FACULTY
OF BUSINESS
AND ECONOMICS

Pannon Management Review

Pannon Management Review

Pannon Management Review contributes to bridging scholarly management research and management practitioner thinking worldwide. In particular, *Pannon Management Review* broadens the existing links between Hungarian scholars and practitioners, on the one hand, and the wider international academic and business communities, on the other—the journal acts as an overall Central and Eastern European catalyst for the dissemination of international thinking, both scholarly and managerial. To this end, the articles published in *Pannon Management Review* reflect the extensive variety of interests, backgrounds, and levels of experience and expertise of its contributors, both scholars and practitioners—and seek to balance academic rigour with practical relevance in addressing issues of current managerial interest. The journal also encourages the publication of articles outside the often narrow disciplinary constraints of traditional academic journals, and offers young scholars publication opportunities in a supportive, nurturing editorial environment.

Pannon Management Review publishes articles covering an extensive range of views. Inevitably, these views do not necessarily represent the views of the editorial team. Articles are screened—and any other reasonable precautions are taken—to ensure that their contents represent their authors' own work. Ultimately, however, *Pannon Management Review* cannot provide a foolproof guarantee and cannot accept responsibility for accuracy and completeness.

CONTENTS

ZOLTÁN VERES

EDITORIAL:
ROADS AND CROSS-ROADS IN THE DEVELOPMENT OF MANAGEMENT – AN AMERICAN PERSPECTIVE

Dear Reader,

In the fourth issue of the Pannon Management Review in 2014 you are holding in your hand, our idea is to present you how the development of management can be described from an American scientific and organizational platform.

Beginning of the 21st century is a witness to paradigmatic changements in the management. As core elements of this turn new information and communication technologies (ICT), new behavioural patterns of digital users and renewed user-technology/user-user relationship can be identified. And, undoubtedly, the USA is in the vanguard of progress. Let us see what the lessons are for us from an American perspective.

Digital tools and platforms, online networks and ICT innovations rely exclusively on digital and network competencies. Their continuous improvement is of uttermost importance because accumulating an amount of data, their supply chains within the organization and in inter-organizational relationships are determining. The online data collection and the interpretation of the results on the organization or that of the partner/concurrent organization imply competencies that can be separately analyzed.

The network of data and contents are facing a serious challenge in the digital environment where we produce an average of 2.5 quintillion data a day. There is a growing amount of data that comes from sensors, social media networks, online knowledge sharing and from lots of other resources. This is the so called big data or data boom. This brings up basic questions of the handling of data resources and induction, network innovations and network education.

Exploiting the potential of online networks is crucial for corporate and organizational relationships. Presumably, for their business-social communication and decision-making chains that use the most recent digital and online tools and competencies. As they tap this online potential, they can become more competitive as compared to the sector's other

companies and the organizations. Hurwitz (2013) also draws attention to the fact that this is the age of the so-called post-trust Internet and of digital technology.

In Katalin Fehér's opinion (2014a) Gartner's Hype Cycle Special Report (2010) summarizes and illustrates the common pattern of over-enthusiasm, disillusionment and eventual realism that accompanies each new technology and innovation to strategic planning from 1995. Contents and networks of contents organize tropes of identity and everyday life. Companies have been labouring for users' attention offline and online, respectively. In fact the contents have been digitalized, therefore the majority of global written, recorded and digitalized cultural contents are available online via various networks interactive platforms that provide the/a context(s) online. Weight of digital media in these hypes assumes other types of new media dynamic undoubtedly. Convergence tends to be working to peak within the framework of interactivity. Ups and downs sustain exploratory, experimenting, wilding, notcompetitive services. Everything depends on the details: several tools and services remain invisible for hype cycle reports. Users are connected to a global network with its platforms and emerging/emergent interfaces. A platform is an inventory of contents. Interfaces represent and facilitate interaction – between users and various platforms, and, also among platforms.

The trust in a network (Krackhardt – Hanson, 1993), the legitimacy and strength of nodes, streamlined network management, issues of safety versus effectiveness are present both in online and offline networks. Yet, they are present in different ways and interconnected with one another. Trust and security supports increasingly exclusive and restricted network solutions. So when we talk about offline and online networks after the digital revolution, it is a fundamental question where the boundaries of the network's development lie. To what extent does competitiveness strengthen the node's place within the network and the trust. When should restrictions be launched for cost cutting, return investments in order to save security functions? How should competitiveness and the proportion of expenditure, the investments of the communicable and demonstrable competitiveness be optimized?

Operating along algorithms generates common platforms and network management. These would be in management of companies, logistics, organizational development and project management. Administration, along with other online associate frameworks in corporate-organizational functions, would also be included. They are less flexible between two stages of development, their codification limits usability, and their infrastructural vulnerability could lead to the vulnerability of human network as well. Within a network technological innovations can spread easier and it is easier for companies and organizations to adapt to each other. They have a greater influence on each other to increase their effectiveness and competitiveness.

Expert-interviews showed that companies that employ digital innovation appropriately can gain an advantage over their competitors by using modern technology. The key question, however, is what technologies they integrate into their operation. Also, how the general principle in this area is "the right tool for the right purpose". Applications supporting operational functions, coordination, and project management make work more efficient. Thus the digital innovation brought the greatest breakthrough in the field of resource management. However, the introduction and operation of these systems requires an expertise that many companies lack among their resources. Therefore, it is becoming more and more common that IT systems are operated by a third-party or outsourced.

The most important network competence development method can be found within the organizations. They show the job of the individual work groups or divisions to other divisions, or, within a division, the work of colleagues to each other. Network competencies are more in focus in companies where networking activities play a crucial part in their business profile.

Other aims of digital developments are mostly to support work processes, enable joint work-teleworking and database management. Technical solutions play an elementary role in eliminating the increasing data quantity and vulnerability. To protect the data and to reliably manage the increasing amount of data, special technical solutions are developed. These require a high level of special expertise in mathematics, information technology to introduce and manage such solutions. Thus companies either fully outsource these tasks (a big data commission can be rather costly), or entrust the management of systems to an in-house system administrator. The employees absolutely need the knowledge about the technical part of IT which can be acquired through the company's IT department or through organized corporate training.

Corporate management realises that digital skills and tools are part of employees'/partners' private and professional lives. Two consequences result from these facts. First, employees/partners' have self-motivation to collect useful information concerning digital devices and new trends in digital networks. Secondly, employees/partners are digitally linked. Their ignorance and their carelessness implicate some risk for the company. The characteristic management strategy is the simultaneous use of recommendations and regulation. The management function is based on the eventual confidence in online network context.

Generally speaking, traditional companies spend on digital development if it is required by their market position. Or, if the development is so efficient that it enables them to save resources thus they can reduce their costs. Some IT professional respondents regard digital developments as value added improvements that yield a return in the long run.

In business context b2b business mixes brick and click solutions or focuses just on online services. It operates multiple identities and special corporate IDs. Digital identity has two main aspects in business: 1) personal entity that find business via offers on mobile directly, 2) corporate/organisational entity with internal and external communication/networks. The first brings the marketing-sales-PR-personal data-security view, the second is more complex because its body is full of data (Fehér, 2014b).

Companies can give more answers for digitalisation and mobilisation. They can learn new possibilities in effective work like ad hoc networking, co-working, collaboration, team-work and leisure teams. These are flexible and working on tablets and smart phones effectively. The most important issue is vulnerability because of security and reputation management. Control and authentication are in focus on the field of corporate digital identity.

Companies keep under control employee's data transfers via mobile devices and/or they issues guidelines with reference to them. An increasing number of multinational companies have e-learning programs concerning online and mobile communication security and control, large companies and SMEs use guidelines and they rely on employee's responsibility.

Another extension is the technological effect on how users learn: learn in school, in corporate context, according to interest and to self-organization or they learn of technology that may help them to acquire further knowledge. The essential question is how they can learn digital technology tools in order to learn of other things. It assumes a lifelong learning concept connected to content networks and to learning communities. The bottom up and user generated content movements meet with conventional learning methods and, most of all, with institutional frameworks in a blended learning paradigm.

The blended learning paradigm is an educational potential via mixed formal and non-formal, online and offline methods. The reallocated resources and the customised solutions provide more flexibility and can react faster to technological and learning-environmental changes. The big challenge of this e-learning and m-learning market is to develop learning environments that answer users' needs, such as real time searching questions and continuously changing contents and networks.

In this issue an hyperbolical study on the new managerial challenges, an essay of the metaphorical approach to organizations, an interview with one of the leading managers from the ICT sector and, finally, an intense analysis on the Hungarian SMEs have been selected.

The first two articles give us an authentic insight into the way of thinking in the United States about the would-be development of the corporate world. Edward J. Romar from Boston in his paper *A View from the USA: Managerial Challenges, Technological Change, Social Trends, and the Coming Age of Democratic Heroism in the 21st Century* depicts a path leading

to a new era of the so-called democratic heroism. From a basically economical and sociological standpoint the author is scanning the germs of development of our time. Based upon the described American trends the paper presents us a possible developmental outcome conforming to a redefined mission of the American society. Among its interesting forecasts the next one is extremely thought-provoking for the academic sphere: „(in a digital world)… faculty roles must change from presenter to guide."

Harold Itkin and Miklós Nagy in the *Theoretical and practical use of metaphors in organizational development and beyond*, based on their consulting experience in the United States, chose a different approach when discussing roles of metaphors in organizational development. The eight metaphores help in understanding organizational structures, leadership style, management control and behaviour. The chosen model has been applied to analyse corporate development in two case studies. It illustrates how to identify the direction and magnitude of change required to move the entity under investigation to the desired direction.

In order to publish portraits of companies and individuals whose performance is illustrative of management achievement, in this issue we present an interview with Attila Ürmössy, Head of Telekom IT Nearshore Center of IT Services Hungary. His career and his digital world view hold plenty of lessons for the reader. First he gives us his personal definition on the digital environment including its future trends. Thereafter he describes the impact of the shift to going digital on the public at large and on the business models including the role of social media. Besides the reader can read an inspiring discussion about changes that have taken place in the market of executive information systems recently, too. At the end of the interview a useful message is coming from the IT industry for universities offering programs in business and economics.

And we offer a publication opportunity to a young researcher in this issue as well. This time the paper of Eszter Bogdány has been selected under the title of *Passing the leadership baton in Hungarian small-and medium sized enterprises.* Small- and medium sized enterprises in the Hungarian economy are not yet ready to handle pressure caused by the change of generations. In her research paper Eszter analyses the succession process of SMEs with a special focus on handing over top management functions. The research confirmed that the succession phase of SMEs can be characterised by the ownership interest, the dominant organisational culture, the size of organisation and changes in size, the origin of the successor and the age of the owner. Based on the results it can be assumed that professionalization has a strong influence on the leadership succession process.

We hope that again in this issue, we can present new, exciting ideas from management science as well as encourage other researchers to present themselves in our journal.

References

Fehér, K. (2014a): Consumption of Metapatterns: A CDT Model for the Understanding of Patterns in New Media, *Journal of Information Architecture,* Vol. 5, No. 1–2, 9–19.

Fehér, K. (2014b): Digital mobilisation and identity after smart turn. In: Xiaoge Xu (ed.): *Interdisciplinary Mobile Media and Communications: Social, Political and Economic Implications*. Pennsylvania: IGI Global, 64–84.

Fehér, K. – Veres, Z. (2014): Business network competences after the digital turn. *Pannon Management Review*, Vol. 3, Issue 2, 45–78.

Gartner (2010): Hype Cycle for Emerging Technologies. *Gartner Report* (August)

Hurwitz, J. G. (2013): Trust and online interaction, *University of Pennsylvania Law Review,* 161, 1579-1622. Online: http://www.pennlawreview.com/print/Hurwitz-161-U-Pa-L-Rev-1579.pdf.

Krackhardt, D. – Hanson, J.R. (1993): Informal Networks: The Company Behind the Chart. *Harvard Business Review*, Vol. 71, No. 4, 104–117.

Zoltán Veres, Professor of Marketing, at the University of Pannonia, Veszprém, Hungary, Head of Department of Marketing. He was born in Hungary and he received his university degrees from the Technical University of Budapest (Masters degree in Electrical Engineering) and the Budapest University of Economic Sciences (Masters degree in International Business). He obtained his Ph.D. in economics, at the Hungarian Academy of Sciences. More recently, he obtained his habilitation degree at University of Szeged, Faculty of Economics and Business Administration.

He worked as project manager of numerous international industrial projects in the Mediterranean region (e.g. Greece, Middle East, North Africa) between 1977 and '90. Since 1990, he actively participates in the higher education. Among others he taught at the College for Foreign Trades;

at the Ecole Supérieure de Commerce d'Angers and between 2004 and 2009 he was Head of Institute of Business Studies at the University of Szeged. In 2011 he was appointed professor of Marketing at the Budapest Business School (BBS), Hungary, and between 2010 and 2014 he was also Head of Research Centre at BBS. Since 2014 he is Head of Department of Marketing at the Faculty of Business & Economics of the University of Pannonia, Veszprém, Hungary. From the beginning of this year he is the editor of the Pannon Management Review.

Zoltán Veres has had consultancy practice and conducted numerous research projects on services marketing and project marketing. In 2001 and 2002 he was Head of Service Research Department at the multinational GfK Market Research Agency. He is member of the research group European Network for Project Marketing and Systems Selling, Lyon; Advisory Board member of Academy of World Business, Marketing and Management Development, Perth (Australia); member of Comité Cientifico del Academia Europea de Dirección y Economía de la Empresa (Spain); Advisory Board member of the Nepalese Academy of Management; member of Board of Supervision at Association for Marketing Education and Research, Hungary; Advisory Board member of McMillan & Baneth Management Consulting Agency, Hungary and consultant of Consact Quality Management Ltd., Hungary.

He has more than 200 scientific publications, including the books of *Introduction to Market Research, Foundations of Services Marketing* and *Nonbusiness Marketing*. He has been editor of series to Academy Publishing House (Wolters Kluwer Group), Budapest. Besides Zoltán Veres has been editorial board member of the journals Revista Internacional de Marketing Público y No Lucrativo (Spain), Вестник Красноярского государственного аграрного университета (Krasnoyarsk, Russian Federation), Tér-Gazdaság-Ember and Marketing & Menedzsment (Hungary); member of Journal of Global Strategic Management, Advisory Board and Review Committee; member of Asian Journal of Business Research, Editorial Review Board.

EDWARD J. ROMAR
A VIEW FROM THE USA: MANAGERIAL CHALLENGES, TECHNOLOGICAL CHANGE...

13

EDWARD J. ROMAR

A VIEW FROM THE USA: MANAGERIAL CHALLENGES, TECHNOLOGICAL CHANGE, SOCIAL TRENDS, AND THE COMING AGE OF DEMOCRATIC HEROISM IN THE 21ST CENTURY

This paper is a "broad brush" attempt to understand the contemporary United States. Using a 1993 BusinessWeek article "The Virtual Corporation" as its point of departure the paper presents significant developments in economics, political philosophy, and technology over the last few decades and how they have redefined business, education and society in the United States of America. It concludes with an observation that these trends will converge into an age of democratic heroism.

To even the casual observer we are living in interesting times. It seems that every aspect of life, whether political, social or economic, is undergoing rapid change. Internationally, with the rise of China and Russia, the U.S., while preeminent, is no longer the world's last super power. Technologically, the Internet is expanding from the "Internet of People" to the "Internet of Things," where such mundane things as light bulbs and appliances will be connected to the Internet (Gershenfeld – Vasseur, 2014). General Electric has developed already a one billion dollar business on the Internet of Things (Hardy, 2014). Three D printing offers the promise of distributed research and development and manufacturing. (Gershenfeld, 2014; Vance, 2010) Socially, applications for smartphones and PCs structure social and work relationships, where individuals have more opportunity to interact but with reduced face-to-face contact. Economically, while we have numerous ways to conduct commerce, the individual seems to be left more and more to their own devices. Long-term employer/employee relationships and union membership are in decline and free market capitalism and libertarianism are increasingly accepted as the foundation of economic and political life.

In the United States, these trends, while developing for some time now, are perhaps harbingers of a fundamental reordering of the social economic and political life beyond anything we have seen in the recent past. For companies, this may mean a continuation of these deve-

lopments. For management, these developments will necessitate innovative new strategies to address opportunities resulting from the convergence of the underlying trends in the business environment.

The most elemental change is in the realm of technology and the Internet, a trend gaining momentum for at least the last twenty-plus years. Twenty-one years ago, BusinessWeek published a prescient article predicting the future of the business.

> "You know the problems. They're the stuff of Management 101. If you run a big, complex company, you battle every day to get things done faster. If you're at the top of a small one, you often struggle to find the resources to make a difference.
>
> In today's world of fast-moving global markets and fierce competition, the windows of opportunity are often frustratingly brief. Few companies boast the in-house expertise to quickly launch diverse and complex products in different markets.
>
> Ever hear of the virtual corporation? Before you roll your eyes, think again. In the view of many leading business thinkers, what sounds like just another bit of management-consultant cyberspeak could well be the model for the American business organization in the years ahead."

The article envisioned a business world composed of a central business organization which provided direction and continuity. Around the primary business organization are temporary relationships and associations a firm could summon depending upon circumstances and needs. The new corporation would become an "evolving corporate model (and) will be fluid and flexible – a group of collaborators that quickly unite to exploit a specific opportunity. Once the opportunity is met, the venture will, more often than not, disband."

Transaction Cost Analysis, Core Competencies and Organizational Decentralization

The BusinesWeek analysis is similar to Coase's transaction cost analysis.

> "(A)lthough production could be carried out in a completely decentralized way

by means of contracts between individuals, the fact that it costs something to enter into these transactions means that firms will emerge to organize what would otherwise be market transactions whenever their costs were less than the costs of carrying out the transactions through the market. The limit to the size of the firm is set where its costs of organizing a transaction become equal to the cost of carrying it out through the market. This determines what a firm buys, produces and sells." (Coase, 1988, p. 7)

From Coase's perspective, depending upon the cost of the activity, a firm has the choice of whether to perform it in-house or secure it by means of market transactions.

Similarly Ezrati argues,
"In the old model (large-scale formal organization)…the production process was linear. Each step depended entirely for its input on the output of another division of a single, overarching firm. Everything was located in close proximity. But as specialized, high-value production replaces mass production of relatively simple items, this structure will no longer serve… Firms increasingly will source and sell across a web of suppliers and buyers, not necessarily divisions of the parent firm." (2014, p.89)

These developments have two profound implications: outsourcing and reengineering. Transaction cost analysis allows firms to focus on those activities vital to firm success and seek to contract the less vital or merely necessary to others, whose key activities are vital to them. Thus, the focus becomes core competencies and corporate strategy becomes the pursuit of core competencies that will insure the future success of the firm.

Prahalad and Hamel (1990) define core competencies as
"(t)he collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology…
…If core competence is about harmonizing streams of technology, it is also about the organization of work and the delivery of value"
"…The skills that together constitute core competencies must coalesce around individuals whose efforts are not so narrowly focused that they cannot recognize the opportunities for blending their functional expertise with those of others in new and interesting ways". (p. 28, 82)

The focus on core competencies allows a firm to concentrate on what it must achieve to become or remain successful. As Porter (1996) reminds us, strategy is the quest for long term competitive advantage, where advantage is not only doing things well but doing things in ways that are not easily duplicated.

The "Toyota Way" is a good example of how core competencies contribute to sustained competitive advantage. Everything done by the company is focused upon customer value (Liker, 2004, p. 9). Toyota is a good illustration of Peter Drucker's admonition that the only purpose of a firm is to make customers because customers are the firm's only justification to exist (1954, pp. 52–56). The ability to make customers and develop long term relationships with them is the essence of success. Through a firm commitment to customer value, Toyota has managed to forge operational excellence into a strategic weapon. While this may appear a contradiction to Porter's warning not to confuse strategy and operations, Toyota has seamlessly intertwined them both. Every competence, R&D, marketing, manufacturing and so forth, focuses on customer value. Moreover, by using effectively human resources and focusing on a team approach, Toyota is positioned to be successful.

This is illustrated well by the launch of the Lexus luxury product line (Liker, 2004, pp. 43–50). The Toyota products were known in the marketplace as dependable though unstylish transportation. The luxury market is different. Toyota approached this segment differently. While they conducted the typical competitive product analysis of BMW and Mercedes to benchmark the industry leaders, which confirmed that the Germans focused primarily on quality engineering, Toyota also conducted consumer market research which indicated that, while the vehicle was indeed transportation, customers saw the product more as an accessory and status symbol. The result was an aesthetically pleasing car which redefined the luxury automobile market.

The work of the Lexus development team illustrates how specialties come together to produce competencies. Toyota assembled marketing, design, engineering and manufacturing personnel (skills and competencies) into teams to develop the product. Their human resources approach may the characterized as a modified or hybrid matrix management approach. Members were selected on the basis of both technical expertise and personality (a demonstrated ability to think innovatively). The approach was modified matrix management because, while team members can from particular functional groups, they reported directly to a project manager rather than to both the project and functional management. This eliminated conflict of interest and created conditions where everyone focused exclusively on the project.

