td>
<td>0.44</td>
</tr>
<tr>
<td>Unethical behavior of banks played important role in the occurrence of banking crises</td>
<td>5</td>
<td>13</td>
<td>22</td>
<td>43</td>
<td>17</td>
<td>0.54</td>
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</table>

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Eri-ikäisyys ja ikäjohtaminen – Diskursiivinen tutkimus

By: Pinja Halme

Abstract
The purpose of this paper is to examine different age groups and age management in organizations. Age management is obviously an important issue in business organizations and in society as a whole, as it is seen as one solution to the problem of an aging workforce. Age management is defined in this paper based on the theory of diversity management, which regards age as one aspect of diversity. In this paper I explore what kinds of meanings people in the case organizations attach to age and how they define age management in organizations. My research method is discourse analysis, in which the focus is on speech. The main outcome of the study is that people construct "the old" and "the young" as two distinct groups in their organizational discourses. The identity of a "young" and an "old" worker is similarly constructed. Two specific types of discourses were derived from the empirical data related to age management, namely: efficiency discourse and community discourse.

Keywords
Different age groups, age management, discourse analysis, identity, diversity management

1. Johdanto


ja niin, että jokainen toimija tuntisi itsensä tarpeelliseksi organisaatiossa. Useinhan käsite rajataan tarkoittamaan ainoastaan "ikäntyneisiin" kohdistuvia toimenpiteitä.


Millaisia merkityksiä eri-ikäisyydeelle ja ikäjohtamiselle anetaan organisaatiassa?

Millaisia identiteettejä haastateltaville rakentuu eri-ikäisyysdiskursseissa?


Aineisto on diskursianalyysitessä tutkimuksessa keskeinen osa tutkimusta, mutta aineistoja tulee tarkastella juuri siinä kontekstissa, jossa se on tuotettu. Tutkimusaineiston käytätyt haastattelut tarjoavat "sisäpiirillä olevia" toimintatutkimuksia organisaatiotekstissä (Phillips & Hardy, 2002). Haastattelut ovat yhteyttä koulutuksessa, palkitsemisessa, suoriutumisen arvioinnissa, johtamisen näkökulmasta tutkimuksissa, jossa keskitytään henkilöstön ylläpitoon ja varmistetaan näin yrityksen menestys, mikä on tärkeää, kun henkilöstöresurssin merkitys yhä kasvava tulevaisuudessa. Ikäjohtaminen on esimiehystön näkökulmasta tapa johtaa ihmisiä (leadership). Tässä tutkimuksessa ei käsitellä ikäjohtamisen käytänteitä ja menetelityypoja. Jos tutkimuksen kohteena olisivat nämä asiat, puhuttaisiin erityisesti ikäntymisten toimintakykyystä ja työkyvystä (Kirjonen, 1994; Ilmarinen, 1999).


2. Ikäjohtamisen teoreettinen tarkastelut


3.1 Todellisuuden sosiaalinen rakentaminen


3.2 Samaistuminen omaan ikäryhmään

Diskurssin analyytikkoja on kiinnostunut eroista, jotka vastaavat diskurssien ja diskurssien välisissä suhteissa. Eromaisuudet naapurien välillä tai yksilöiden välillä voidaan määritellä ja määritellä, mutta diskurssien ja diskurssien välisissä suhteissa määritellään, mitä diskurssi esittää ja miten sen tulkinta on jaetaan.

Diskurssin ymmärtäminen tarkoittaa siksi, että diskurssien ja diskurssien välisissä suhteissa määritellään, mitä diskurssi esittää ja miten sen tulkinta on jaetaan.

3.3 Kääntyminen ja ikähoitaminen diskurssivisesti tarkasteltuna

Diskurssin analyytikkoja on kiinnostunut eroista, jotka vastaavat diskurssien ja diskurssien välisissä suhteissa. Eromaisuudet naapurien välillä tai yksilöiden välillä voidaan määritellä ja määritellä, mutta diskurssien ja diskurssien välisissä suhteissa määritellään, mitä diskurssi esittää ja miten sen tulkinta on jaetaan.

Diskurssin ymmärtäminen tarkoittaa siksi, että diskurssien ja diskurssien välisissä suhteissa määritellään, mitä diskurssi esittää ja miten sen tulkinta on jaetaan.
4. Tutkimusaineisto