The focus on the development of core competencies, exemplified by the Lexus example, illustrates how the development of capabilities and skills contribute to outsourcing. As firms

EDWARD J. ROMAR
A VIEW FROM THE USA: MANAGERIAL CHALLENGES, TECHNOLOGICAL CHANGE...

17

become more specialized in the activities which contribute to its success, they become willing to seek in the market those necessary functions that are not mission critical, but are core to other business. Consequently, firms outsource their data centers to technology companies like IBM, and now Amazon, and payroll, benefits administration and human resources to ADP, necessary activities but not core to most businesses. This process of outsourcing contributes further to the development of the "virtual corporation" because firm become less integrated and business becomes more decentralized with supply chains composed of many firms.

Technology, Reengineering and Disruption

In a recent article Justin Fox criticizes the continuing focus on disruptive innovation (2014). He argues that it is unlikely that small innovative companies will displace the large, successful ones any time soon. While acknowledging that disruption certainly takes place he embraces the idea that these occurrences are extremely rare. He goes on to support the idea that Christensen's idea of disruption is overblown, since it is not as wide spread as Christensen asserts. He may be correct that the next free smartphone retail App may not displace Wal-Mart but Amazon started small and surely disrupted the retail industry and now cloud computing.

In the Innovator's Dilemma Christensen (2000) analyzes the reasons why some well established firms such as Sears and Digital Equipment Corporation either lost industry leadership or failed completely. In his analysis there is a close connection between innovation and technology. Christensen defines technology broadly.

> "(T)echnology... means the process by which an organization transforms labor, capital, materials and information into products and services of greater value. All firms have technologies... The concept of technology therefore extends beyond engineering and manufacturing to encompass a range of marketing, investment and managerial processes. Innovation refers to a change in one of these technologies." (2000, p. xiii)

Innovation is important and perhaps easy to recognize after the fact. Amazon was indeed disruptive but to be so required a series of information technology innovations elsewhere. These are, but not limited to, innovations in computer components such as processor chips, integrated circuits, computers, communications and the world-wide web. Amazon was

founded in 1994 and went live in 1995. To do so it needed the processor chip innovations of Intel, founded 1968, the Internet, founded as the Arpanet in 1969 and the World-wide-Web in 1989, not to mention a host of other innovations that enabled them. What seems disruptive in retrospect is often a series of incremental, though connected, innovations that on the one hand enable an innovator to see possibilities but also present managerial dilemmas to established companies on the other. To Christensen's credit he recognized that innovations in one industry, when connected to innovations in other industries provide the visionary with the opportunity to launch something truly disruptive and revolutionary.

The IT innovations which allowed the launch of Amazon also underlie the reengineering championed by Michael Hammer and James Champy. This led to the "process reengineering," "downsizing" and "right-sizing" movements of the 1990s and beyond. According to Hammer and Champy IT innovations allowed for a fundamental rethinking of business organization which would lower costs, increase efficiency and make organizations more profitable and efficient.

Hammer and Champy urged managers to think differently. Instead of asking how technology would allow a firm to perform its current operations better, they asked how could new things can be done?

> "Reengineering, unlike automation, is about innovation. It is about exploiting the latest capabilities of technology to achieve entirely new goals. One of the hardest parts of reengineering lies in recognizing the new, unfamiliar capabilities of technologies instead if its familiar ones…(T)he great power of mini-computers, and then PCs, did not lie in doing what large machines already did but in giving birth to entirely new classes of applications…(T)he real power of technology is not that it can make the old processes work better, but that it enables organizations to break old rules and create new ways of working – that is, to reengineer." (2001, p. 89, 94)

Reengineering may be viewed as an extension of Christensen's idea of organization as technology. IT allows the rethinking of how inputs are organized in on-going organizations, think clerical administration and engineering departments, and the creation of entirely new organizations and applications, think Facebook and LinkedIn. All this means a fundamental rethinking of human activity, organization and relationships.

There are several implications to the developments in IT and reengineering. Clearly these processes continue with little evidence of a slowing trajectory or velocity, which means a continuation of current disruption and its extension to other economic and social organizations

EDWARD J. ROMAR
A VIEW FROM THE USA: MANAGERIAL CHALLENGES, TECHNOLOGICAL CHANGE...

19

not yet seriously affected, e.g. higher education. It is difficult to predict how applications and hardware will develop or the many ways they will be creatively developed and deployed. "Thanks to advances in circuits and software, it is now possible to make a Web server that fits on (or in) a fingertip for $1." (Gershenfeld - Vasseur, 2014, p. 60) Equally important is that the process will be difficult to contain and control. While Fox may be correct that it is difficult for the upstart to dislodge the established; it is equally hard for the established to discourage a stubborn upstart. It can buy them, which seems to be an almost daily occurrence.

On the most basic level this means that more and more tasks, and perhaps not simply routine tasks, will be done by intelligent machines, with a new set of relationships between machines and people. Brynjolfsson and McAfee make a persuasive argument that we are now in the second machine age with the development of what they call brilliant technologies (2014). They argue that developments in computers and other digital advances are doing for mental power – the ability to use our brains to understand and shape our environments – what the steam engine and its descendants did for muscle power (pp. 7–8). For example, they cite IBM's Watson as illustration of significant developments in computer pattern recognition to the point where a machine could win against game show champions and robots that will be able to work alongside humans, not only without the risk of injury but also to prevent harm (pp. 26–37). Jeffry Immelt, General Electric CEO, sees a *rebirth of manufacturing* in the United States (2012). By applying computers and innovative organization methods using team work and technology, GE is reviving appliance manufacturing in a long dormant facility and hopes to replicate this elsewhere in the United States. This is in line with Brynjolfsson and McAfee's observation that future employment will hinge on the ability of workers to interact with increasingly more powerful and capable computers and other intelligent devices. In other words, reengineering will continue, where both machines and individuals will need to have the skills and capability to complement each other. This takes Peter Drucker's concept of the "*knowledge worker*" to a higher level (2001, 2006).

Drucker understood that the nature of work was moving away from physical to mental labor, from muscle to brain. This will change the nature of organizations as well as the relationship between employees and the firm and among knowledge workers.

> "The center of gravity is moving fast from manual and clerical workers to knowledge workers who resist the command and control model that business took from the military 100 years ago. Economics dictates change, especially the need for large businesses, to innovate and to be entrepreneurs. But above all, information technology demands the shift." (2006, p. 127)

Drucker is describing a highly decentralized organization where knowledge is specialized and contribution and responsibility are increasingly moving out from the center.

"Even if employed full-time by the organization, fewer and fewer people are "subordinates – even in fairly low-level jobs. Increasingly they are 'knowledge workers." Knowledge workers are not subordinates: they are 'associates." For, once beyond the apprentice stage, knowledge workers must know more about their job than their boss does – or else they are no good at all. In fact, that they know more about their job than anybody else in the organization is part of the definition of knowledge worker." (2001, p. 78)

Drucker realized that knowledge workers may not be full-time employees, that technology was important and teamwork essential. Drucker's recognition that workers may not be full-time employees adds an additional dimension to the process of decentralization.

"The debate over telecommuting …raises an important issue, but it's not simply about workplace flexibility or telecommuting, but rather the fundamental nature of work itself. By 2020, more than 40% of the US workforce will be so-called contingent workers, according to a study conducted by software company Intuit in 2010. That's more than 60 million people.

We are quickly becoming a nation of permanent freelancers and temps. In 2006, the last time the federal government counted, the number of independent and contingent workers – contractors, temps, and the self-employed – stood at 42.6 million, or about 30% of the workforce. How many are there today? We have no idea since 2006 was the last year that the government bothered to count this huge and growing sector of the American workforce.

Traditionally, being self-employed used to come with a social stigma; you were self-employed if you couldn't get a "real job." Work was inconsistent and so was the pay. Today, the opportunities for contingent, project-based work are exploding, as is the development of tools that allow people to work independently across industries like software, design, marketing, legal services, architecture, healthcare, and engineering." (Quartz Daily Brief, 2014)

EDWARD J. ROMAR
A VIEW FROM THE USA: MANAGERIAL CHALLENGES, TECHNOLOGICAL CHANGE...

21

These developments are truly significant and if trends continue more and more people will work non-traditionally. Adding Brynjolfsson and McAfee to the mix brings us the central role of the cooperative efforts of machine and worker as well as the possibility, and perhaps the necessity, of virtual teams working over space and time.

This makes education ripe for disruption. Similar to the developments that reengineered business, higher education is on the cusp of a radical transformation. Christensen, following his analysis in The Innovator's Dilemma, has applied his ideas to higher (2000). He had this to say in a recent Boston Globe Op-Ed piece.

> "How important is disruption in higher education? Tuition costs have been ballooning faster than general inflation and even faster than health care. And what do we get in return? Nearly half of all bachelor's-degree holders do not find employment or are underemployed upon graduation. At the same time, employers have not been satisfied with degree candidates. Two recent Gallup polls showed that although 96 percent of chief academic officers believe they're doing a good job of preparing students for employment, only 11 percent of business leaders agree that graduates have the requisite skills for success in the workforce. And this is all occurring while higher education leaders were convinced that they were innovating all along." (Christensen and Weise, 2014)

This situation will place more emphasis on education and educational institutions because the knowledge worker is someone who is not only educated but one who is able to adapt to a changing world through *life-long learning*. Educational institutions will, of necessity, become adaptive and dynamic because they are essential to individual, institutional and social success. In many ways education, especially higher education is stuck in pre-digital pedagogy and medieval statuses. To think that educational institutions are exempt from the changes and processes taking place elsewhere is naïve. To be fair, there are innovative faculty and institutions who are early adopters of *online pedagogy* (Kolowich, 2014).

The Southern New Hampshire model is so disruptive to the traditional educational model that it is worth quoting at length.

"As one of the first full-time faculty members at Southern New Hampshire's online college, Ms. Caldwell taught 20 online courses last year: four at a time for five terms, each eight weeks long. The textbooks and syllabi were provided by the university; Ms. Caldwell's job was to teach. She was told to grade and give feedback on all student work in 72 hours or less.

During her nonteaching term, Ms. Caldwell worked on developing a course of her own, in environmental ethics. She did all of that work from her home office in Virginia. She was paid $55,000 plus benefits. It was a modest salary compared with those of professors at many other universities, but certainly a step up from the $2,200 per course she was making as an adjunct.

Ms. Caldwell's stint as a full-time instructor is part of a pilot program that Southern New Hampshire University has conducted over the last year at its College of Online and Continuing Education, an online arm of the university that serves 37,000 students, mostly working adults. The university wanted to see if having full-time instructors would improve student performance and retention, especially in writing-intensive courses.

The college, which now relies on a stable of 2,700 adjunct instructors to staff its online courses, says that the pilot was a success and that it will hire 45 full-time faculty members by the end of the summer, including some from its existing adjunct pool. This is a small but significant step for Southern New Hampshire, which has become a model for nonprofit universities building large-scale online programs.

Online institutions that serve nontraditional students are booming. Meanwhile, doctoral candidates vastly outnumber available tenure-track faculty jobs at traditional colleges. In such times, Ms. Caldwell's experience may be the template for many doctoral students who aspire to a life in academe.

The new faculty members at Southern New Hampshire's online college will not conform to the classic archetype. They will not enjoy the trappings of living and teaching in a college town; the faculty members will work remotely – sometimes hundreds of miles from the university's headquarters, in Manchester, N.H.

Edward J. Romar
A view from the USA: Managerial Challenges, Technological Change...

23

They will not be encouraged to publish books or articles. If they "perish," it will be because they failed to provide frequent, helpful feedback to students – a standard that the university enforces with constant monitoring and data-crunching.

None of the College of Online and Continuing Education faculty members will be on a tenure track; in fact, the college will decide each year whether to keep each faculty member around. But Gregory W. Fowler, chief academic officer at the college, says, "The assumption is that these people will be with us for a long time unless something goes particularly wrong." (Kolowich, 2014)

There are several reasons why it will be difficult to resist the application of digital technology in education. As mentioned above, early adopters have embraced already online pedagogy. Economic pressures will also motivate change. There is a debate in the United States on the subject of the value of higher education. The cost of tuition has risen sharply over the years even as the number of full-time faculty has decreased and adjunct and non-tenure track faculty have increased. According to the Association of Governing Boards of Universities and Colleges in 1969, approximately 27% of faculty were in non-tenure track positions. By 2009, the number had increased to almost 67% (AGB, 2014). Even with the increase of contingent faculty, many without benefits, the cost of higher education continues to climb.

Student expectations will also demand change. Young people are often described as "*digital natives*" because they were raised with technology. They text, tweet, have Facebook accounts and so forth making them very comfortable using technology. They are also accustomed to the flexibility that technology provides. Well-constructed online courses provide students the opportunity to take classes when it fits their schedule rather than the registrar's. Moreover, the technological world will most likely be their employment experience. This is not a trivial matter, especially when students are pressured to participate in extra-curricular activities and meet graduation requirements during their college experience, as well as the necessity of some students to work while attending school. Online courses, in addition, change the focus of education from the traditional, lecture pedagogy, where students sit passively in classrooms, to one where students more actively participate in their education, which compliments their digital skills and where *faculty roles must change from presenter to guide*. It is beyond the scope of this paper but this type of education may also require fewer research professors and more faculty equipped to work effectively in the new environment. Small wonder that many faculty are threatened by the new pedagogy.

In addition to satisfying student needs and expectations, online pedagogy offers a way to reduce costs and increase revenues. Cost reduction may be realized through decreased use of physical space, since online courses need not use classrooms as well as the ability to reach a larger number of students. Since flexibility is valued by students, an online course can enroll a large number of students at the same time without the need for significant physical space. If the course used a recording technology such as video taping, space would not be necessary at all. Furthermore, the use of analytics technology would allow faculty to monitor student participation, something more difficult to accomplish in large lecture halls.

Which leads us to MOOCs, Massively Open Online Courses. What was described above is what might be called a LOCC, a large online campus course, which eliminates the need for large lecture hall courses. MOOCs are controversial because of their low completion rates. True, but like many new, innovative technologies, they are both novel and incomplete. Think of the early PC which, by today's standards is primitive. It had a slow processor, little memory, and one floppy diskette drive. Today, PC processors are much faster and have gigs of memory, and terabytes of storage and are on the cusp of becoming displaced by mobile smart devices and cloud computing. Furthermore, what is possible for institutions of higher education is the extension of reach. Technology allows for both larger classes and a wider marketplace. Colleges and universities no longer need focus only on campus based education but can attract students from a much wider geography, even perhaps the world, through online pedagogy. Technology also allows the possibility of joint ventures among colleges to improve course offerings, share resources and so forth. For example, why does a multi-campus institution need to duplicate courses when one can serve several sites?Similar to the changes in business over the last decades, the educational world will change with independence and responsibility moving away from the center to the periphery. Along with fewer full time, benefited employees, there will be more contingent faculty, more student involvement in their education, more opportunity for them to take classes at multiple institutions and more pressure on resources and demands upon institutions. Indeed, it will be possible to obtain an education from virtually anywhere: home, coffee shop, wherever. If the United States is to maintain its leading position in higher education it will need to develop new skills, competencies and organizations. Given the past experience from other sectors of the economy and society, education will change fundamentally.

Free Market Capitalism and the Redefinition of the Individual and Society

Perhaps the most well-known principle of free market capitalism is Milton Friedman's admonition for a company to maximize profit (1970). While he limits this principle with

EDWARD J. ROMAR
A VIEW FROM THE USA: MANAGERIAL CHALLENGES, TECHNOLOGICAL CHANGE...

25

the qualification that it be done through the established rules of the game, the rules envisioned by free market capitalism give firms wide latitude in the pursuit of profit.

While this principle is important, free market capitalism is not simply an economic philosophy but more importantly a moral system demanding a complete reorganization of political, social and economic life. Both Friedman and Hayek, perhaps the most famous proponents of free market capitalism, demand a reestablishment of Nineteenth Century Liberalism, where the individual was paramount and the role of the state limited (Romar, 2009).

In the Road to Serfdom, Hayek criticizes planning as the worst form of social control and threatens the elimination of individual freedom. This is echoed in Friedman's Capitalism and Freedom. For Hayek, the fundamental social principle is liberty defined as "that condition of men in which coercion of some by others is reduced as much as possible in society" (Hayek 1960, p. 11). Similarly, Friedman argues that there is only one fundamental value in free market capitalism: freedom (2002, p. 12). Planning and the subordination of the individual to organizations limits freedom whereas the society envisioned by both Friedman and Hayek provides the most freedom because it expands the area of individual responsibility.

For Hayek,
"Most rules of conduct are thus not derived by an intellectual process from the knowledge of the facts of the environment, but constitute the only adaptation of man to these facts which we have achieved, a 'knowledge' of them of which we are not aware and which does not appear in our conceptual thought, but which manifests itself in the rules with which we obey in our actions. Neither the groups which first practiced these rules, nor those who imitated them, need ever have known why their conduct was more successful than that of others, or helped the group persist." (1976, p. 21)

Similarly, Friedman states:
"Historical evidence speaks with a single voice on the relationship between political freedom and free markets. I know of no example in time or place of a society that has been by a large measure of political freedom, and that has not used something comparable to a free market to organize the bulk of economic activity." (2002, p. 9)

When the first society started central planning they began the road to serfdom. When the first society started free market capitalism it began a journey toward freedom. For either

society the outcome was not known initially; now it is a well-established principle. However, it should be obvious by now that free market capitalism results in a far better and moral society because it produces more wealth through individual freedom and responsibility.

In a less well-known work, Hayek explores human psychology to understand how people develop their individual outlook. In The Sensory Order, Hayek develops his analysis of the individual from philosophy to psychology. In this work Hayek is attempting to understand human behavior on an individual level as well as attacking the behavioral stimulus response model (Caldwell, 2004, p 271). An individual's perception of the world is the result of the reception of stimuli from the physical world, through the sensory organs that result in the development of a perceptual map and model. Physiologically, our bodies will act similarly to stimuli. How an individual's reacts will be determined by their psychological map and model. The psychological map is the foundation upon which stimuli are categorized and understood and represents an individual's basic understanding of the world. Hayek argues that the map is semi-permanent, the result of historical experience, subject to gradual change and not completely identical to another individual.

> "This 'map' of the relationships between various kinds of events in the external world, which the linkages will gradually produce in the higher nervous centres (sic), will not only be a very imperfect map, but also a map which is subject to continuous though gradual change.... The maps which will thus be formed in different brains will be determined by factors which are sufficiently similar to make those maps also similar to each other. But they will not be identical... the mere fact that for each individual the map will be subject to constant changes practically precludes the possibility that at any moment the maps of two individuals should be completely identical" (1952, p. 110).

The model is how the individual perceives a given situation and is based upon the map. In one sense the model is a map-within-a-map (1952, pp. 115).

While individuals may understand a given situation in a similar way, the understanding will not be identical. Several individuals can attend a sporting event, understand the rules governing how the sport is played and agree on who won the event. They may not, however, agree on what was the best part or most important play in the contest nor which team member contributed most because each individual may "see" the game differently. Different perceptions of the situation based upon individual maps and models can cause entirely different reactions and behaviors.

EDWARD J. ROMAR
A VIEW FROM THE USA: MANAGERIAL CHALLENGES, TECHNOLOGICAL CHANGE...

27

There are important implications of his view of human psychology. In the first place, there will be sufficient commonality in maps to allow individuals to participate effectively in a situation. Secondly, there are sufficient differences for each participant to understand and engage a situation in a different way. One person's reality will be different from another's. There are two further implications of this. If planned outcomes are desired, then agreement must be achieved through persuasion or coercion. Since individual maps and models are different, persuasion will have limits and coercion will be ineffective, immoral and doomed because it denies the diversity and richness of human behavior by imposing a single outlook on all. One important implication is the idea that individual maps are subject to gradual change over time and "factors which are sufficiently similar" can lead to similar outlooks. Since at least Friedman's 1970 article arguing for profit maximization, there has been a focus on profit maximization whereby today it is almost universally accepted in the United States. Since Regan's election in 1980 the mantra of libertarians, conservatives and free market capitalists has been a crusade against big government and for an increase in individual freedom and responsibility. Liberals have been on the defensive for years now.

Furthermore, if the perception of realty is relative to individual maps and models then morality must be relative to individual viewpoints. Beyond some basic abstract rules that can be known and accepted in a similar way be each individual, individual understanding and responses to situations will be different because each reality will have some different aspects. Simply put, each person's reality is both unique and correct.

The challenge, then, is to motivate individuals and channel their efforts productively socially and economically. For Hayek, market based societies, motivate individual self-interest, where self-interest does "not mean egoism in the narrow sense of concern with the immediate needs of one's proper person" (Hayek, 1948, p. 13). Instead, it should mean that individuals "ought to be allowed to strive for whatever they think desirable" (Hayek, 1948, p. 15). Not only should individuals be allowed to seek what they consider desirable; they must also be responsible fully for their choices and behaviors. When these conditions are met, all society should experience a more just and wealthy society.

The moral rules in free market capitalism are few, where its most basic rule is the respect of other people's freedom. Therefore, individuals in a society based upon free market capitalism must adhere to a respect for property, contracts and the rule of law to support both, beyond that they are free to pursue their individual self-interest. Friedman goes on to argue that one important implication is that free market capitalism expands both freedom and responsibility because it requires the individuals to take responsibility for their lives (2002, pp. 12–13). Freedom plays out in markets and everyone is free to participate or not, which means

that everyone is responsible for the quality of their own lives and develop their own moral compass. This is of fundamental importance. Neither society nor the state must legislate morality, especially rules redistributing wealth, nor seek any outcome other than the result of market competition. Markets should determine wealth and progress. Whatever the outcome of the individual pursuit of self-interest within free markets is both proper and moral. Or as Pope remarked: "One truth is clear, Whatever is, is right." (Pope, Verse X, 2014)

Conclusion: The Coming of Democratic Heroism

Little could Bryne, Brant and Otis (2014) realize how prescient they were when they wrote in their BusinessWeek article, "If it becomes widespread, the virtual model could become the most important organizational innovation since the 1920s. That was when Pierre S. Du Pont and Alfred P, Sloan developed the principle of decentralization to organize giant, complex corporations." Today, technology and the knowledge worker contribute to the potential of even more decentralization. Technological developments and transaction cost analysis demand it. The trend is for fewer people working in large organizations with lifetime employment and generous benefits, or any benefits. For example, according to the US Bureau of Labor Statistics, in 1980, 80 per cent of private sector US workers were enrolled in defined benefit pension plans. In 2011 the number dropped to 18 per cent. With the advent of individual retirement plans, we can expect this number to drop further. With the passage of the "Affordable Care Act" the number of employees covered by employer sponsored health insurance plans falls too (Irwin, 2014). While it is true that the Obama administration has published regulations preventing employers from ending their health insurance plans a new administration, legislation or court case could change the situation. Liberals view the passage of "ObamaCare" as the culmination of Roosevelt's New Deal and Johnson's Great Society. Ironically, however, free market capitalists can look at it as part of the foundation of free markets. When coupled with the end of employee pensions, a more universal health care system means that workers are no longer tethered to employer benefits packages and can move from one employer to another. Moreover, they can choose to work less than full-time if they wish because health care and retirement programs are available independent of employment, making them more free and independent, providing them the ability to develop their own, individual life style.

There are many definitions of democracy and a full discussion of the concept is beyond the scope of this paper. Two concepts are central to democracy: equality and freedom, both critical to any understanding of the term. Freedom means more than choosing one's leaders.

EDWARD J. ROMAR
A VIEW FROM THE USA: MANAGERIAL CHALLENGES, TECHNOLOGICAL CHANGE...

29

It also requires a wide area of individual responsibility, where someone can make important choices and control their destiny. Contemporary conditions require individuals to assume responsibility for their future through the acquisition of the skills and capabilities necessary to secure their future. Politically, educationally and economically we can expect this trend to develop further. Say's and Schumpeter's definitions of the entrepreneur will help to understand how this may play out.

> Say defines the term as
>> "(t)he knife-grinder's craft requires no occupancy of land; he carries his stock in trade upon his shoulders, and his skill and industry at his fingers' ends; being at the same time adventurer (entrepreneur), capitalist, and labourer. (Sic)
>>
>> It is seldom that we meet with adventurers in industry so poor, as not to own at least a share of the capital embarked in their concern. Even the common labourer generally advances some portion; the bricklayer comes with his trowel in his hand; the journeyman tailor is provided with his thimble and needles; all are clothed better or worse; and though it be true, that their clothing must be found out of their wages, still they find it themselves in advance." (Book I, Chapter V, para. 9, 10, translator uses the term adventurer instead of entrepreneur)

In this definition, the entrepreneur is an independent person who owns both his knowledge and the means to apply it, which is, in many ways, no different than today's knowledge worker. While the knowledge workers need employment, with their own tools, skills and knowledge they can be independent of employers, especially if there is no longer a good benefits package to attract them.

Schumpeter (1983) defined the entrepreneur as someone who creates new products, technologies and processes, which redefines markets, businesses processes and industries and results in new competencies and competitive advantages (p. 66). His *entrepreneur is a visionary and courageous individual, who finds delight in "getting things done, or simply of exercising one's energy and ingenuity."* (p. 93) Well-known entrepreneurs such as Jobs (Apple), Gates (Microsoft) and Bezos (Amazon) fit this definition and are heroes to many.

We can combine the two definitions into democratic heroism. A hero is some who attains a high purpose or noble end. Whether one fulfills Say's version and develops and preserves their competitive advantage in the labor market through the acquisition and maintenance

of knowledge, or Schumpeter's changing the world, all are equally heroic and markets provide the freedom to succeed.

> "It's the freedom to get out there ourselves. It's the freedom without which we can never summon the ideas and images we need to meet the demands and opportunities of our markets. And it's more obvious sorts of freedom, too: freedom from stifling hierarchies, from organizational 'slots' and 'boxes,' and from the corpse of memory...
>
> That, finally, is the message of this book: Free markets need free men and women to invent the future." (Champy, 1996, p. 205)

Or as Hayek put it.
> "It is one of the greatest tragedies of our time that the masses have come to believe that they have reached their high standards of material welfare as a result of having pulled down the wealthy, and to fear that the preservation or emergence of such a class would deprive them of something they would otherwise get and which they regard as their due. We have seen why in a progressive society there is little reason to believe that the wealth which the few enjoy would exist at all if they were not allowed to enjoy it. It is neither taken from the rest nor withheld from them. It is the first sign of a new way of living begun by the advance guard" (Hayek, 1960, pp. 120, 130).

From a managerial perspective, the organizational assumptions, principles and processes need to change. Fluid and temporary organizational structures will need to be understood and deployed appropriately. Organizational cultures will need to change and the processes and institutions which transmit culture, such as educational institutions will need to evolve to perform this function. Motivational practices will need rethinking since the definition of employer/employee relationship and loyalty is evolving. Recruitment and retention practices will not only change but become mission critical to the organization. While organizations will continue to require core members to maintain continuity, membership will change depending upon business and skills needs. Furthermore, as companies need to acquire employees on a contingent basis they will need an efficient mechanism to identify candidates. The growth of professional social media in addition to LinkedIn could provide a method to identify candidates or teams of candidates who have the requisite skills to successfully complete projects.

"But there's an area where signs are emerging of "different networks for different types of people": professional networking. We'll start with the obvious. LinkedIn is the dominant professional social network. It has become the system of record for the online resume for many professionals. And the growth of LinkedIn as a blogging platform shouldn't be underestimated.

That said, it's interesting to note some recent fundings (sic) of companies that could reasonably be called "LinkedIn for X." Forty percent of all U.S. doctors are now on Doximity, a company that recently announced a $50 million dollar funding round. Sermo and HealthTap play in this space, as well. None of these networks are exactly like LinkedIn, which is kind of the point. What doctors want and need (HIPAA compliance anyone?) is different from what other professionals want and why a site like Doximity might resonate with them more than LinkedIn.

Consider another area for professionals: People with previous military experience. RallyPoint is billed as "LinkedIn for the military" and recently raised a $5.3 million round. Once again, they aren't the only game in town, as start-ups like Hirepurpose are entering the fray. While LinkedIn has made admirable strides toward assisting veterans in finding employment (witness LinkedIn for Veterans), the growth of these vertical networks speaks to a market need. Finally, there's a group of individuals where LinkedIn has struggled to find product-market fit over the years and it's a big one: college kids. A notable vertical network here is Piazza, which recently raised an $8 million round from Khosla Ventures. Piazza now has nearly a million college students leveraging its Quora-style Q&A platform and has very compelling engagement metrics.

The notion of a social network for every type of employee might be far-fetched, though. It's not as if coffee baristas have a compelling need to join a network of other coffee baristas. Vertical professional networks are likely to be the most attractive to highly skilled knowledge workers. Think software engineers (GitHub), mechanical engineers (GrabCad), data scientists (Kaggle) and academics (Academia.edu and ResearchGate)." (Techcrunch.com)

It may not be farfetched, however, to suggest that the United States, and, perhaps, other parts of the world, are experiencing *a fundamental redefinition similar to the industrial revolution* where new, economic, social and political relations are being fundamentally redefined.

Proponents of free market capitalism can argue that should the trends discussed above continue and the United States continue developing on the path of increased freedom and individual responsibility, it will have little to fear from rising or reemerging powers. It will remain the most dynamic and innovative economy and society, and secure its leadership within the international community. More importantly, however, the United States will remain on course to realize its founding objective: to chart a new route to individual self-fulfillment based upon individual freedom and responsibility.

References

Association of Governing Boards of Universities and Colleges, The Changing Academic Workforce, http://agb.org/trusteeship/2013/5/changing-academic-workforce, downloaded, 10/10/14.

Bischke, J.: "*The Rise Of The 'Social Professional. Networks*,*" http://techcrunch.com/2014/06/28/the-rise-of-the-social-professional-networks/ downloaded, 10/23/14.

Brynjolfsson, E. – McAfee, A. (2014): The Second Machine Age: Work, Progress and prosperity in a Time of Brilliant Technology, W.W. Norton, New York.

Byrne, J. A. – Brandt, R. – Port, O.: *The Virtual Corporation*, 2014 Bloomberg L.P.,http://www.businessweek.com/stories/1993-02-07/the-virtual-corporation, downloaded September 21, 2014.

Caldwell, B. (2004): *Hayek's Challenge: An Intellectual Biography of F. A. Hayek*, The University of Chicago Press, Chicago, IL.

Champy, J. (1996): Reengineering Management: The Mandate for New Leadership, *HarperBusiness*, New York.

Christensen, C. M. (2000): The Innovator's Dilemma: When New Technologies Couse Great Firm's to Fail, *HarperBusiness*, New York.

Christensen, C. M. - Weise, M.: "Thank you, MOOCs," *The Boston Globe*, May 11, 2014, p. K 5.

Coase, R. H. (1988): *The Firm, the Market and the Law*, The University of Chicago Press, Chicago, IL.

Drucker, P. F. (1954): *The Practice of Management*, Harper & Row, New York.

Drucker, P. F. (2001): *The Essential Drucker*, HarperBusiness, New York.

Edward J. Romar
A view from the USA: Managerial Challenges, Technological Change...

33

Drucker, P. F. (2006): *Classic Drucker: Essential Wisdom of Peter Drucker from the Pages of Harvard Business Review*, Harvard Business Review Publishing, Boston, MA.

Ezrati, M. (2014): *Thirty Tomorrows: The Next Three Decades of Globalization, Demographics, and How We Will Live*, St. Martin's Press, New York.

Fox, J.: "The Disruption Myth: The idea that businesses are more vulnerable to upstarts than ever is out-of-date–and that's a big problem," *The Atlantic*, October 2014, pp. 18-21.

Friedman, M.: "The Social Responsibility of Busin3ss is to Increase Its Profits," *The New York Times,* September 13, 1970.

http://query.nytimes.com/mem/archive-free/pdf?res=9E05E0DA153CE531 A15750C1A96F9C946190D6CF&module=Search&mabReward=relbias%3Aw&module=Search&mabReward=relbias%3Aw downloaded, 10/12/14.

Friedman, M. (2002): *Capitalism and Freedom*, University of Chicago Press, Chicago. IL.

Gershenfeld, N. – Vasseur, J. P.: "As Object Go Online: The Promise (and Pitfalls) of the Internet of Things," *Foreign Affairs*, March/April 2014.

Gershenfeld, N.: "How to Make Almost Anything: The Digital Fabrication Revolution," *Foreign Affairs,* November-December 201, http://www.foreignaffairs.com/articles/138154/ neil-gershenfeld/how-to-make-almost-anything, downloaded September 21, 2014.

Hammer, M. – Champy, J. (2001): *Reengineering the Corporation*, Harper, New York.

Hardy, Q.: "G.E. Opens Its Big Data Platform," *The New York Times*, http://bits.blogs.nytimes.com/2014/10/09/ge-opens-its-big-data-platform/?_php=true&_type=blogs& smid=nytcore-ipad-share&smprod=nytcore-ipad&_r=0 downloaded, 10/10/14.

Hayek, F. A. (1948): *Individualism and Economic Order*, The University of Chicago Press, Chicago, IL.

Hayek, F. A. (1952): *The Sensory Order: An Inquiry into the Foundations of Theoretical Psychology*, The University of Chicago Press, Chicago, IL.

Hayek, F. A. (1960): *The Constitution of Liberty*, The University of Chicago Press, Chicago, IL.

Hayek, F. A. (1976): *Law, Legislation and Liberty: Vol. 2, The Mirage of Social Justice*, The University of Chicago Press, Chicago IL.

Hayek, F. A. (1994): *The Road to Serfdom*, The University of Chicago Press, Chicago, IL

Immelt, J. R.: "On Sparking an American Manufacturing Renewal, *Harvard Business Review*, March 2012, pp. 43–46.

Irwin, N.: "Envisioning the End of Employer-Provided Health Plans," *The New York Times*, May1, 2014, http://www.nytimes.com/2014/05/01/upshot/employer-sponsored-health-insurance-may-be-on-the-way-out.html?_r=0&abt=0002&abg=0, downloaded, 10/13/14.

Kolowich, S.: Southern New Hampshire U. Designs a New Template for Faculty Jobs, The Chronical of Higher Education, May 8, 2014, http://chronicle.com/article/Southern-New-Hampshire-U/146443/, downloaded 10/10/14.

Liker, J. K. (2004): *The Toyota Way*, McGraw Hill. New York.

Pope, A.: *An Essay on Man: Epistle I*, http://www.poetryfoundation.org/poem/174165,downloaded, 10/13/14.

Porter, M. E.: "What is Strategy", *Harvard Business Review*, November-December, 1996

Prahalad, C.K. – Hamel, G. (1990): "The Core Competence of the Corporation," *Harvard Business Review*, 68:79-91.

Romar, E., J. (2009): "Noble Markets: The Noble/Slave Ethic in Hayek's Free Market Capitalism," *Journal of Business Ethics*, Vol. 85, No. 1, pp. 57–66.

Say, J. B.: *A Treatise on Political Economy*, http://www.econlib.org/library/Say/sayT.html, downloaded, 10/13/14.

Schumpeter J. A. (1983): *The Theory of Economic Development* (Transaction Books, New Brunswick, NJ).

Quartz Daily Brief http://qz.com/65279/40-of-americas-workforce-will-be-freelancers-by-2020/ downloaded October 9, 2014

Wiatoski, W. J.: *The last private industry pension plans: a visual essay*, United States Bureau of Labor Statistics, Visual Essay: Private Industry Pension Plans, Monthly Labor Review, December 2012, http://www.bls.gov/opub/mlr/2012/12/art1full.pdf, downloaded, 10/13/14.

Vance, A.: "3-D Printing Spurs a Manufacturing Revolution," *The New York Times*, September 13, 2010.

EDWARD J. ROMAR
A VIEW FROM THE USA: MANAGERIAL CHALLENGES, TECHNOLOGICAL CHANGE...

35

Edward J. Romar received his PhD from the City University of New York. In 2009, he was a Fulbright Scholar at the University of Pannonia in Veszprem, Hungary. For the past seven summers he taught at Sungkyunkwan University in Seoul, Korea. Dr. Romar has published in leading academic journals. Prior to joining the faculty at UMass Boston, he was employed at IBM. In August 2014, he retired from a non-tenure track position in the Department of Management and Marketing at the University of Massachusetts Boston. Dr. Romar may be contacted at edward.romar@umb.edu.

Harold Itkin – Miklós Nagy

THEORETICAL AND PRACTICAL USE OF METAPHORS IN ORGANIZATIONAL DEVELOPMENT AND BEYOND

Metaphors are useful and powerful communication devices used in our daily conversation and in academic research. They are conceptual tools that we use to make sense of the world and interpret meaning (Ortony, 1975; Oswick, Keenoy & Grant, 2002; Pepper, 1942; Smith & Simmons, 1983). By using analogies, metaphors create mental images that assist in interpreting the world. Morgan (1998) believes that by creating certain types of realities within our minds metaphors help us to contextualize the world in ways that we may not have imagined before (Hussain & Hafeez, 2009). Just as metaphors are helpful in understanding the point of a conversation they can also bring clarity to the nature of an organization, or enterprise. Morgan provides eight perspectives of organizations; machine, organism, brain, culture, political system, flux & transformation, psychic prison, and instruments of domination. These metaphors help in understanding organizations, making sense of organizational structure, leadership style, management control and behavior by associating meaning to them. They provide different perspectives and allow multiple dimensions of organizations to emerge. By offering a multi-layered, multi-dimensional view our knowledge and perspectives expand. By expanding our perspective we open the way for innovation and creativity as well as provide the organizational change practitioner additional communication channels to convey the message and achieve the desired goals in organizational transformation.

A diagnostic reading and analysis of organizations

The purpose of this study is to draw attention to the power of metaphors in organizational development. The presented organizational images offer examples of slicing the organization from a particular angle, which potentially reveals hidden dimensions and offer diagnostic tools that deepen our understanding of organization behavior and consequently assist in building an effective strategy. By offering a multi-layered, multi-dimensional view our knowledge and perspectives expand. Expanding our perspective opens the way for innovation and creativity as well as providing the organizational change practitioner additional communication channels

to convey the message and achieve the desired goals in organizational transformation. In the first part of the study the authors present various images of organizations based on Morgan's (1998) work. We introduce two new organizational metaphors as refinement of the culture perspective. After presenting the various viewpoints practical applications of the organizational change management tool will be introduced using two researched companies; SAS Institute and SAP. The research is based on extended review of academic literature, interviews with employees and the author's research and observations. The diagnostic reading will be presented from a management practitioner and from a social critic's perspective. The authors' goal is to present a tool and engage the academic community to further advance management sciences. The perspectives are not static in nature, they are simply examples of various view points, which can be advanced, challenged, and further developed as needed. Additional metaphors can be developed that may fit better to a particular organization. The use of the Morgan method is not limited to business enterprises; the concept presented can be applied to political, government, and non-profit organizations. The authors view it as a beginning, or opening of a new frontier rather than an end or a final destination.

The power of metaphors in organizational development

Metaphors are particularly useful in communicating broad and abstract concepts such as organizational mission and strategy as well as in situations requiring innovative concepts and approaches (Hill & Levenhagen, 1995). The objective of using metaphors in management is to increase understanding of complicated and intangible concepts through alignment with simpler, more tangible concepts and objects. "The use of a metaphor serves to generate an image for studying an object. This image can provide the basis for detailed scientific research based upon attempts to discover the extent to which features of the metaphor are found in the subject of inquiry." (Morgan, 1980) This enhanced and amplified view of an organization allows the members to become more enlightened as to how their organization is impeded and therefore how it can become unburdened and more effective. Metaphors are complex packages of meaning with multiple interpretations and implications, which must be carefully examined for the message they convey (Gibson & Zellmer-Bruhn, 2001). However, we should not lose sight of the fact that the purpose of organizational metaphors is to simplify the explanation of the workings of an enterprise in order to bring increased understanding by delimiting the mind, essentially, encouraging practitioners to think outside the box. Any one metaphor alone can only aid understanding of certain aspects of an organization, and even then only imperfectly. At the same time it can obscure, or misinterpret the majority of

organizational reality. We decided to include multiple images, rather than allowing a single perspective to dominate when reading organizations. Most organizations require a set of metaphors to paint a true picture. A metaphor is a figure of speech, a tool as well as a lens through which the observer can obtain a multidimensional view and by which he/she should gain a better understanding of organizations. Seeing though the lens enables filtering of information. However, when looking through a lens the original picture does become distorted. A "way of seeing" becomes "a way of not seeing." (Morgan, 2006) Gareth Morgan's Images of Organizations (2006) utilizes the concept of metaphor in order to introduce a better understanding of organizations. Metaphors add additional insight to organizational understanding, but it comes with limitations ("a way of seeing is a way on not seeing"). The metaphor itself is a tool, a means to an end, but not an end by in itself. There must be something "behind the curtain" for the metaphor to be meaningful. In the following paragraphs we present an overview of different images of organizations.

Images of organizations

Organizations as machines

A classic view of organizations uses the image of a machine, which serves as the foundation for bureaucratic organizations and the for the scientific management method. The machine metaphor places priority on increased efficiency and maximum utilization of labor. In order to accomplish these tasks organizations usually need rigid hierarchical structures, a shift of responsibility from the worker to the manager, determination the most efficient way of work, and work-tasks that are designed according to the above principles. These 'machines' have increased efficiency and allow production capacity to multiply; they have rigid structures, which prevent quick adjustments and adaptations to change. The operations are engineered by surgical precision, the work is broken down to its smallest parts, efficiency maximized, and specialized tasks are simplified and assigned to trained people. The human element is virtually eliminated from the picture and workforce simply plays the role of a machine operator. "Men and women were no more than "hands" or "manpower": the energy or force required to propel the organization machine." (Morgan, 1998) The machine metaphor requires a special class of leadership as well. The manager's job is to make sure that the clogs and wheels operate smoothly and the place runs according to plan. Mechanical, machine-like organizations are closed systems, not open for internal learning and self -adaptation and generally suited for companies with stable product structure and relatively steady market.