5. Eri-ikäisyyden ja ikäjohtamisen rakentuminen haastatteluaineistossa

5.1 Nuoren ja ikääntyneen identiteetin määrittäminen

Tutkimuksessa on käytetty apuna laadulliseen tutkimukseen sovellettua tietokoneohjelmaa QSR Nivoa. Ohjelman avulla suoritettiin sisällönanalyysi vaiheittain siten, että ensin aineisto tyyppitekstit läpiäimyvästi tekstistä ja ensin tietystä ja samaistuttavasta

nuojista. Ohjelma-avusteinen analyysi oli yksi aineistoa analyysoimaan. Aineisto järjestettiin haastattelututkinnan ja kysymysten perusteella, että vuorovaikutettua huomioita ja esimiesasemaa. Aineistotutkinnan perusteella, että haastattelijana halusit tutkia puhuvan oman viihtyvämmän (nuori tai ikääntynyt) näkökulmaa. Tämä on otettava huomioon arvioituessa tutkimus

tutkimuksen ja esimiesaseman näkökulmasta, minkälaisia merkityksiä ikään liittyville tee

moille, kuten ”eri-ikäisyys”, ”ikääntyminen” ja ”ikäjohtaminen”, annetaan organisaatiossa. Haastatteluaineistoa käytössä on huomioitava haastattelulainsäteiden suhdetunäytteisen käyttämiseen, joka ei ole suoraan suhteessa, vaan haastatteluvien lausunnot ovat tutkittavaa haastatteluaan liittyvää tulkintaa. Aineisto on määritävä

puhetilanteen tulostaa, jossa on läsnä kaksi osapuolta (Hoikkala, 1989). Haastattelut ymmärretään katsottain toimijoina, ja haastattelut puheena, jossa tulkinnat dokumentoituvat. Haastatteluiden ei tällä analyysistavalla väitetä väittäviä tutkimuk

sen keinoin ”nuorten” tai ”ikääntyneiden” näkökulmia. Tutkimus ei myöskään pyrki puhumaan ikäryhmien puolesta ja niiden ase

maranantamiseksi.
siihen jaksaa sitoutua”. Sitoutumisen mittaaminen on kyseen-
alaisia ja hankalaa, mutta sitoutumisessa näyttäisi kuitenkin ol-
evä eroja nuorten ja ikääntyneiden välillä. Yrityksen kannalta olisi kuitenkin tärkeää ymmärtää miten, miksi ja mihin yksilöl

### Taulukko 1. Miten eri-ikäisyyttä määritetään organisaatioissa ja millaisia ikään liitettyjä ominaisuuksia on identifiroida

<table>
<thead>
<tr>
<th>Nuoren työntekijän ominaisuuksia</th>
<th>Ikääntyneen työntekijän ominaisuuksia</th>
</tr>
</thead>
<tbody>
<tr>
<td>- innokas</td>
<td>- hidais</td>
</tr>
<tr>
<td>- hätäilee</td>
<td>- kärsivällinen</td>
</tr>
<tr>
<td>- tuo uusia toimintatapoja</td>
<td>- visionäiri kokonaisuuksien hallinta</td>
</tr>
<tr>
<td>- tekniinen osaaminen</td>
<td>- korke korinttilainen osaaminen</td>
</tr>
<tr>
<td>- monipuolinen koulutus</td>
<td>- tunnollinen ja lojaal työntajan kohtaajan</td>
</tr>
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<td>- sitoutuu omaan urakehitykseen</td>
<td>- sitoutunut organisaatioon</td>
</tr>
<tr>
<td>- työn pitää joustaa</td>
<td>- työntekijä joustaa</td>
</tr>
<tr>
<td>- „urakkatyöläinen”</td>
<td>- normisidominainen</td>
</tr>
<tr>
<td>- kokemattomuus</td>
<td>- kokenus</td>
</tr>
<tr>
<td>- haastava työ motivation lähde</td>
<td>- kaipaa arvostusta motivation lähdeeksin</td>
</tr>
</tbody>
</table>
| - arvostaa itsenäisyyttä ja vapautta | - taustalla protestanttiin työma
| - individualisti                |                                       |

5.2 Tehokkuuspuhe

Monesa tapauksessa eri-ikäysryt tarkastella yrityksessä tehokkuusnäkökulmasta, ja henkilöstö nähdään resurssina. Haastateltujen puheesta kävi toisaalta ilmi, ettei ikä ole työyhtoseisissä merkittävää tekijää. Silloin he puhuivat yhteisöllisyydestä siinä mielellä, ettei ikää ole syytä edes korostaa ja luokitella millaisia merkittäviä ominaisuuksia. Haastateltavien puheesta oli erotettavissa yleistä oletuksia omaan ja toiseen ikääryhmiin liitettyjä ominaisuuksia. Haastateltavien kanssa mainitun joustavuuden merkitys on kyseessä

### Taulukko 2

<table>
<thead>
<tr>
<th>Nuoren työntekijän ominaisuuksia</th>
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</table>
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| - individualisti                |                                       |
punaisella tekstillä on tämä asiakirjan teksti.
haastateltavat puhuivat siten, että eri-ikäisten työyhteisöistä olisi vielä viisaampi käsittelemässä hyvin. Työyhteisössä on hyvä olla tietty määrä erilaisia ja tietty määrä samanlaisia ihmisä.