Organizations as living organisms

In contrast to the closed-loop, closed-system approach such as the 'machine metaphor', the open-systems approach enables the observer to view organizations within the environment it exists. They allow for understanding organizations as inter-related subsystems. The idea of organizations as living organisms shifts our attention from the lifeless machines to a living organism. The mechanical system is replaced with a living one, which brings the observed organizations to life. They can be born, the can grow, become diseased, and even die. The organism has a definite structure and an order to it. Its growth depends on forces that may, or may not be controllable. The organism must survive and needs to adapt to its environment. The open systems theory emphasizes adaptation, flexibility and the importance of the environment in which the organization exists. Organizations in the open-system theory are seen as sets of interrelated subsystems. Furthering the open-system approach is the contingency theory, which looks at the alignments between different (sub) systems of organizations. In its core is the identification and mapping of various organizational subsystems to
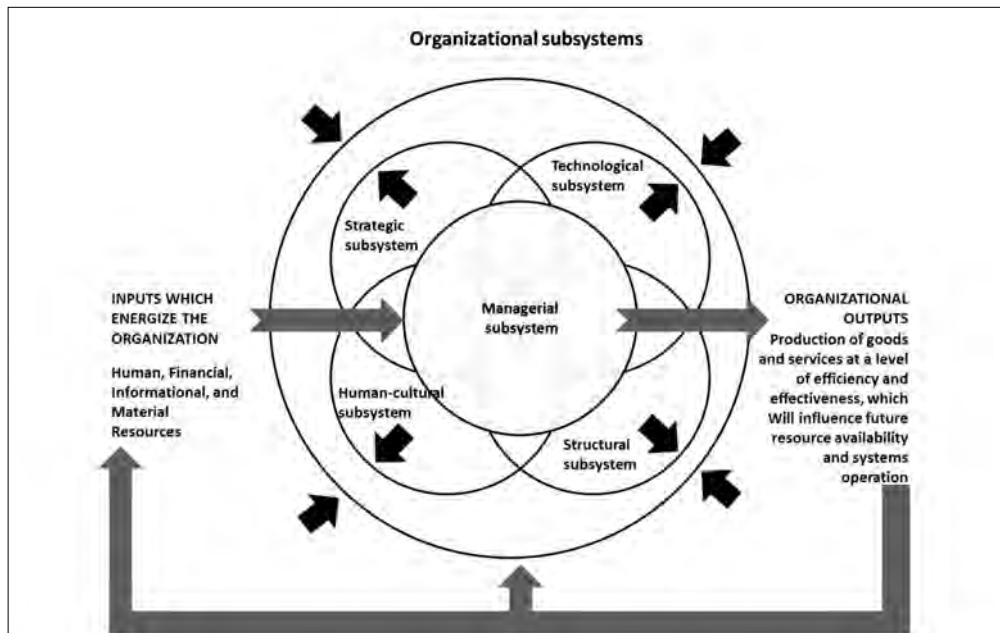
Figure 1. Contingency views of Organizations and Management
Source: Kast, F. Rosenzweig (1973)

the environment where the organization exists. The emerging picture allow for corrections and adjustment to the misalignments to eliminate potential dysfunctions. The contingency theory allows effective visualization of various organizational characteristics to analyze the relationship between the organization and its environment (see Figure 1).

Congruent characteristics are in balance with environment, the ones that are not in harmony need further attention. Organizations are open systems that need careful management to satisfy and balance internal needs and to adapt to environment circumstances. There is no best way of organizing. The appropriate form depends on the task or environment with which one is dealing with. Management must be concerned, above else, with achieving alignment and 'good fits'. Different approaches to management may be necessary to perform different tasks within the same organization and different types or 'species' of organizations are needed in different type of environments (Morgan, 2006).
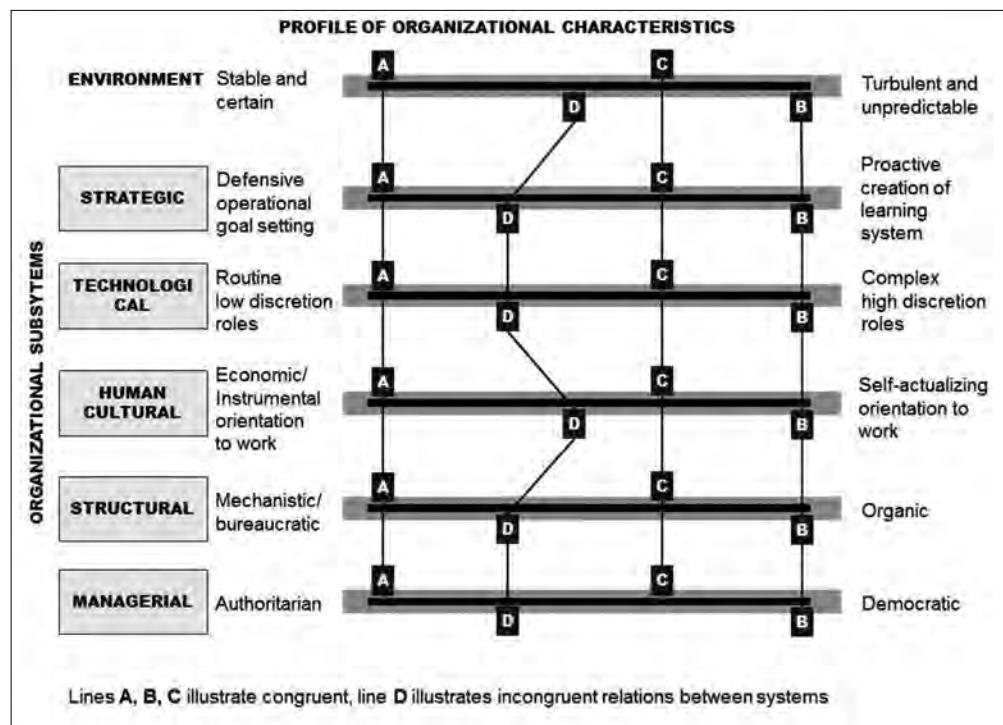
Figure 2. Profile of organizational characteristics
Source: Morgan, G. 1998. p. 54.

The contingency theory in practice

Four different organizations have been reviewed along five dimensions (sub-systems) and their contingency profile mapped in the example below (Figure 2). Each reviewed organization has been assigned a letter (A; B; C; and D). Five dimensions (strategic-, technological-, human/cultural, structural-, and managerial) subsystems have been evaluated for fit with the organizations environment.

Organization 'A' is an organization in a stable environment adopting a defensive strategy to protect its niche. It can be an organization commanding a secure market on the basis of good quality product produced in a cost-efficient way. The organization uses mass-production technology and is structured and managed mechanistically. Employees are content with their narrowly defined roles and the organization operates in an efficient and trouble-free manner.

Organization 'B' represents a company with in a highly dynamic, turbulent environment, where products and technologies are constantly changing and they often have a short life span. This means that the organization has to continuously search for new ideas and opportunities. The company is in a constant search for the next opportunity. It relies heavily on its technological advantage, and on being the first in innovation, recognizing that other type 'C' organizations might move in with a competitive product. Innovation is the core foundation and lifeblood of this organization. It employs people who are prepared to make mass commitments to their work and who are motivated and managed in an organic way. This type of organization is balanced both internally and in relation to its environment.

Organization 'C' is an entity encountering a moderate degree of change in its environment. Technological developments are occurring at a regular pace, and markets are in a constant state of transition. The organization has to keep up with these developments and analyze emerging tendencies and trends, update production methods, and creating a flow of product modifications. It is not on the cutting edge of innovation. Its competitive advantage rests in being able to produce the same or better product in cost-effective way. The organization adopts an effective project-drive matrix organization and commands the required flexibility and commitment from its employees.

Organization 'D', on the other hand presents an example of a series of organization-environment relations where the strategic dimension, technology and the approach to organization and approach to management are incongruent with the nature of the environment and the general orientations of the people within the organization ("Create and Protect").

The contingency theory suggests that, while organizations "A", "B", and "C" display alignment to between their various sub-systems and the environment, example "D" is at a clear

disadvantage. "D" is an ineffective setup for an organization and therefore represents an under optimized environment. This situation is typical of a bureaucratic organization that is more inclined to defend its own position on the market than to seek out new opportunities. Organization 'D' could be a frustrating place to work as the employees are searching more challenging, demanding and open jobs than the strategy, technology, organization and managerial style allow.

The brain metaphor

The image of the brain metaphor offers further insights to our understanding to organizations. From the brain metaphor the paradox of holistic and specialized systems has led to the development of viewing organizations as complex, holographic entities combining centralized and decentralized features, information processing brains and complex learning systems. Ashby (1960) formulated the theory of requisite variety in which he suggests that the internal diversity of any self-regulating system must match to the complexity and variety of the environment in which it exists. In other words any control system must be just as diverse and complex as the environment being controlled. An interesting phenomenon is how the principal of cybernetics has led to our understanding of the single and double-loop learning (Figure 3).

These systems have a holographic design in which the DNA of the whole is built into each cell. Learning organizations have the ability to regulate and to self-adjust. The ability to question, challenge and change operating norms makes learning and advancement possible. Innovative and open organizations with lean structure and democratic leadership style encourage transparency and allow for challenging operating norms, thus open to additional feedback and double loop learning. Organizations that fit to this description (i.e. Google) have a holographic design. They allow space for growth and have built-in extra capacity for innovation, reorganization and adoption. This access capacity is needed to support development and creativity. Vision, openness, learning to learn, and evolving culture of the 'information processing brain' is critical for survival. "Cultures that embody closed visions and self-sealing values tend to die (Morgan, 2006). The brain metaphor is a powerful image; its' strength are: its ability to identify the requirements of learning organizations, to include an open an adaptive view, its ability to self-regulate, adapt and develop. There is a limitation of the metaphor; it is self-referencing.
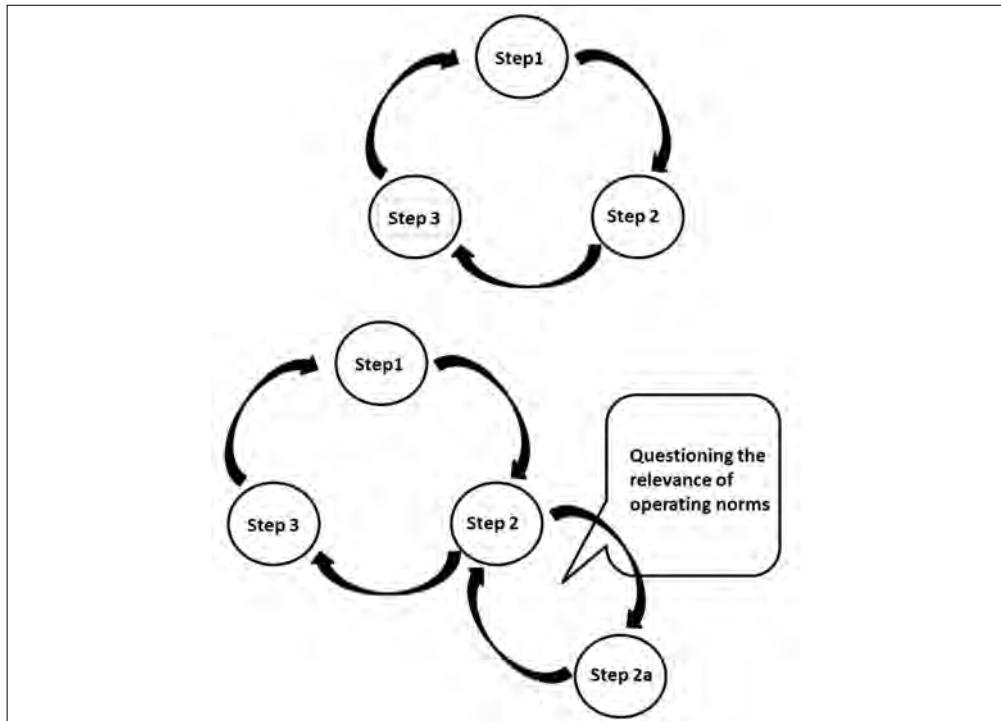
Figure 3. Single vs. double loop learning
Source: Morgan, G. 1998. p. 80.

Organizations as cultures

When one looks at organizations as cultures, he/she might see them as microcosms with distinctive values, shared beliefs, ideologies, languages, rituals and attitudes. Leadership's role in company culture can be best demonstrated by observing at the roles that contemporary business executives and CEOs play in shaping and influencing the life, norms and customs of an organization, or even on a particular industry (i.e. Richard Branson, the Virgin Group). As leaders have greater influence and power in corporate life, their impact is significant. According to Morgan (1998) "Shared values, shared beliefs, shared meaning, shared understanding and shared sense making all different ways of describing culture. In talking about culture we are really talking about a process of reality construction that allows people to see and understand particular events, actions, objects, utterances, or situations in distinctive

ways." This reality construction is what leaders are responsible for. It is the acceptance of shared values, beliefs and meanings that drives the transformation of an organization. Bryson (2008) writes "because organizational members do not see the past of the organization in the same way, they orient themselves to different futures. This is a key point to appreciate in understanding multiple perspectives within an organization." The change of culture involves the internalization and action on shared values, which enforces the idea of leaders rule on the reality construction process due to their position and power on the organizational hierarchy. The organizational change process has been viewed as a challenge of changing technologies, structures, skills and motivation of employees. An effective change comes from the successful transition of views, images and values which drive action to success. This is why it is not uncommon for American companies to have foreign bred leadership (Liam Kelly at Teleflex, various CEO's at the Coca-Cola Company, or for foreign based companies to have US Leadership (SAP and Bill McDermott). It is important, however to emphasize the limits of managements culture. It is self-evolving, holographic and cannot be completely controlled. Management is limited to encouraging, or shaping values, beliefs, language and norms. This is most effectively accomplished through the consistent alignment of leadership's actions with the stated values of the enterprise. In short leadership should demonstrate that "they do as they say." A final note on culture and politics: culture often has a political dimension as a construction of reality involves a hidden agenda with a strong bias, a political flavor. If there are hidden agendas they can be confusing and detrimental to the balance of the organization and be counterproductive. As a special case to the culture metaphor we included two additions, the sport team perspective and musical group/Rock Band metaphor. Sports teams are driven by passion and skills. In this team environment there is a clearly defined goal along with a reward for its achievement. On successful teams each member of the team has an assigned role usually aligned with the player's set of skills. The team has a unique hierarchy in that the coaches are the recognized managers of the team but they may not be the actual leaders of behavior. Members of the team can by actions or performance become the "de facto" leaders. Younger players will often mimic the persona of these leaders. These "de facto" leaders often can be a positive force in attaining the desired goals of a team but they often can be the barrier to success. Effective use of these players by the appointed leaders is paramount to success. No matter what image and values management wishes to cascade throughout the organization if these de facto leaders resist the effort is doomed unless they jettisoned from the organization before their impact becomes systemic or viral. Music groups and bands are much more fluid than most organizations. They have to balance the wants of the target audience with their own creative desires. They have to move with societal trends and thus they have

an inherent flexibility about them. Organizations that follow this metaphoric reference are highly creative and innovative. Software companies that have survived several waves on the technology journey fit this metaphor. Businesses such SAP and Microsoft display many of the characteristics of the musical group. On the other hand "one song wonder bands" like Siebel flamed out after they rode their song to the top of their genre. Actually we can stretch the metaphor to include the entire Information Systems industry. DEC, Wang and Compaq are companies of the past as they did not have the innovative juice to continue leading the charge.

The 'Plato's cave' allegory

Plato's classic description of Socrates' allegory of cave addresses the relationship between perceptions, knowledge and reality. Plato's cave provided an example for how a way of seeing becomes a way of not seeing and how myopic, self-limiting thinking can become psychic prisons and limits to knowledge and advancement. Further, the Freudian theory suggested a new type of contingency theory where organizations are shaped by their environments and by the unconscious of their members. The role of subconscious and its influence on corporate culture offers great help in understanding rational and irrational forces. We prefer to call these distinctions as conscious and subconscious forces. The unconscious serves as a double-edged sword. It is a creative, but potentially destructive force if not used wisely. "The challenge of understanding the significance of the unconscious in organization also carries a promise: that it is possible to release trapped energy in ways that may promote creative transformation and change and create more integrated relations among individuals, group, organizations and their environments." (Morgan, 1998) This ambivalence is in harmony with the metaphor of the psychic prison where a vision of confinement is accompanied by and carries in itself the vision of freedom. The message of Plato's cave metaphor is the power and potential of the un- and sub-conscious.

The psychic prison perspective

Leaders need to be aware of this powerful tool in leading, characterizing, shaping and making their organizations. The psychic prison metaphor encourages the leader to manage and integrate competing forces and tensions. The understanding of the power of conscious and subconscious helps to integrate and balance between the rational and irrational. The metaphor offers a 'hidden reservoir of energy and ideas for mobilizing constructive change."

(Morgan, 1998) It also presents a significant risk if the tension created by the competing forces is not managed and spins out of control. What was initially viewed as an atmosphere to stimulate innovation through competing ideas can quickly turn to a self-destructive, ill-conceived war of survival among the authors of competing thoughts. These potentials meet some limitations as well as the focus solely on the unconscious may blindside the leader, critical thinking still applies here. The metaphor's promise of liberation from psychological constraints can lead to utopian speculation, discrediting and critique. Finally the question is whether the role of unconscious can be managed in organizations. Certainly this can be influenced to a point, but by its nature, the unconscious is uncontrollable. This carries further challenges and potentials in itself. Being knowledgeable and sensitive to the role of unconscious and to the power of harmony and integration between irrational and rational forces of an organization can help leaders and managers to reach to desired achievement and good for all involved.

The flux & transformation metaphor

The ideas presented in the flux and transformation metaphor chapter discuss the new discipline of self-reference, chaos, complexity, paradox, contradiction and crisis. Maturana and Varela's (1980) idea of a system based on self-production through a set of closed system relations challenges the traditional idea that change originates in the environment. The theory of autopoiesis adds a new dimension and interpretation to the open versus closed system debate. A new characteristic of systems appear, the ability to reproduce themselves by having autonomy, circularity and self-reference. Self-producing systems see the environment as an extension of themselves and they project themselves into their environment. This carries a self-limiting and insular property endangering its own existence. Self-reference and the relation of the autopoietic systems to their environment shows limited focus, myopic vision and ignorance. The logic of chaos and complexity explore the concept of order in the chaos, where complex systems fall under the influence of different type of attractors which push, or pull them into a particular stage. A new attractor can push the system out of chaos back into equilibrium just as a new attractor can pull it into a new position. A new order is evolving in the pattern and the pattern of chaos gives way to order. "Chaotic systems tend to be deterministic systems that evolve though a particular phase of instability and eventually achieve another threshold where a new relationship is established between its internal and external environments and itself". (Lorenz, 1993) Change and emergence seem to become a natural state of affairs in complex systems. The logic of dialectical change offers a solution to this seemingly

contradicting phenomenon. Chaos and order, yin and yang, organization and disorganization goes though and endless, self-promoting and self-evolving cycle. In spite of the seeming chaos a natural process of spontaneous self-organization appear. Chaos can breed order. When complex systems reach the necessary degree of internal complexity, diversity and randomness they can become resources for change. A higher quality new order evolves out of chaos. The new order is a natural outcome.

Organizations as tools of domination

Morgan introduces the dark face of organizations 'the face of domination'. Weber (1965), Marx (1976) and Michaels (2007) focused their research on the domination aspects of organizations. Weber discusses various forms of domination such as domination by threat, or force; imposed domination under a charismatic leader, and rational domination where laws, regulations and procedures guarantee the leader's rule. Marx's (1976) theory of dialectic antagonism of classes used the domination metaphor as foundation. The concept of domination is prevalent in government and military organizations, where a rigid top-down approach is required to run operations smoothly. Many times this domination is accompanied and supported by a bureaucratic and machine-like framework. The world economy is dominated by global organizations. Radical organization theorists draw close relationship between global economic dominance and political impact, and vice versa. One of the strengths of the domination perspective is that it helps us understand how domination may be embedded in the nature of organizations. The realization that the intrinsic nature of domination is built into organizational structures and systems should raise the concern of responsible managers. Domination is not simply an unintended side effect of organizations, and - while to some extend their control is limited, - management and leadership does carry responsibility for corporate actions and its consequences. "The metaphor creates a new level of social consciousness and an appreciation of why relations between exploiting and exploited groups can get so polarized. It invites managers to a deeper sense of the ethical dimensions of their work and its social impact." (Morgan, 1998) The metaphor paradox shows that organization are multi-faceted entities, reading and interpreting organizations is a complex process; requires not only active participation reading, but also authoring the information. "But the reader also brings his or her personal perspective to the reading, and this plays a vital role in determining the meaning the text conveys (Morgan, 2006). Seeing and understanding needs an active participation and the awareness that organizations can be understood in many different ways.
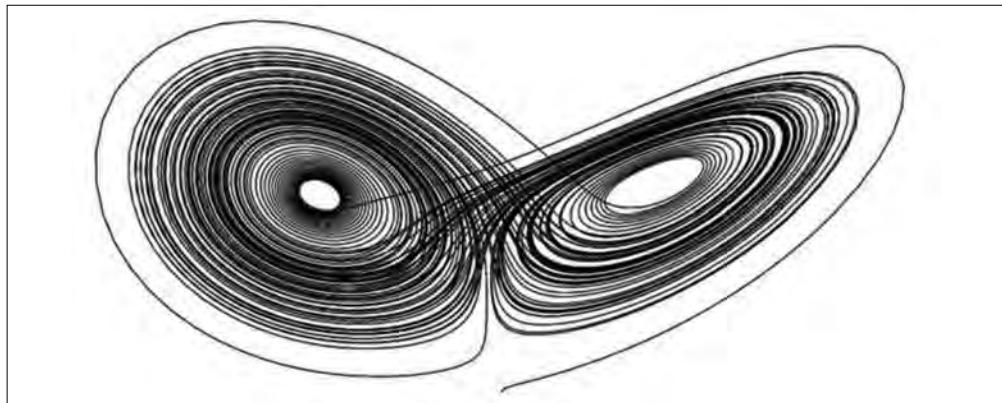
Figure 4. Flux and Transformation - The Lorenz attractor
Source: Lorenz, E. (1993)

Diagnostic reading of organizations (a practical application of the theory)

Introducing the SAS Institute

The SAS Institute was founded in 1976 and currently it is the world's largest privately held software company with annual revenue of $2.31 billion and with over 11,000 employees. The company is headquartered in Cary, North Carolina. The company invests twenty-three percent of its revenue into research and development indicating that innovation is one of the key success drivers at the organization. SAS is not only one of the world's largest privately held software company, but also the paragon of perks. When Google – a SAS customer – was putting together its own campus benefit program it decided to use the company as a model. The company has been on Fortune's list of 'Best Companies to Work For' for thirteen years. In 2009 SAS took the first place. The average tenure at SAS is ten years; three hundred employees have worked twenty-five years or more. Annual turnover was two percent in 2009, compared with the average twenty-two percent in the software industry. Women make up forty-five percent of the company's young U.S. workforce with an average age of forty-five. When Goodnight, the CEO cofounded the company in 1976, SAS stood for Statistical Analysis System; a software created earlier by Goodnight and several colleagues at North Carolina State University. Realizing that academia was too limiting for the potential reach of his software, he left to start the business. His sophisticated software initially was designed

to analyze agricultural data in order to increase crop yields. These days, SAS software is used by seventy-nice percent of the companies in the Fortune 500. In a company of elite quantitative analysts, the firm devotes more than a fifth of revenue to research and development. For thirty-three straight years, the revenues have gone up, reaching $2.3 billion in 2009, nearly doubling in seven years. Profit margins are double-digit. According to the CEO, the 2009 numbers are a point of pride in a difficult year in which there were no salary increases, but also no layoffs. It may be that such stability and success allow Goodnight to be so free with the goodies, particularly when there are no shareholders to carp.

In its inaugural year, the company established flexible 35-hour workweeks and profit sharing, as well as fresh fruit on Mondays and other employee perks. Company-sponsored child care started four years later, prompted by an employee who planned to become a stay-at-home mom after her maternity leave. And when SAS had revenue of barely fifty million in 1984, it began creating the infrastructure of the current culture with the recreation-and-fitness center and the first café. "Contented cows give more milk." as the CEO told once. He also liked the idea of reinvesting would-be profits back into the company. "I'd rather spend the money on my employees than send it to Washington as taxes." Goodnight says his values produce constancy and continuity and commitment; the boom-and-bust cycle is a foreign concept at SAS. The company considered going public in 2000 during the high-tech bubble. It would have brought in billions in liquidity, turned many employees into millionaires, and it would've made Goodnight one of the richest people in the country. He set the train in motion - for example, bringing in Goldman Sachs as advisors, but put on the brakes well before pulling into Wall Street. He concluded the price would be too high - that he'd be threatening SAS as sanctuary from the madness of public markets. "Matter of fact," Goodnight says, "most public CEOs wish they were private." Few at SAS look back. Most see their boss's calm reaction to the rolling economy of the past 18 months as proof that he was correct to stay private." (Kaplan, 2010)

Reading and understanding SAS

There are multiple relevant metaphors applicable to the SAS case. To make a thorough and comprehensive reading the reader and interpreter must be open to allow different perspectives to emerge before making the final evaluation. The company will be explored from two different angles to gain a deeper, fuller and richer insight to the organization; from the *social critic's* viewpoint and from a *management consultant's* perspective. In our analysis we have chosen a *dominant metaphor* and *supporting frames*, or images that we believe serve as

core component of our diagnostics adding further refinement and better understanding to our study.

Relevant metaphors

The machine metaphor: SAS, a successful and innovative software company has been continuously growing in size and in revenue. The company, which is the golden standards of passion, purpose, quality, constant innovation and employee satisfaction, has been established in 1976 and SAS has been on 'autopilot' even since. By deciding to remain a privately owned company it was able to isolate itself from external investor pressure and semi-detached its internal dealings from the environment. The machine metaphor applies to the constant relentless pursuit of quality and employee satisfaction, which seems keeps the company growing and developing quality software products.

The 'organism' framework: The organism metaphor is one of the dominant relevant metaphors in the SAS case. The company is an open system with constant awareness to its customers, its employees' and its own needs. SAS has been able to successfully integrate the needs of its customers, employees and its own. Many relevant concepts of the open system approach can be applied in the SAS case. The 'open system framework' has already been covered in the previous few chapters. The decision not to go public in 2000 can be seen as homeostasis where self-regulation and the ability to maintain a steady state kept the organization on the original path. After examining the various subsystems of SAS such as the environment, strategic, technological, human/cultural, structural and managerial systems a high level of congruency can be observed (Figure 5).

The organization's different subsystems are in close alignment with each other and with the environment. The democratic leadership style, the organic internal structure and empowering work culture are in line with the dynamic nature of the environment.
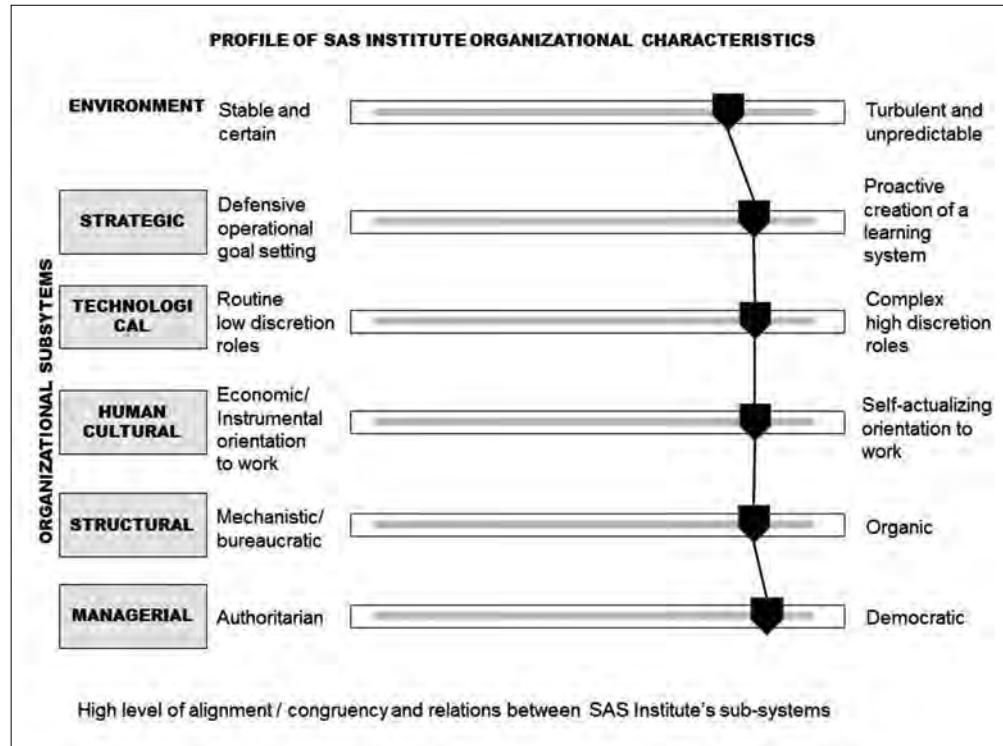
Figure 5. SAS Institute Organizational Characteristics
Source: author's own construct adopted from Morgan, G. (1998)

Organization as information processing brain: SAS as an organization much resembles to the brain. The first few years of the company when the foundations of culture (thirty-five hour work week and the company's core values) have been laid down resembles the wiring of the human brain in its infancy. "Yet the SAS egg came before the chicken. In its inaugural year, the company established flexible 35-hour workweeks and profit sharing, as well as fresh fruit on Mondays and other employee perks. Company-sponsored child care started four years later, prompted by an employee who planned to become a stay-at-home mom after her maternity leave. And when SAS had revenue of barely fifty million in 1984, it began creating the infrastructure of the current culture, with the recreation-and-fitness center and the first café." (Kaplan, 2010) The above is a good example of learning to learn and the evolving intelligence. The feedback confirmed that the initial investment in employees has been paying off and the organization took employee perks to another dimension by adding recreation

and fitness center and cafe. The careful reader cannot help but to realize The "Minimum specs" principle of holographic organizations in the flexible hour approach where employees are free to choose when they show up at the office as long as they deliver. The brain is self-correcting, self-adjusting, evolving and carries powerful innate abilities. The firm has evolved from a small software company into a $2 billion organization. SAS has evolved into true learning organization that is in constantly in touch with its environment, adoptable and has huge unused potential to tap into when needed.

The 'culture' metaphor: The cultural framework works well for SAS, because it helps to explore the patterns of organizational culture and subculture between and within organizations and shows how patterns of culture are created and applied. The company is consistent in the application and acceptance of corporate culture. The culture at SAS is based on shared values, common goals, strong cohesion between management and employees. "Shared values, shared beliefs, shared meaning, shared understanding and shared sense making all different ways of describing culture. In talking about culture we are really talking about a process of reality construction that allows people to see and understand particular events, actions, objects, utterances, or situations in distinctive ways." (Morgan, 1998) The democratic style leadership at SAS is closely aligned with the corporate culture and seems fully aware of their role and responsibility. Hidden depth and strength of culture is evident.

The political framework: The idea of organizations as political systems does not seem to have strong relevance in the SAS case. It can be argued, however that the impact of leadership in defining corporate reality has a political dimension. "The democratic leader's influence is far more subtle and symbolic. He or she spends time listening, summarizing, integrating, and guiding what is being said, making key interventions and summoning images, ideas, and values that help those involved to make sense of the situation with which they are dealing." (Morgan, 1998) Goodnight, the CEO set the tone, listened to SAS's customers, partners, employees and let the corporate culture evolve creating an innovating learning organization.

Flux and transformation perspective: SAS is drawn into different attractor patters. As the turmoil of the highlights of the year 2000 technological boom has pushed the organization into a new pattern. This was the time period when the firm was considering going public. At his point however, a stronger attractor pattern pushed the company back from the edge of chaos into stronger, more streamlined new-old- pattern. We recognize the concept of mutual causality in empowerment of employees, which results in increased loyalty, tenure with the company and better quality work. Satisfied employees perform better, provide high quality service to the firm and to its customers keeping the books and leadership satisfied. Another feature of existence of the flux and transformation framework at SAS is emergence as natural

state of affairs. How a small software company has grown into the organization that SAS became by today. Positive feedback has helped SAS confirming the corporate strategy and justified and reinforced its core values. Based on our previous work of reading the organization and establishing dominant and supporting metaphors we now move onto the next step; the visual representation of our findings.

Method. Our research included extensive review of the academic literature, structured and unstructured interviews with current and former SAS employees. We supplemented our findings with secondary research and visited the SAS campus to gain first hand personal experience. Our sample size was relatively small (n=5), but since our goal was to reintroduce the metaphor matrix in OD and to offer areas of additional use and improvement we felt that this size was adequate to meet our objectives. To express the scale and extent of metaphoric attributes of the institute we used a number scale of 1-100. By assigning numeric values (1-100) to the dominant and supporting frames - 1 representing the lowest, 100 the highest score - we can display the number scheme alignment of the actual frames and the diagnosed organization. We also provided space to assign the future and ideal organizational alignment value on the same 1-100 scale. At this juncture what is important is the scale and rate of the individual images/metaphors and to the other dominant images and supporting frames so that the resulting visual maps can be created. These visual images will also enable to establish the current (as-is) and future (to-be) enterprise map. This distinction between current and ideal organizational image allows the OD (organization development) practitioner to identify the direction and magnitude of change required to move the entity to the desired direction. Table 1 displays the results.

Image-metaphor	Current alignment (1-100)	Ideal alignment score (1-100)
Machine (dominant)	65	50
Brain	45	65
Culture (dominant)	55	75
Flux and transformation	30	25
Living organism	55	58
Political	20	20

Table 1. SAS Institute – Metaphor matrix
Source: authors' own construct

Weick (1989) argued that 'theorists depend on pictures, maps, and metaphors to grasp the object of study' and 'have no choice, but can be more deliberate in the formation of these images and more respectful of representations and efforts to improve them'. Visual cues aid organization practitioners and further refine our understanding. A better understanding of what the various metaphors and characteristics of the presented organizational images mean can assists OD practitioners in moving the organization in the desired direction. The ideas presented in the research for images of organizations utilize the concept of metaphors in order to introduce a better understanding of organizations (businesses and governments). With the completed reading, diagnosis and mapping of the enterprise we now conclude our work by developing the SAS storyline from the social critic and from the management consultant's perspective.
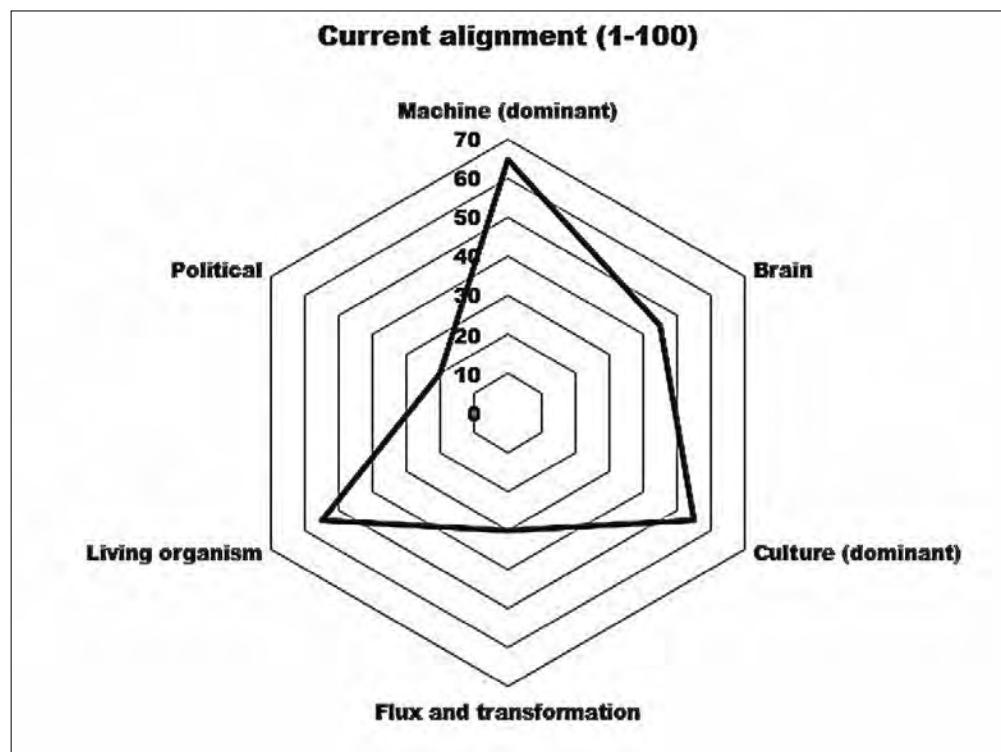

Figure 6. the status quo (SAS)
Source: authors' own construct
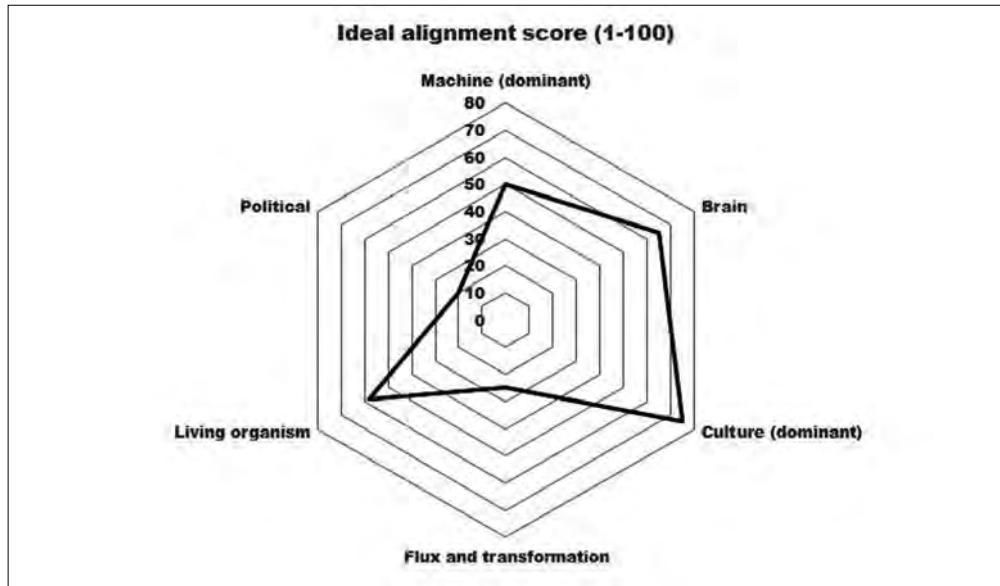
Figure 7. Desired organizational layout (SAS)
Source: authors' own construct
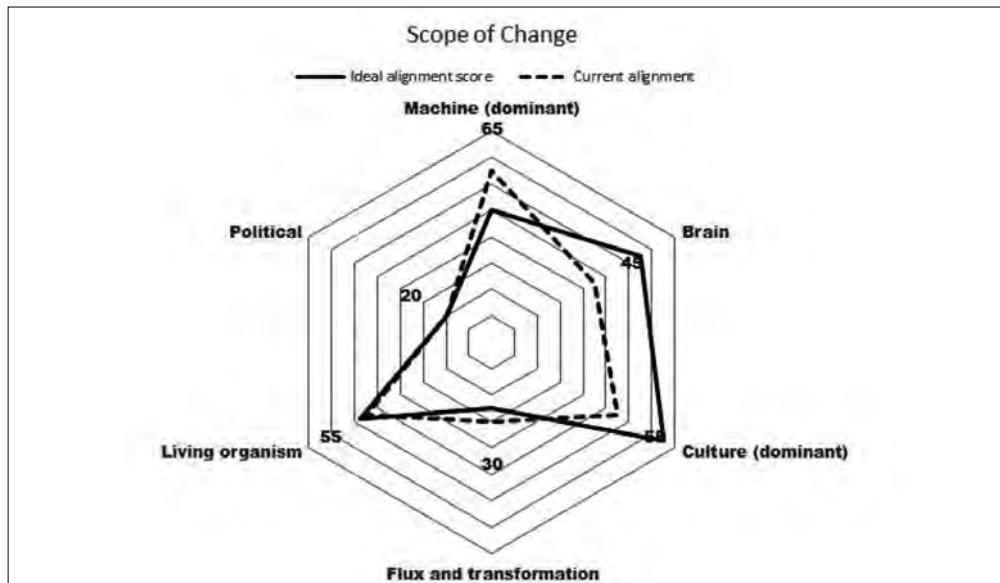
Figure 8. Scope of change (SAS)
Source: authors' own construct

Developing the storyline

The developing storyline have an unfolding character; it is neither fixed, nor absolute. The story changes with the writer and perspective of the reader. Through the eyes of a social critic the SAS story will be viewed from its impact on culture, society and potential on various social and economic systems. The focus will be on the political, cultural, brain and the flux metaphors with the transformation metaphor being the dominant frame supported by the cultural and brain and political frameworks.