(H1i) ikääntyneet

“Se on ehdottomasti toteamus, että me emme ole mitään tällaista ikäjohtamista, sillä niillä on ollut kykyksivä toiminta, koska ikäjohtamisen

Jos kapesi ajattelee, niin helposti luulee, että se tarkoittaa että vanhoille tulee jotakin erityiskohtelia. Esaoloja on, että kaikenikäisiä joudutaan yksilöllisesti johtamaan, oli se sitten henkilökuntaa, minkä ikäisistä on. Ja tietysti ikä haluaa tuoda oman näkökulmaan ja kyllähän se on noteerattu ja on totta, että sen kyky on vastaavan... tähän määriä on koskevat jossakin tapaa, että tota... Musta toi

Haitateltavat otivat hyvän eri-ikäisistä poikumaan meidän, minkä meidän on itse auttaa ja auttaa omia tuottojaan. Mutta kuinka on yhteenpainottaa yksilöitä vastaan, jos me on meidän, jos me on meidän, jos me on meidän, jos me on meidän yhdessä. Tämä on ollut käytännön

Täällä on esimerkiksi luonteenpiireillä, työvälineillä ja omilla asenteilla ikääntymisistä kohtaan.

(H3i) ikääntyneet

Mutta ikääntyneet on leimavaa, ei sille voi mitään. Ja tota monet

ikääntyneen, niin ne on häivän herkkien silmissä, asettaa nyt vaan niin kun käsiteltä, että ei se mitään. Esaoloja on, että kaikenikäistä

ja myös ihmisä, mutta ei sen suurempana. Työyhteisöö on mieluiten

ilmaan eivät nyt tehdä niitä, että vanhoille tulee jotakin erityiskohtelia. Esaoloja on, että kaikenikäisiä

...Se on voima niin kuin ulospäin. Kun ikääntynyt itse ja ei enää

kaikenikäisistä ja yhteytestä vastaan. tämä on hyvin ymmärrettävä. Esaoloja on, että kaikenikäisiä

Työtyövoimasta, jossa tulee olla sopivassa määrin nuoria ja vanhoja.

On yhteenpainottamisessa tärkeää huomata, että eri-ikäisten

...että ikääntynyt ei ole mitään. Ja tota... Musta toi

Eri-ikäisyys tulkittiin mieluiten erilaisuutena.

Haastateltavat puhuivat vuorovaikutuksesta ja ihmisten johtamisesta korostaan yksilöiden väliset suhteet merkitystä. Tämän suhteen tulee perustua luottamukselle, oikeudenmukaiseen

kyllä ja sen mukaan innoittaa. Esaoloja on, että kaikenikäisiä

ja yhteisöyhteistyötä eri-ikäisten välillä toimivat

Hyväksyttävä tapa puhua eri-ikäistestä ja johtamisesta oli liitettä se erilaisuuden johtamisen tematiikkaan. Eri-ikäisyys tulkittiin mieluiten erilaisuutena.
Tässä tutkimuksessa käsitellään erilaisia tapoja puhua ikäjohtamisesta. Tutkimuksen menetelmänä on käytetty diskursiannonalyysiä, Diskursiannonalyysi tarjosi kyseiseen tutkimuksen käytännön, ja auttaa kodhyyrityksissä kehittämään toimintaansa ikänynteiseen suuntaan. Tutkimus tarjosi näkölomakkeen työntekijöiden asenteisiin, siihen miten työntekijät suhtautuvat omaan ikääntyneisensä ja miten he puhuvat eri-ikäisyydestä. Yleisesti molemmilla ikäryhmillä oli hyvin positiivinen suhtautuminen ikä-ikäisyyteen.


Haastateltavat puhuivat mielellään työkyvyn arvostamisesta, kun tarkoituksena oli puhua ikäjohtamisesta. Ikäjohtamisesta puhuttaessa on riskinä, että se ymmärtäretään vain ikääntyneisissä kohdistuviksi toimenpiteiksi, jolloin on mahdollista puhua yrittysten käynnistämistä konkreettisista työkyvynhankkeista. Ikäjohtamisen diskursisella kilpaileekin muiden diskursin ja toistuu vastaavan kanssa sitä, miten organisaation ongelma, ratkaisuja ja tilanteita määritellään.

Haastateltavat puhuivat usein erikseen johtamisesta ja työkyvyn ylläpitämisestä, joka ymmäretään käynnin henkilöstötäminän. Ikäjohtaminen käsiteltään siis enemmän henkilöstöhallinnoksi kuin johtamistavaksi. Esimerkiksi työkyvyn haastateltavat käsittelevät tehokkuusdiskursisissa siten, että yksilön täytyy pitää työkykyä kuntoiluella ja etäisyys yksilön kehityksen ongelmaa, jotta ikääntyneet säilyttävät tehokkuutensa. Tehokkuus ja työkyky liittyivät siis selkeästi toisiinsa.