The social critic's perspective emphasizes SAS as a positive example for managing successful organizations in the midst of a chaos, a role model for employee satisfaction and conscious business. SAS has reached the bifurcation point in 2000 at the height of the dot com area when it was considering going public. An emerging pattern (IT craze of the late 90's) pushed the organization out of alignment, but a stronger newly emerging 'old' attractor pattern (see Lorenz attractor) pushed it back and up into a newly evolved higher level path. Management and employees set up an environment at SAS where they can exercise autonomy and influence. The new form of autonomy and decision making provided a stronger attractor pattern which seems to keep the organization in balance. A key feature of the flux and transformation pattern is the management of paradox, where the dialectical principal is played out in the form of shifting viewpoints from not making mistakes to innovation, from instant gratification to strategic goals and thinking, from retaining control to decentralizing, from autocratic leadership style to democratic management, from cutting cost to increasing morale, from reducing staff in case of crisis to improving teamwork and innovation. The concept of autopoiesis reveals the evolving pattern of innovation, satisfaction, quality, and employee empowerment at SAS. The dominant framework of flux and transformation is supported by the culture metaphor. Common goals and shared values provide the foundations for the metaphor. The relationship between culture and organization involves the definition of the purpose of the business, a mission statement, shared beliefs, common values, common goals and common language. The idea is to skillfully apply the concept of culture and politics in the organization to make a successful enterprise. The culture includes sharing a common language, the idea of the voluntary exchange of good and services for money, defining the purpose of the business and defining a business model where the value exchange happens between the key business constituents, or stakeholders such as customers, employees, suppliers, shareholders, the community and the environment. The SAS culture and business environment includes all key stakeholders as partners. This partnership in and of itself is politically motivated, but servers a common (noble) purpose to establish a long term business relationship, where each party wins. A note and rec-

ommendation to management is to maintain the paradox of change. That is to keep the status quo of constant learning and innovation, but open and flexible organization. SAS will need to continue to be successful in avoiding 'corporate', which is a political and domination dimension of organizational frameworks. Culture will need to be encouraged, supported, but not controlled. "You don't design your culture, you can't have someone come in and create a culture for you. Culture is the way we demonstrate things by actions, it's the way we communicate by words and by documents. We didn't set out to create it it's just the way it is (Bryson, 2008). As we have seen earlier the storyline changes with the writer, but also change with the perspective of the reader. The reader brings his or her interpretation into the situation. Our second perspective will explore the situation from the viewpoint of a management consultant and will provide alternatives and recommendations.

The focus of the management consultant is the business organization and the sustainability of SAS's success. The dominant frameworks are the organism and brain metaphors supported by the political, cultural and transformational frameworks. The key elements of the company's success are great products, the market position of SAS, employee empowerment, and the establishment of a SAS culture, the spiritual environment within SAS. The organization has found its niche in business intelligence software application. SAS has been open to its environment and realized the need for a data mining tool and the need for constant innovation. The democratic leadership style, technology, strategy, corporate cultures are all closely aligned with the environment (contingency theory, organism metaphor). Customers will likely to generate demand for the company's products. Innovation has been part of SAS since the beginning and SAS will likely to innovate in the future. This product will continue to generate demand and it is likely that competing products by other software companies will enter to the market. Innovation and constant awareness of the economic, social and political environment are crucial to the future success of SAS. These features are typical characteristics of the organization as brain metaphor. Leadership has realized the huge potential in human resources and created policies, corporate culture that supports this idea. As CEO Jim Goodnight says "My chief assets drive out the gate every day. My job is to make sure they come back." Happy employees make happy customers and through happy customers they make a happy and prosperous company. Employees have accepted and appreciate the SAS culture. This 'building the whole into the parts' concept serves as Principle 1 of the holographic design, which is the core of the organization as brain framework. Additional elements of the framework such as 'minimum specs' in the free working hours, and 'learning to learn' as in innovation and in expanding employee perks when financial situation allowed support the dominant organism framework.

The management consultant's advice to leadership is to keep maintaining its integrity in realizing its core values and commitment to its employees, which is one of the major drivers of success. In addition maintaining the 'privately held' status proved to be a good choice to eliminate shareholder pressure so that the company can keep its eyes on the ball and execute a long term strategy. "The ongoing economic and financial crisis has put even healthy and well-managed companies under severe stress. The crisis itself is beyond the experience of most managers: Few have seen or worked through an event of this magnitude. Many are struggling to chart a way forward. In order to do so, companies are finding that it is necessary to return to old values like trust and fairness." (Witzel, 2009) This is the political flavor in the relevant perspectives. One of the strengths of the political metaphor is that all organizational activity is interest base, as Morgan writes, but this also is a weakness as it keeps rationale from going beyond the limits of a particular interest, or interest group. In the SAS case congruence among the various interest groups within the organization and shared value system balances out this weakness. In addition to maintaining the status quo we recommend introducing an executive mentoring program though which future generation of leaders within the organization can be nurtured who share the SAS principles. In addition the CEO will need to consider a successor who will be able to define and execute the successful strategy and relentlessly pursue the founding principles and yet remain an open and democratic leader. The author is convinced that a successful corporate strategy needs internal focus and supports the decision of maintaining privately held status even in the time of chaos.

Relationship between culture and organization involves the definition of the business purpose, a mission statement, shared beliefs, common values, common goals and common language. The idea is to skillfully apply the concept of culture and politics in the organization to make a successful enterprise. Culture includes sharing a common language, the idea of the voluntary exchange of good and services for money, defining the purpose of the business and defining a business model where the value exchange happens between the key business constituents, or stakeholders such as customers, employees, suppliers, shareholders, the community and the environment.

The SAS culture and business environment includes all key stakeholders as partners. This partnership in and of itself is politically motivated, but servers a common (noble) purpose to establish a long term business relationship, where each party wins. Management's role in the company culture can be best demonstrated by looking at the roles that contemporary business executives, CEOs play in shaping and influencing the life, norms and customs of an organization. Because leaders have greater influence and power in corporate life their impact is quite significant. According to Morgan (1998) "Shared values, shared beliefs, shared mean-

ing, shared understanding and shared sense making all different ways of describing culture. In talking about culture we are really talking about a process of reality construction that allows people to see and understand particular events, actions, objects, utterances, or situations in distinctive ways." This reality construction is what leaders are responsible for. It is the acceptance of shared values, beliefs and meanings that drives the transformation of an organization. Bryson (2008) writes "because organizational members do not see the past of the organization in the same way, they orient themselves to different futures. This is a key point to appreciate in understanding multiple perspectives within an organization." Researchers Martin and Frost (1996) and Riad (2005) offer a solution where the acceptance rests on credibility and not of the perceived truth. "This, it is suggested indicates a need for more emphasis on dialogue, process, co-creation, and credibility building in studying cultural change in organizations." (Bryson, 2008)

While we argue for the current status quo at SAS we need to emphasize that the change of culture involves the internalization and action on shared values that enforce the idea of leaders' rule on the reality construction process due to their position and power on the organizational hierarchy. This is not an opportunity, but rather a responsibility of management. "This is a major strength of the metaphor because it makes people own their impact on the way things are and shows that it is their responsibility to change when appropriate". (Morgan, 1998)

The organizational change process has been viewed as a challenge of changing technologies, structures, skills and motivation of employees. An effective change comes from the successful transition of views, images and values which drive action to success. We would like to point out to the limitation of management in this regard as culture is self-evolving, holographic and cannot really be managed. Management is limited to encouraging, shaping values, beliefs, language and norms.

The Metaphoric Evolution of an Enterprise
The SAP Story

The second case will demonstrate how metaphorical images can be used to display the transformation of an enterprise, changing forms, directions, but keeping its core values constant. One common attribute in the lifecycle of the researched company is the flux and transformation. Organizations experiencing radical growth must also go through an evolutionary process that will create and destroy a variety of metaphorical examples while evolving into a mature enterprise. In our second example we focus on a well know company that has strong presence in the USA and in Hungary as well. SAP is the world leader in enterprise applica-

tions in terms of software and software-related service revenue. Based on market capitalization, it is the world's third largest independent software manufacturer. The SAP story began in Germany in 1972 with five entrepreneurs, a vision for the business potential of technology and an idea about real time integrated information; a single product and one customer. Today SAP generates over sixteen billion euro in revenue from more than a quarter of a million customers and employs close to seventy thousand employees to develop, sell and deliver a broad range of technology products. The company's continued growth over four decades is attributable to their focus on innovation, a broad portfolio of software technology and business enablement products, and its' ability to stay close to customers and anticipate, understand their needs. The firm's stated vision is to help the world run better and improve people's lives. Its mission is to help every customer become a best-run business. The software company does this by delivering technological innovations that address the challenges of today and tomorrow without disrupting its customers' business operations. SAP has strong ambitions for sustainable business success. The company believes that the most important indicators to measure this success include both financial and non-financial indicators: revenue, margin, customer loyalty, and employee engagement. We tell SAP's success story by reviewing the realization of a vision that was fuelled by passion and purpose. An evolution that can be best chronicled through a variety of organizational metaphors.

The evolution of an enterprise

Early years: The Rock Band In the beginning five former IBM employees started developing their idea for an integrated software solution on a new client that would give executives access to real time data and revolutionize computing forever. In its early years SAP was fluid in terms of the flow of ideas and the entrepreneurial development spirit. The focus was on the innovation of a new "sound" in the world of enterprise computing. Ideas flew forward and were rapidly spun into the reality of useable code. The common welfare of the band superseded the individual well-being but not at the expense of individual creativity. People didn't leave SAP to join other similar companies. They only left to strike out on their and to join someone else in search of a new frontier.

Into the new era. The Sports Team period. As SAP grew Hasso Plattner emerged as the singular ultimate authority, or the Head Coach, but he had assistants that were responsible for the performance of teams that developed functions. These teams were encouraged to be creative and communicate among themselves and make decisions between them. The CIO determined the direction and measured the results. SAP remained the ideal place to work
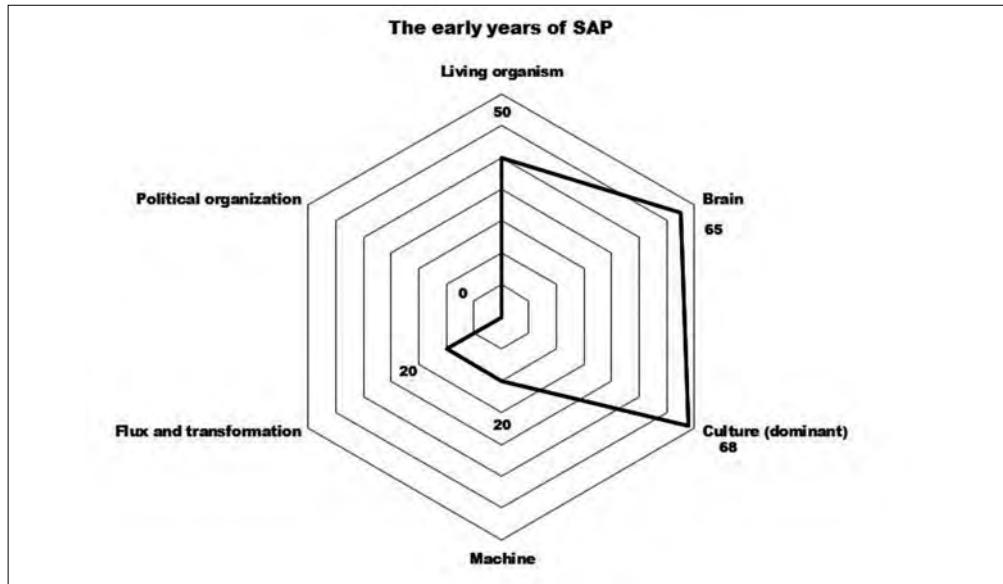
Figure 9. The early years of SAP
Source: authors' own construct
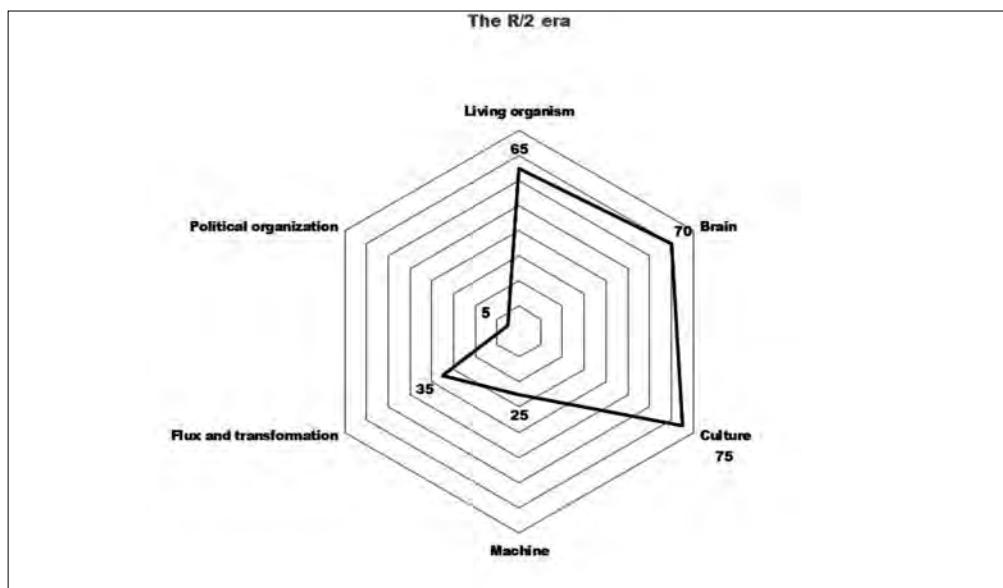
Figure 10. The R/2 era
Source: authors' own construct

for high performers. The team started to become an international success. Their relentless pursuit of the corporate vision along with innovation, high quality standards, and value creation to their customers lifted the organization to international sphere.

The R/3 times. The Machine. The software factory was developed and SAP began to function more like a machine with quality, usability and increased functionality being the drivers. SAP's focus remained on a single product through the mid '90's. Process took the lead away from people and the image of SAP as the "place to be" started to develop cracks. At this stage the most important question is setting management controls that keep pace with the rapid growth, without damaging the organization entrepreneurial spirit for innovation, or commitment to high quality product and customer service. The risk here is that the most creative or innovative members of the organization will begin to yearn for the old days of less uniformity and conformity. As with SAP many talented people began to look to other less established companies to exercise their creativity.

Cultural dimensions. SAP had always been proud of its entrepreneurial spirit but as the machine culture took over some of that was lost. In the 21st century SAP took a strategy of acquiring to grow its footprint and expand its product mix. With this came the loss of a single culture and the growth of a maze of competing cultures. The culture depended upon who
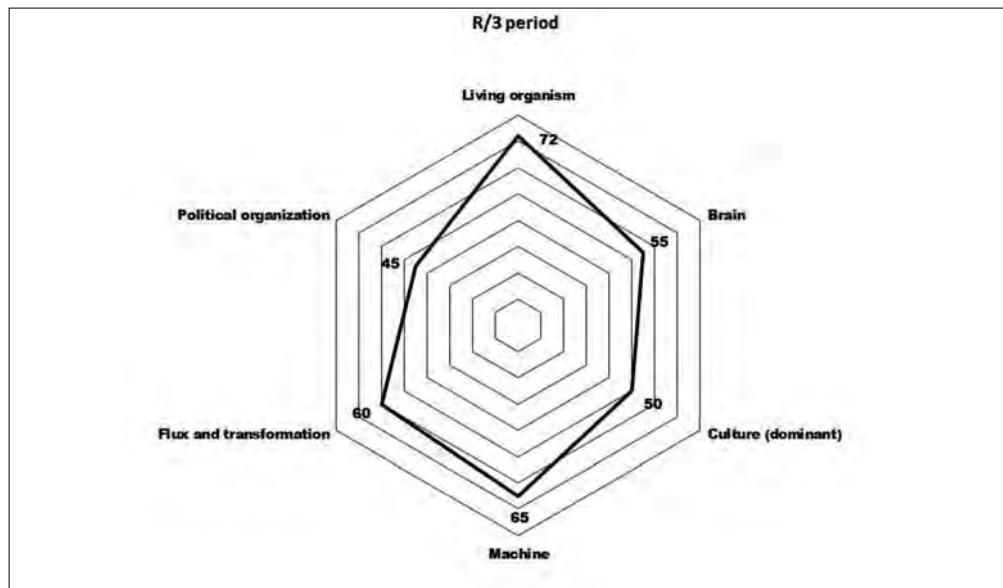
Figure 11. R/3 period
Source: authors' own construct

was looking and where they were looking. It was somewhat counterproductive and the first time people began to leave SAP for other mature competing companies. In the excitement of rapid expansion the firm did make some missteps that put a dent on its credibility. In spite of the Oracle versus SAP lawsuit the company never gave up its mission; delivery of high quality software products to its customers. As this phenomena sorted itself out there were significant battles for the top spot in the company. Henning Kagermann, Leo Apotheker and Shai Agassi all seemed be apparent heirs to the Plattner throne. Yet there emerged from America a smart and aggressive political leader in Bill McDermott.

HANA and 'big data' period. SAP as a Political Place. The software powerhouse continues its growth strategy though organic measures and by acquisitions. As SAP acquired more companies, added groups of new people to the organization and added new products to its portfolio the legacy of entrepreneurial spirit started to fade and silos began develop. Integrating the newly acquired business units (Successfactors, Ariba, Hybris, SyBase and lately Concur), took significant effort and added complexity as well. As Bill McDermott climbed to the top of the ladder as the visible driver of the new SAP he created some order to the old chaos but with this order came the advent of the political era. Management's ultimate responsibility is combining vision and control, stabilization and continuous innovation en-
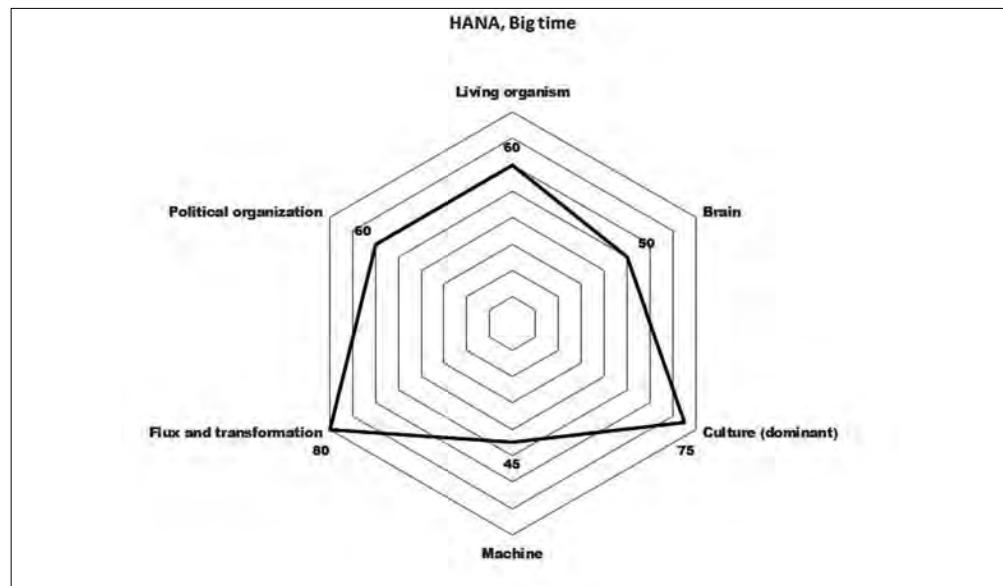
Figure 12. HANA & Big Time
Source: authors' own construct

ablement. Folding the newly acquired complimentary software companies into the SAP mold needs additional effort and time, while the rapidly expanding HANA suite continues to make headways along with the cloud platform strategy. Balancing these needs require careful navigation and focused strategy. Bill continues to do this while improving his credibility internally and externally.

The management consultants' view is that SAP's product portfolio completion should be followed by a stabilization and culture re-building phase. SAP as a living organism is constantly changing. The open systems theory emphasizes adaptation, flexibility and the importance of the environment in which the organization exists. Organizations in the open-system theory are seen as sets of interrelated subsystems. Flattening the organization structure, reinforcing it culture are crucial, as SAP's strong culture creates a bond between the company and its' employees, it further inspires productivity and creativity. Sustaining the strong culture will drive the company, increase motivation and commitment. SAP's stated goal is to increase employee engagement from the current seventy-eight percent to eighty-two percent in 2015. This effort will require establishing the framework for better communication, leaner structure, and most importantly an effective employee retention policy. As base pay and bonuses were noted as the most important contributors to job satisfaction (Williyerd, 2014) at high performers at SAP the proper compensation strategy can help keeping high performers from looking elsewhere in the marketplace. SAP needs it high caliber consultants to deliver an outstanding service for an outstanding product.

Applying the contingency theory. In order to give the correct 'diagnosis' we need to review the ideas presented earlier about SAP's environment its organizational attributes so we can analyze the relationship between the software company as a whole, its subsystems and its environment. Our analysis and evaluation was based on extended review of the scientific literature and the publicly available corporate information. We also consulted with management & employees and relied on our personal work experience with the firm (Table 2).

Our analysis revealed the both the congruent subsystems that are in balance with environment, and the ones that are not aligned. These will need special attention (Figure 13). Managements' main concerns need to be alignment and good fits among SAP subsystems and the environment. Given and rapidly developing nature of the current software industry, new promising technologies such as HANA, cloud technology platform and real-time computing provide promising outlook for the company. As the IT industry is transforming businesses next generation applications will differentiate of a consumer like interface and data beyond process improvement, SAP is well positioned to capture this opportunity. These growth prospects are somewhat tempered with the cost and efforts of fully bringing the new

Nature of environment	Technological subsystem	Organizational sub-system	Managerial subsystem	Communication System	Cultural, human
High degree of change, dynamic technological and market conditions, rapid technological development (HANA, cloud, big data)	Innovation driven, need to take advantage of rapid technological changes, HANA and SAP® cloud strategy offers additional opportunities	Clearly defined roles and responsibilities, newly acquired companies and employees need to be accommodated, freedom to move and deliver within	High degree of flexibility within own authority. Authority vested in people to solve problems at hand. Moderate level of departmental division	Open communication. Free, continuous knowledge transfer opportunity and consultation. Good level of cooperation within and across division	High level of commitment, but needs slight improvement to be able to provide consistent high quality. Culture innovative, but somewhat siloed thinking. Great place to work, good support and continuous education.

Table 2. Contingency view of subsystems at SAP

software companies into organization. Innovation and learning will continue to play an important role for the software company. Customers' product experience will benefit from business transformation efforts and SAP's flexible open platform.

Integrating on-line transaction processing (OLTP) and on-line analytical processing (OLAP) in HANA in memory processing will simplify the platform, reduce cost and significantly improve performance and user experience. Customers will continue to require high quality support, service and flexibility. The organization need to be responsive, flexible and adaptable to deliver. SAP will benefit from shifting its organizational structure to the right, making it more flexible and lean.
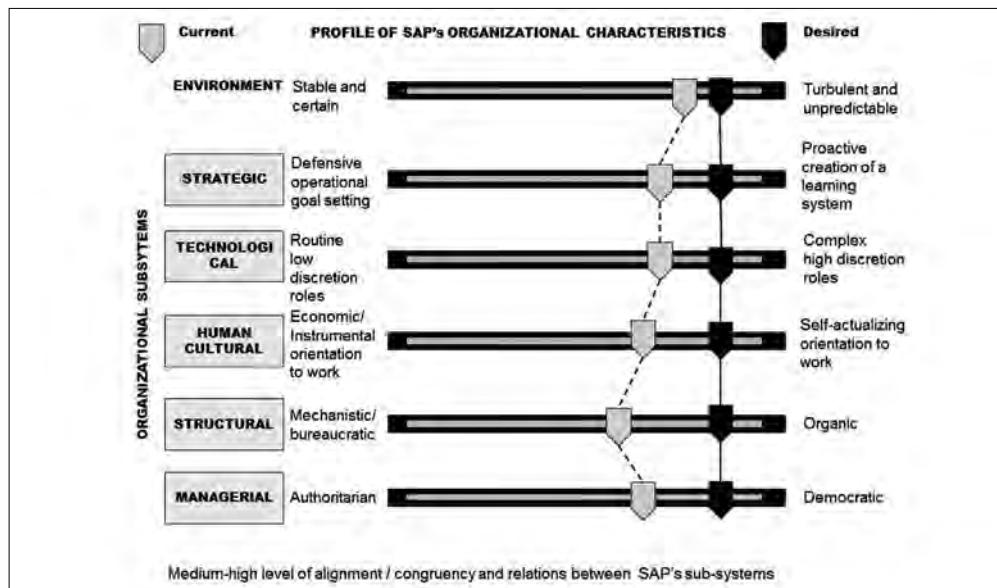
Figure 13. Applying the contingency theory at SAP
Source: authors' own construct

Diagnosing the morphology of the enterprise provided the OD practitioners not only a historical overview, but reveals trends, highlights strengths and weaknesses. Flux and transformation will continue to play a role in SAP's life, but to a lesser degree as the ERP industry market competition has stabilized. Once the integration of the newly acquired companies is complete the political dimension will be less emphasized. Our recommendation would be that SAP starts transitioning toward a culture-driven organic, holistic system, where culture still dominates (see Figure 14 below).

Conclusions and suggestions for future research

The research paper attempted to investigate the power of metaphorical images and visualization in organizational development. Metaphors are now established part of organizational studies (Palmer & Dunford, 1996). The concept of 'images of organizations' in management and organizational leadership can be a valuable tool for experts in reading and diagnosing enterprises, businesses, governments and non-governmental organizations. When metaphors transcend the sphere of simple colorful language and enter into the realm of thought and action they become more than a different way of seeing things. As with any way of seeing things, metaphor is also an equally powerful way of not seeing things (Morgan, 1998). As cognitive representations, metaphors illuminate, and thus lead us to focus on, the similarities between the two juxtaposed concepts while obscuring other features, usually the dissimilarities (Drummond, 1998).
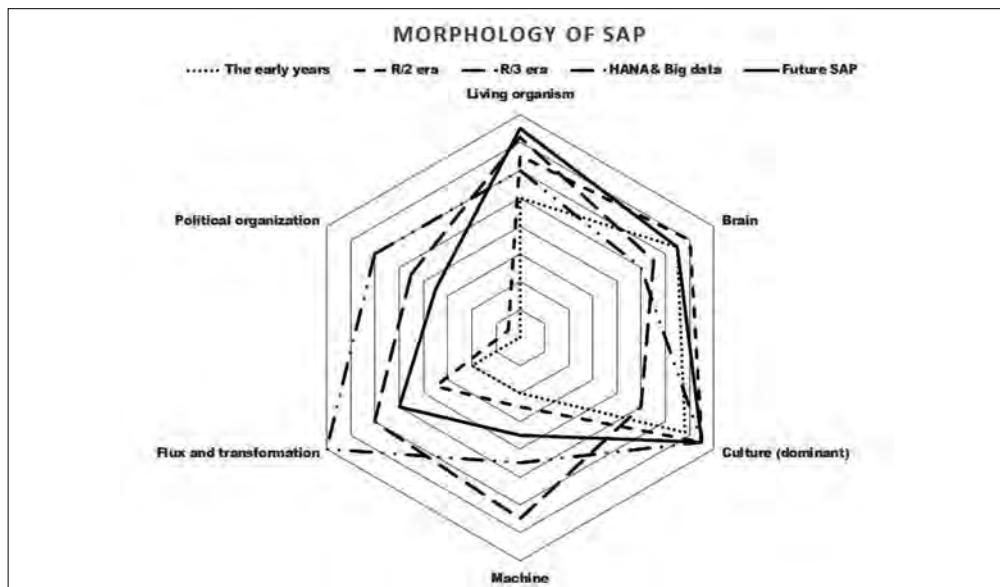
Figure 14. Morphology of SAP
Source: authors' own construct

Limitations of the research. Our objective was not to argue for- and against the use of metaphors and images of organizations, but to present the tool -though theoretical and practical applications - and draw the readers' attention to the power of metaphors in the OD prac-

tice. Metaphors, however, are not indigenous to a community. The metaphor that works in the US may not work in Europe, or Asia and vice versa. This particular area suggests further research into the impact of culture on metaphorical language and the specific images that may enhance the approach to organization development. We believe that the effectiveness of the metaphor approach can be improved by taking local, cultural and language specific dimensions into consideration. This fact carries complexity and the promise that multiple solutions are possible to organizational problems and that managers have the opportunity and responsibility to shape organizational life. The preservation of the figurative nature of metaphorical language is necessary to avoid precarious assumptions based on vivid cognitive connections made using a wide range of concepts from science, literature, history, and an almost endless source of analogy. By taking multiple metaphors as different views and aids to understanding, rather than literal statements of organizational fact, they can be useful in guiding educational theory and practice in the management field (Morgan, 1998). We recognize the risks in using single metaphor in organizational development and presented the matrix approach that mitigates this risk. If any metaphor is taken too literally or in isolation the tendency will be to make unfounded assumptions and extensions of the metaphor that will tend to obscure the reality of the organization (Meyer, Schwartz & Frost, 2008). The authors realize the inherent risks and limits in using a single metaphor. Single metaphors are inadequate for accurately analyzing organizational change and organizational realities. Therefore we argue for the use multiple metaphors in our practice, possibly combining them to minimize bias or misapplication of any number of heuristics (Armenakis & Bedeian, 1992; Palmer & Dunford, 1996). Multiple images are needed to assist OD practitioners and researchers to understand and to comprehend organizational realities that exist in the organizational change process (Palmer & Dunford, 1996). In our approach we used a combination of metaphors; one being the dominant frame supported by other relevant images to aid better understanding the eliminate bias.

Conclusion. We demonstrated how a visual presentation tool can further enhance understanding of organizations. This distinction between current and ideal organizational image allows the OD (organizational development) practitioner to identify the direction and magnitude of change required to move the entity to the desired direction. Using metaphors provides the opportunity to widen the horizon and develop an open minded approach to problem solving. Reading the organization with an open mind will let the different frames, like colors of the rainbow come together in a prism and let them transpire into the pure transparent white light. Seeing through the organization will provide additional insights and reveal hidden dimensions. The multi-dimensional reading of organizations and open minded authoring adds further depth and richness to our understanding, interpretation and

research. The use of metaphors in organization development is not limited to profit driven businesses. Further research is needed to explore how this approach can be extended to NGOs, local organizations (i.e. the city of Budapest), hospitals and universities (i.e. University of Pannonia) Even political organizations can benefit from using the images of organizations for analysis, diagnosis and strategy building. As our final words the authors would like to warn about the traps of psychic prisons, where one can become the hostage to his, or her own ideas and challenge the reader to liberate his, or her own thoughts by adding their own interpretation to unfold the true story and shape his, or her own reality.

References

Armenakis, A. A. – Bedeian, A. G. (1992): The role of metaphors in organizational change: Change agent and change target perspectives. *Group & Organization Management,* 17, 242–248.

Ashby, W.R., (1960): *An introduction to cybernetics.* London, Chapman & Hall.

Bryson, J. (2008): Dominant, emergent, and residual culture: the dynamics of organizational change. *Journal of Organizational ChangeManagement,* Vol. 21, No. 6, 743–757.

Drummond, H. (1998): Go and say, "We're shutting": Ju jutsu as a metaphor for analyzing resistance. *Human Relations*, 51, 741–759.

Gibson, C. B. – Zellmer-Bruhn, M. E. (2001): Metaphors and meaning: An intercultural analysis of the concept of teamwork. *Administrative Science Quarterly*, Vol. 46, No. 2, 274–303.

Hill, R. C. – Levenhagen, M. (1995): Metaphors and mental models: Sensemaking and sensegiving in innovative and entrepreneurial activities. *Journal of Management*, Vol. 21, No. 6, 1057–1074.

Hussain, Z. – Hafeez, K. (2009): Using Metaphors for Making Sense of End-User Attitudes and Behavior during Information Systems Development. *Journal of Organizational and End User Computing,* Vol. 21, No. 2, 1–27.

Frost, P. (1996): The organizational culture war games: a struggle for intellectual dominance. In *Handbook of Organization Studies.* Sage, London, Ch. 3.6, 599–621.

Kaplan, A. D. (2010, Jan 22.): SAS: A new no. 1 best employer. *Fortune Magazine.*

Kast, F. Rosenzweig (1973): *Contingency views of organization and management.* Science Research Associates.

Lorenz, E. (1993): *The Essence of Chaos*, UCL Press, London.

Marx, K. (1976): *Das Kapital*. Harmondsworth: Penguin.

Martin, J. - Frost, P. (1996): The organizational culture war games: a struggle for intellectual dominance, in Clegg, S., Hardy, C. and Nord, W. (Eds), *Handbook of Organization Studies*, Sage, London, Ch. 3.6, 599–621.

Maturana, H. R. – Varela, F. J., (1980): *Autopoiesis and cognition: The realization of the living*. Dordrecht, Holland: D. Reidel Pub. Co.

Meyer, I.H. – Schwartz, S. – Frost, D.M. (2008): Social patterning of stress and coping: Does disadvantaged status confer excess exposure and fewer coping resources? *Social Science & Medicine*, 67, 368–379.

Michaels, R. (2007): *Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy.* Dodo Press, Gloucester

Morgan, G. (1980): Paradigms, metaphors and puzzle solving in organization theory. *Administrative Science Quarterly*, Vol. 25, No. 4, 605–622.

Morgan, G. (1998): *Images of Organization: Executive edition*. San Francisco, CA: Berrett-Koehler Publishers & Thousand Oaks, CA: Sage Publications.

Morgan, G. (2006): *Images of Organization*. San Francisco, CA: Berrett-Koehler Publishers & Thousand Oaks, CA: Sage Publications.

Ortony, A. (1975): Why metaphors are necessary and not just nice. *Educational Theory*, 25, 45–53.

Oswick, Cliff - Tom Keenoy - David Grant (2002): Note: Metaphor and analogical reasoning in organization theory: Beyond orthodoxy. *Academy of Management Review,* 27.2, 294–303.

Palmer, I. - Dunford, R. (1996): Conflicting uses of metaphors: Reconceptualizing their use in the field of organizational change. *Academy of Management Review*, 21, 691-717.

Pepper, S. C. (1942): *World hypotheses: A study in evidence*. Berkeley, CA: University of California Press.

Riad, S. (2005): The power of "organizational culture" as a discursive formation in merger integration, *Organization Studies*, Vol. 26, No. 10, 1529-54. DOI: 10.1177/0170840 605057072

Smith, K. K. - Simmons, V. M. (1983): A Rumpelstiltskin organization: Metaphors or metaphors in field research. *Administrative Science Quarterly*, Vol. 28, No. 3, 377-392.

Weber, M. (1965): *Politics as a vocation*. Philadelphia: Fortress Press.

Weick, K. E. (1989): 'Theory construction as disciplined imagination', *Academy of Management Review*, 14, 516– 531.

Williyerd, K. (2014, Nov 18.): What high performers want at work? *Harvard Business Journal.*

Witzel, M. (2009): Coping with change: Corporate Governance in a time of crisis. *Corporate Finance Review,* Vol. 14, No. 1, 17-22.

Miklos Nagy holds a Bachelor of Science degree in Organizations & Information systems from Óbuda University Budapest, Hungary and a Master's degree in Management and Organization Leadership from American Public University, Charles Town, USA. As an SAP certified Application Professional with 17 years of experience, his work focuses on business transformation and change management initiatives utilizing integrated ERP solutions as a lever to accelerate business performance and gain competitive advantage. Miklos worked as Principal Consultant for SAP America as well as Integration Advisor to Coca-Cola. He has also aided the work of McKinsey, Accenture, Lenovo, IBM, Autodesk, Bayer, Dow Chemicals, Teleflex, and Titanium Metals. His current client base consists of Amgen and Rockwool. Miklos is enrolled in a Ph.D. program in Business and Economics at the University of Pannonia in Veszprem, Hungary. He lives with his wife and four children in Cary, NC and in Budapest, Hungary.

Harold Itkin is President of IMS, a Management Consulting advisory group that guides enterprises through significant transformations while aligning business objectives with technology solutions and building roadmaps for future growth. Prior to forming IMS Harold spent six years with Teleflex Inc., a multi- billion dollar medical device manufacturing company, where he was tasked with transforming the IT group from a technology support organization into a high performance solution provider. Earlier in his career he held various leadership roles in the SAP Professional Services group for ten years focusing on turning SAP's most challenging projects and customers into success stories. He has served on the SAP/ASUG (Americas SAP User Group) Executive exchange which influences the direction of SAP development and he currently is the Market Leader for the Professional Services special interest group of ASUG. Harold received a Bachelor of Arts degree from Rutgers University, New Brunswick and an MBA from Georgia State University, Atlanta, GA. He is an adjunct professor teaching leadership and strategy at Georgia State University in Atlanta. He also taught Globalization and Strategy at Georgia Southern University, Statesboro, Georgia.

„White ants can build their nest because it is somehow coded in their genes.”
– interview with Attila Ürmössy, head of Telekom it nearshore center of it services Hungary

73

„WHITE ANTS CAN BUILD THEIR NEST BECAUSE IT IS SOMEHOW CODED IN THEIR GENES.” – INTERVIEW WITH ATTILA ÜRMÖSSY, HEAD OF TELEKOM IT NEARSHORE CENTER OF IT SERVICES HUNGARY

Q: First, can I ask you to introduce yourself for the readers and how your career path fits into the history of your company.

A: My name is Attila Ürmössy. I've been working in the field of informatics for a very long time. There was an apparent dichotomy when I chose profession because informatics had been more of a hobby to me. I was more interested in the management, organisation and other tasks related to informatics. Therefore, when I had to decide what to study I was tempted to choose the faculty of information technology. In the end, I decided to study transportation systems management because I believed that the application of scientific results is more interesting than science in itself.

Q: Which university did you attend?

A: I attended the Budapest University of Technology and Economics which I've never regretted ever since. In those days large transportation companies were the ones that had advanced IT infrastructure. In practice, they had the most up-to-date information systems in the domains of freight and goods transport and passenger transport. It was the most effective learning curve with a lot of practical knowledge. At that time, there were mostly networks of PCs and the idea was to create a network covering the whole country. This shows how widespread and important transportation is. As I've mentioned earlier I attended the Budapest University of Technology and Economics but from an early age I had been interested in informatics. In high-school we started a self-development group to popularise informatics

among students. After finishing my university studies I started working at Siemens then I went abroad. There I had a very different job. I designed motorways and maglev at a German transportation planning company. The design process was heavily supported by IT systems which sped the process up with the help of various algorithms. As a result the company became considerably more competitive. When my working visa expired I came back to Hungary and I started working at Porsche Hungary, which is a large car importer. I worked there for ten years in different areas. At one point, I realised that I have the makings of an economist. I was working as a controller – directly reporting to the managing director – and I was put in charge of the construction of a huge storage building. It was a greenfield investment and we had logistics, transportation, financial and project management tasks but with a bit of luck we managed to complete the project within the allocated budget and time.

Q: Which is quite rare.

A: Yes, it is. That's why I said luck also played a part in the project success...

Q: Was it the Volkswagen Porsche?

A: It was the Volkswagen, Audi ....

Q: And then?

A: What do I work at the company? I started to work here in 2008, so I've been employed by ITSH – that is the IT Services Hungary – for 6 years. The company is a subsidiary of T-Systems International, which carries out 'nearshore' activity, offering services to the international customers of T-Systems International. In the first 3 years, I was working in TSS, then when the internal IT transferred some of its activities to Hungary I was doing the two jobs side by side for a while. When it became too overwhelming, I started to focus on the internal IT. So, today I have double responsibility at the company. On the one hand I'm the representative of the Telecom IT TSI for Hungary. In this position I manage the internal IT systems of T-Systems International and in some ways the internal systems of Deutsche Telekom AG. We provide applications in the area of security and other services in the areas of infrastructure management, licence management and order management. On the other hand, I'm responsible for the management of the local IT including processes and quality management. This is a double role because I have to act as a global and a local manager which I really

enjoy. To find the global optimum that is also an optimum for the local company. I don't cast my vote either way. I always aim at finding the optimum solution. I think that if we introduce a product locally which is good and we can improve it even further it will be beneficial for the global concern as well.

Q: How independent are you?

A: In what regards?

Q: For example, in regard to the introduction of the developments you've mentioned.

A: Since we are responsible for the technical implementation of these systems including the operations and the application management, we have quite a lot of influence on the systems we use and this way we have major contribution to organisational efficiency.

Q: How big is your team?

A: At the moment 160 people report directly to me.

Q: That is a really serious work.

A: This year our turnover will be around HUF 3 billion and I hope there will be an increase next year.

Q: Is it purely intellectual?

A: Yes, it is. It doesn't include any hardware licence.

Q: Could you tell us a few words about the history of the company in Hungary?

A: The IT Services Hungary was called T-Systems earlier. It was the shared subsidiary of T-Systems International and the Hungarian Telecom. Mainly it was operating as an IT service in Hungary. In 2006 a decision allowed T-Systems to continue providing IT services to the local market. IT-Systems is a new company. It is basically a spin-off company of T-Systems and it carried on the international line and had a dynamic growth. If we take, for example,

the number of employees today, we can see that it is close to four thousand. In the last 6 years there has been a constant increase of 5 to 6 hundred per year. It had of course positive as well as negative consequences. The internal IT system also had to adjust to these changes. Basically, the company has to deal with everything a global IT service provider has to do: desktop first level support, computing, telecommunication, system integration, project management, service management...

Q: Where is the Head Office?

A: It is in Bonn. Practically it is the Deutsche Telekom AG.

Q: I would like to continue with a more general topic and I would like you to share your opinion independently from your area of work. My first – quite general question is – how you would define the digital environment. What does the future hold for the digital environment?