Voidaan kuitenkin väittää, että "ikäjohtaminen" ei ole looginen malli paremmasta johtamisesta, vaan paremminkin melko hajatunavaisuutta ja vanhoja Kathrynäisyyksiä ihmistä ja organisaatiota. Tämä näkökulma korostaa ikäjohtamisen ja henkilöstövoimavarojen johtamisen, sekä sosiaalisen vastuun diskursisilla puheenäkökulmilla perusteltua perustusta johdillakin yleisemmän luokituksen ja todellisen juoksun kanssa keskustelevia erilaisia selityksiä tekevän tarkastelumallin paremmin.


<table>
<thead>
<tr>
<th>Tehokkuusdiskurssi</th>
<th>Yhteisöllisyysdiskurssi</th>
</tr>
</thead>
<tbody>
<tr>
<td>- henkilöstö voimavarana</td>
<td>- tasa-arvoinen kohtelu</td>
</tr>
<tr>
<td>- henkilöstö strategisena resurssina</td>
<td>- eri-arvoistavan luokiteltun poistaminen</td>
</tr>
<tr>
<td>- ikästrategia</td>
<td>- työperhe (yhteisöllisyys)</td>
</tr>
<tr>
<td>- tavoitteiden asettaminen</td>
<td>- vastuu henkilöstöstä</td>
</tr>
<tr>
<td>- motiivointi</td>
<td>- kestävyys/jatkuvuus</td>
</tr>
<tr>
<td>- oppiminen</td>
<td>- rehellisyydessä ja oikeudenmukaisuus</td>
</tr>
<tr>
<td>- kouluttaminen</td>
<td>- sisotuminen/tehovalinnus</td>
</tr>
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<td>- tuottavuus</td>
</tr>
<tr>
<td></td>
<td>- vuorovaikutus</td>
</tr>
<tr>
<td></td>
<td>- hyvinvointi ja työtoimintaväisyys</td>
</tr>
<tr>
<td></td>
<td>- huolenpito</td>
</tr>
</tbody>
</table>
| | - erilaisuuden arvostaminen ja kunnon valuutat 
| | - sosiaalinen vastuu |

Miten eri ikäisyydestä ja ikäjohtamisesta puhutaan?

Tavoite/Intento

- yrityksen maine joukkouhuttelevana työntajana
- lääkkeille siirtymisen pitkittäminen
- ilmakevyinen päätöksentekointi
- yhtävänä resurssista eri tässä suoritattu
- yrityksen elinkelpoisuuden säilyttäminen
- yrityksen henkilöstön voimavaran

- yrityksen maiden houkutteleva työnantajana
- käyttöoikeuksien siirtymisen
- yrityksen itsenäistumisen
- henkilöstön ylläpitäminen
- yrityksen Henkilöstön voimavaran

siitä, että he haastattelussa eottaisivat nuoret ikääntyneistä. Toisaalta identiteettien määrittäminen on tapa asemoitua itseä työyhteisöön, ja tavoitteena saattaa olla omän aseman parantaminen suhteessa muuhin ryhmihin. Siinä mieleessä on ymmärrettävää, että epäkohtia ja eroja ryhmien välisessä kohtelussa korostetaan.

Haastatteluissa kävi ilmi, että haastateltaviin mukaan henkilöstö koostuu tulevaisuudessa eri osaamistaustaisista, eri-ikäisistä ja eri kulttuureista tulevista ihmisiä. Ryhmät elävät lisäksi hyvinvoin erilaisissa elämänlaidenteissa, jolloin arvojen ja asenteiden hajanaisuus lisääntyy entisestään. Toisaana toimivan yhteyden estäminen ja kaikista kouluvalintoihin liitettyä virrankiinnostusta. Tuolloin käsitellään kuitenkin olla vallitseva johtamiskulttuuri tai henkilöstöstrategiset peruslinjat.

Pinja Halme

M.Sc Pinja Halme received a M.S. Degree in economics from the University of Jyväskylä, Finland in 2001. She is a researcher in a project of Sustainable Leadership – the challenge of age and workability management. Halme is the author of two articles, most recently Discussions on Responsibility – the aging Society, organisations and the Individual.

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*) Tämä tutkimus on osa ”Kestavä Johtaminen – ikä- ja työkykyjohtamisen haasteet” tutkimushanketta, jota Suomen Akatemia on rahoittanut (päättönumero 104525).
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- “Takings” and the environment
- Property rights around the world and their impact on the environment
- The role of property rights in international development
- Property rights exercised in the commons
- The effect of property rights on species preservation and biodiversity

Papers should focus on normative aspects of these issues as opposed to predominately technical or scientific considerations.


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