A: I often talk to members of the younger generation. I tell them stories about my childhood when there weren't any computers, mobile phones and there wasn't Google or Wikipedia. And then they ask how on earth we could live without them. We IT specialists know how to handle this situation because we were brought up with it. Younger generations were born into the age of computers and they are naturals with computers. I think there are two important things to mention here. One is that there is big data, the centralisation of data. There is more and more electronic data available which hadn't been the case earlier. The other is the process by which telecommunication is becoming more and more mobile and it's penetrating into the media. These two major changes shift the world to a fully digital existence. I'm not sure for example, that the paper-based version of your journal will be read by many but the electronic version will certainly reach wide readership. Or if we take a look at my book-shelf, and see the number of books I've bought in the last 10 years and compare that to the number of books I had bought previously. We can see a big difference. At the same time we can take a look at my e-book reader and see how often I purchase e-books ... So, I think that in our everyday lives there has been a strong shift to a digital world. Or we can look at the way we used to organise our holidays a few years ago. We booked accommodation by flipping through travel catalogues in travel agencies. Today, all we have to do is to browse the Internet and find the perfect holiday. Digital mobility is part of business and consumer society. Electronic payment is essential part of life. We can pay for products and services bought online or we can sign contracts online or prepare bills. In every walk of life the shift to digital is very powerful.

„White ants can build their nest because it is somehow coded in their genes." – interview with Attila Ürmössy, head of Telekom IT nearshore center of IT services Hungary

77

Q: Is it an absolute process? Do you think it is going to spread to all walks of life?

A: Well, I have the feeling that there are a lot of areas in which I think going digital is unstoppable and as a result there is huge acceleration. I also feel, that the knowledge behind the new digital era – all the skills and abilities needed to operate the system – are somewhat neglected. I read an interesting article not long ago in the Der Spiegel. Comparisons in 1990 and in 2010 were made between how well young and old generations can use computers. It was shocking to see that the IT knowledge of the young generation – the knowledge of how a computer works, how to write computer programs – was much more solid back in 1990 than the IT knowledge of the same generation in 2010. We would have thought that in 20 years the IT knowledge of the society has improved a lot. In fact it hasn't. The use of IT tools has escalated of course, but expertise hasn't improved. If anything it has decreased. I believe that there will be a shift to more simple things becoming less valuable and more complex brain works that allow business value to increase becoming more valuable. The reason for that is that more complex processes cannot be automated or digitalised, but …

Q: You've nearly replied fully for my next question but could you give a one-sentence-answer for the question regarding the impact of the shift to going digital on the public at large and on the business models.

A: As you said I've already touched upon these issues. The two are related, the more widespread the internet connections of the digital world are – the number of mobile and smart phones, phones with data connections and the number of competent users, those who pay their bills over the internet – the more business models will change along with changes in the supply chain.

Q: How proactive is this change? Or is it more reacting to changes in the environment?

A: There are new models which are proactive. Let's say a car without a driver or a plane without a pilot is a conscious innovation. But in many cases companies follow suit. If something works well, for example in the pharmaceutical industry then let's copy that digital innovation in another industry or production etc. These are mainly adopted practices.

Q: How do you use the notion of digital identity in your circles? The digital identity of individuals is a popular notion today and it is also dealt with scientifically. Our digital activity

draws our digital identity and it is worth investigating and also it is useful building our identity consciously.

A: I don't have a definite answer for this question. I'm not very fond of social media, but the younger generations would find it impossible to live without it.

Q: Why are you not fond of it?

A: Why am I not fond of it? My family and work life are clearly divided and I believe that social media would blur the lines between them. I'm rather conservative when it comes to this question but I sense that for the younger generations, private and professional lives are more intertwined. It might lead to further social changes in the area of work – the way we work – and our productive time that is the time we spend by being employed somewhere in 40 hours a week or we get benefits only for the value we create. In the long run it might have advantages but I think it is not yet the case...I have a metaphor for this: white ant nests. White ants can build their nest because it is somehow coded in their genes. Today, I think these genes – the innate coded power which would make the use of social media more conscious – are missing...

Q: Maybe it emerged too fast.

A: ....as an outsider I think the whole social media is a drifter still being shaped through finding its meaning and ways it can add value.

Q: By all means it is an opportunity from a business aspect.

A: It is an opportunity from a business aspect indeed.

Q: Then it's going to work. Presumably.

A: Presumably, it's going to work. I'd say it's surely going to work because it finds business opportunities today. The question is how comfortable people will feel themselves about it in 10 or 20 years' time. And if something was seen in one way 20 years ago will be seen differently in 20 years' time. We don't know whether it is still reasonable. If I think about myself, I'm fortysomething today and I'm sure I thought about these things very differently when I was twenty-something.

„White ants can build their nest because it is somehow coded in their genes." – interview with Attila Ürmössy, head of Telekom IT nearshore center of IT services Hungary

79

Q: I have similar experience in market research. I think that market research as an industry is trying to find its role. It feels that market research is in a way forced out of a form of communication in which it should play a part and it is still searching for...so it is an exciting technological, social and ethical challenge how to be part of it. I believe that other industries have similar dilemmas. Is it well worth doing something with the issue of social media, or is it something that is going to fade away.

A: I think that it will always be the case that when something starts it will go on. The question is whether there will be a divergence or a fundamental rejuvenation. I think that there is a business case for market research. Through collecting data new markets can be built. So, I believe that there is market value for those who want to sell. It is still a concern how much of a value is it for those who buy the products and services. I myself prefer finding relevant information about something before I purchase it. But I like choosing my own sources. I don't like buying anything out of the blue. I wouldn't go for a holiday just because there is a bargain offer. If I want to go for a holiday I look for the best offer on the market.

Q: And again, you just about answered my next question. I meant to ask you how you evaluate the role of social media. So, let me continue with the executive information systems which are of great importance for readers of our management journal. What kinds of changes have taken place on the market of executive information systems recently?

A: For quite a long time I've believed that the market for executive information systems has been dominated by robust systems and I think this is still the case today. But it seems that the winds of change have begun to blow. There are two reasons for that. One is that the younger generations are entering these companies. Two is that the world has become more dynamic than in the previous 30 years. It is more turbulent today, and even large companies admit that it is very difficult to plan for even medium term. Earlier a 3 or 4-year-plan was taken more seriously whereas today even large companies focus more on the forthcoming year. As a result new companies enter the market with new services trying to force out those services that had been considered unique not long before. It will be true to the market of executive information systems as well where new platforms will appear which will be suitable to develop new integrated systems. These will be suitable to be integrated with other island systems although they should comply with certain standards. I think that in about 10 to 15 years this market will have gone through considerable changes and will have been rearranged, partly because large companies will think differently and products will be different, too. It is much

easier to operate a new technology product according to the expectations towards new technology and turn it into a system with business advantages than to continue a system with legacy in an old technology. All in all I think there will be big changes.

Q: And how much change will it produce in the company strategy?

A: I wouldn't start with company strategy instead I would say the biggest change will be produced in company culture. Short-term, faster decision-making will require more independence on behalf of the leaders on the top of the hierarchy. It means that leaders will have more determining roles in the lives of companies so the previously more regulated issues will become a bit more result and goal-oriented. Results will be given high priority. Strategies of course will follow this trend. Business strategy as well as IT strategies will adjust to changes. Therefore, if we made a reference back to where we started our conversation and think about mobility and the attitude we have towards our employees, how to attain their loyalty, what are employee benefits paid for. These types of changes can well be part of a 10 to 15 year time horizon. When the classic so called robot-work will be really done by robots the employment policy and the marketing – the way products and services are passed to customers – of companies will be affected.

Q: Yes. My next question is whether the role of IT managers has changed recently in more developed countries and here in Hungary. Are there major differences between them?

A: Well, let's start with the Hungarian situation…So, in the Hungarian market there are mostly subsidiaries of western companies which results in a strong dependency in terms of IT decision-making. The role of central systems – as a result of the role of unified European and worldwide systems – is more limited to the role of executive information systems. On the other hand, I think that IT Executives have more opportunities if they like us provide IT services for the subsidiaries of a global company such as DT AG. These IT Executives can implement higher level practices used by the parent company. It is a more complex task requiring higher qualification, more experience and consequently we can add more to the global operation. Informatics not only provides a window to the world for customers but also for employees. So, your location, whether you sit in London, Berlin or Rome is becoming more and more irrelevant. Accordingly, if a company operates as an internal IT services provider… will open a window of opportunities in Hungary as well. Maybe this role isn't called CIO because CIOs direct from the HEAD CO but still considerable value can be added even

„White ants can build their nest because it is somehow coded in their genes."
– interview with Attila Ürmössy, head of Telekom it nearshore center of it services Hungary

81

from Hungary. IT directors working in the headquarters have major challenges. They have to ensure operation safety which means that those systems which serve 24/7 the end users or those business partners close to them have to be stable and reliable. They also have to make sure that the operation is economically viable and then there is the unstoppable flow of new ERP systems which grow like mushrooms. There is pressure for more complex services and portfolio because those who become employed by large companies often find it difficult to solve a problem as company members. They think that they can do something in a much more easy way as private individuals. They lig in push three buttons and the information is there...It creates a dichotomy between preserving stability and business support and provide services for innovative employees who are highly qualified end-users. This dichotomy is a real challenge.

Q: Is Hungary in the frontline or is there a gap between developed countries and us?

A: You mean Hungarian companies?

Q: In the field of IT management.

A: From an IT aspect? It's interesting. I think that thanks to the Hungarian shared service centres we do have considerable experience in the field of managing IT service provision. It is similar to experience we gained in car manufacturing. The top management of Hungarian car manufacturers have remarkable experience. The same can be applied to executives working in IT. They also have a lot of experience in managing these things. There is still room for improvement in our end-to-end thinking.

Q: How well can the Hungarian IT education keep up with these requirements?

A: I think that IT education in Hungary has always been more theoretical than other more western forms of education. Pragmatics has always lagged a little bit behind. It is not much different today. It is not something that can be changed in the course of a few years. Those finishing school have a high level of expertise but they lack experience. This was the main reason why we started cooperation with the University of Pannonia. Our goal is to ensure that students with high level of theoretical knowledge also have something tangible, practical knowledge that can be used in the field of IT management. I think it is beneficial for all participants. It's definitely great for us employers because we can employ people we already know

and they also know what our expectations are. Moreover, they learn global employer expectations. It is truly beneficial for us. The same applies to students who one day become employees. They can profit from the practical knowledge they learn. I think universities can also be proud of being able to train students who are ready to be employed straight away after completing their studies.

Q: What is your opinion as a technical professional about the triad of engineering information technologists, software information technologist and business information economist? These are the three main program directions in higher education today.

A: What I see is that there are technical professionals who are the best in their field in terms of technology as well as planning and operation. It isn't sure that it's advisable to assign them management or financial tasks. But these technical professionals are the ones who later might say that having all the professional skills under their sleeves they also want management and financial experience. Looking at it from a different angle: how much is the value of knowledge which cannot be sold in the market. The same can be applied to products which are of high quality but marketable. I think it's wrong to look for people who are very good at everything. It's more appropriate to think in structures which work like spur wheels that can transmit power to one another and revolve together. There is no IT management without the right circle of professionals. And without the relevant financial and economic qualification there is no viable business model.

Q: Anyway, do you need a lot of engineering information technologists or business information economists?

A: We have more and more positions which are in practice about managing systems. These systems are often full IT supply chains which need to be managed and optimised. We need

„White ants can build their nest because it is somehow coded in their genes."
– interview with Attila Ürmössy, head of Telekom IT nearshore center of IT services Hungary

83

professionals who are able to communicate and build networks globally from India to South-Africa from Brazil to Russia. They are also required to understand not only the IT goals and significance of these systems but also the economic ones. This is the trend at our company.

Q: Last, I would like ask you how strongly are big data, cloud, ERP present in innovation? I mean in company innovation.

A: ITSH I think is a typical operational company which is more similar to a car manufacturer than an innovative car designer company. So, these aren't the leading topics in our company now. But only when these are connected we can create something that truly works. If somebody starts the design process of a car without making sure if production is possible then that car might not be economical to produce. I think the same about what you asked. When it comes to big data or cloud computing, well trained specialists are important who are able to manage and plan it well and can also operate the system well. This is not the majority today, but we get more and more requests where highly qualified specialists are needed. Also, when we created our IT strategy until 2018, we address our local responsibilities. We included what activities and practices we would like to focus on in order to achieve our goals. There are also issues we must deal with in order to remain competitive with our prices so we can keep providing IT support for other parts of our organisation.

Q: Do you think that the benefits of the ERP systems can be measured? Is this a kind of investment into employees? Can the short-term return be calculated? Many of the newly emerging phenomena become trendy but for a while it isn't possible to estimate how much they are worth and how much should be invested in them.

A: Those who know me also know that this topic is one of my manias. As IT is having a more decisive role in society its ability to shape society is getting stronger and stronger, too. IT will be an issue for companies that requires more and more investment and it will cost more... Yes, more than likely it will happen because the real value of IT will be manifested in other business areas. So long as IT supports a business process its impact will be shown on the business side. If we recall what we said earlier that the world is accelerating and quick decision-making is a must then I think that the trend will be that decisions made will have to be realised in a shorter period of time. Moreover, financial realisation will also be paramount. I doubt that large companies will invest in IT systems which have 10 to 15 years of return. Instead it is more likely that they would invest in IT systems with a maximum return of 3 years. The

reason for this is that by the time the implementation of a 4 or 5 year-long IT project is over the technology is outdated. By then there would be systems that are faster and provide better support for the company. I think that these can be measured and not only can be measured but must be measured. It is vital to ensure the short-term rate of return.

Q: Finally, to unwind a little bit. I would like to ask you to give a message to higher education institutions offering programs in economics because education is always more conservative. You must have felt it when you went to university. They keep track of reality in a certain extent bit they are still more conservative. What do you think should be a useful message coming from the IT industry for universities offering programs in business and economics?

A: Well, this isn't an easy question…at the end of the interview. For whom? University leaders or students?

Q: Those who have the power to improve the future of higher education.

A: I think today's dynamic world changes the way universities operate as well. The teaching methods used at universities can be more frontal requiring more standing in front of the blackboard or can be more cutting-edge using technologies such as e-learning systems etc. On the one hand my message is that if we talk about business information economists and also teach it we have to be open to new things that make learning easier for students. This is the methodological aspect the other is the content aspect. As we can see the content is changing dynamically too although there are some stable content elements. The task is to find the balance between old and new. Timeless pieces of information or those relevant for a longer period of time have to be kept and taught along with the new ones. Also, we should make sure that we constantly revise the material we teach. Again let me refer back to what I said earlier: a rate of return calculation is exactly the same as it was 30 years ago. It is of course true that the time requirement of the rate of return is considerably shorter today. Methods often remain the same but thresholds change over time. It's great if someone knows how to calculate a rate of return but one also has to know how to interpret the numbers. Is 4 years as rate of return acceptable or not? These things change.

Q: Do you think that e-learning is going to squeeze face-to-face teaching out from mass education? There are some who predict exactly that. I've just read an American study claiming that mass education is sooner or later going to follow the e-learning method because of econo-

„White ants can build their nest because it is somehow coded in their genes.” – interview with Attila Ürmössy, head of Telekom IT nearshore center of IT services Hungary

85

mic and technological reasons. It is simply technologically more efficient. Also, the users of e-learning materials will get used to it.

A: I think that an entertaining e-learning material will surely squeeze out old-fashioned and dry learning materials. But if we believe that education has disciplinary function as well then I think e-learning will never provide the right substitution in mass education. Maybe the role of teachers and professors will change too and they will have to teach a little bit more discipline. Students will also have to learn how to use e-learning materials. Roles will change undoubtedly. Language barriers will also play a part in this story because those who speak English have different opportunities from those who don't. Here in Hungary it is going to happen a bit slower because we have a small population of about 10 million. Large countries with a billion people can invest much more.

Q: Do you mean that we should teach in English? Like for example in Finland where master programs are all in English?

A: Maybe. I would say that the range of universities can be easily extended. This way they can become more international. A university in the Balaton Uplands can have a range that covers the whole of Europe. What is needed though is high level of English knowledge and up-to-date teaching material and methodology. The European integration certainly marks out this direction. It's not at all sure that geographical location will determine where students actually sit etc. Those who open to internationalisation and become pioneers will be the winners of the change. Of course the experience of those is also needed who had been professors and leaders in higher education institutions. They must have a deeper understanding of these trends than me. But I firmly believe that internationalisation is becoming more extended.

Q: Thank you for the interview.

A: You're welcome.

ESZTER BOGDÁNY

PASSING THE LEADERSHIP BATON IN HUNGARIAN SMALL- AND MEDIUM SIZED ENTERPRISES

Small- and medium sized enterprises (SMEs) are one of the most important driving forces of the performance of Hungarian economy. 'Recognition of the special role of SMEs and in particular family-based enterprises, their typically local base, socially responsible attitudes and capacity to combine tradition with innovation, underpins the importance of simplifying the transfer of businesses and the skills' (EKB, 2008:6). Enterprises are not yet ready to handle pressure caused by the change of generations is becoming stronger and stronger.

The aspect of handing over top management functions caused by the pressure of generation transition and the factors influencing that process are at the forefront of the research. I believe it is of major importance to reveal more depth analysis of the role of leadership succession in SMEs and the factors influencing it. It is imperative for enterprises to have a clear review of the current phase of their succession process based on which a future direction of the succession process can be set. The research sample includes SMEs because today they are at the phase of development in which their leadership system is more or less well founded and the owner-managers are in a position to hand over leadership functions. Hence, the aim of the research was to study the succession process of SMEs with a special focus on handing over top management functions (leadership succession).

In order to do so a thorough literature review has been completed. It has revealed that succession processes are partly emotional for leaders. As a result not only quantitative but also qualitative research methodologies were applied. Research questionnaires are underpinned by case studies. Additionally, I also aimed at identifying leadership functions and roles that help us build a better understanding current and future phases of succession processes in case of SMEs. Following the identification of current and future leader function I also investigate relationships between organisational and individual characteristics. The results indicate that SMEs which show good example in succession process by founding the professional base that is independent of the founder/owner are few in number.

The importance of leadership succession in Hungary

Hungarian researchers have been considering the management based approach to SMEs since 1980's and it became an emergent theme after the economic and social changes of the

1990's. Both nationally and internationally the force of generational change puts the phenomenon of business succession forward. Consequently, it is essential to ask the questions about which phase the SMEs succession process is in presently and what future SMEs succession process will have.

According to Watkins (2003) there is an abundance of change models to support organisational change processes but there is a lack of research focusing on how to manage newly received leadership functions and roles which are critical to a successful succession process. Leaders who invested their creative energy into building their dream have to let it go as they reach the age of retirement. They need to realise that it is the time when a new wave of creative ideas needs to be introduced to the organisation in order to find the strengths to find viable solutions to newly emergent environmental, technological and other difficulties. The response process is hardly ever simple. Finding, preparing and also financing leaders who will eventually be up to the task is mutually challenging. Most research on leadership succession focuses on theoretical perspectives (Fizel and D'Itri, 1997) and lack models representing the various aspects of succession. According to Giambatista et al. (2005) the questions raised by the three fundamental theories (common sense, vicious circle (or vicious cycle), and ritual scapegoating) have already been answered so it is time to go beyond the study of influencing factors. Researches are mostly based on the experiences of those who had been part of succession processes (Haddadj, 2006). Despite the fact that succession processes are critical to small businesses "where the founders pass on the leadership to professional management" (Kesner and Sebora, 1994:363) there are only a few theoretically well founded studies with practical relevance which focus on SMEs where the primary concern of leadership succession (Giambatista et al., 2005).

The overall aim of my research is to explore the current phase of leadership succession of Hungarian SMEs. Therefore, leadership functions and roles have been identified. I also aimed at identifying relationships between organisational and individual characteristics and the characteristics of succession.

The research attempts to answer the following questions:

1 Is it possible to create a leadership role profile with which the distinctive phases of succession of Hungarian SMEs can be described and studied?

2. What organisational and individual characteristics help defining the current phase of succession?

3. What is the nature of the relationships between organisational and individual factors and the characteristics of the succession process?

The process of succession

According to Grusky (1960) succession occurs in every organization and it leads to instability because it will change the basic norms and values. Disruptive for every organization, it motivates the implementation of new methodologies, distracts the initial traditions, and induces change. According to Zhang and Rajagopalan (2004) the succession is the most powerful critical process in the life of the organization. According to initial succession researchers (Grusky, 1960; Barry, 1975) the succession is the change of key position during the lifecycle of organizations and can be distinguished into two parts: the transfer of ownership and leadership. The role of key leadership roles were emphasized in the researches of Pfeffer and Salancik (2003), too. The resource dependency theory based on Pfeffer and Salancik (2003) emphasized the leadership transfer which is influenced by the environmental changes (p. 226). According to Pfeffer and Salancik (2003:228) the leadership change is a strategic answer to the possibilities of environment. Most of the research emphasises the role of the family during the succession process. According to Beckhard and Burke (1983: 3) the family business succession means "the passing of the leadership baton from the founder-owner to a successor who will either be a family member or a non-family member; that is, a 'professional manager'". As we can notice during the process of succession two different roles are important, the role of the founder/owner-manager and the next generational member who can be also professional manager not necessarily a family member. According to Handler (1990: 48–49) who created the "dance" process of succession, "succession represents a mutual role adjustment process between the founder and next-generation family members". The aim of Handler's research was to describe the "dance" between the actors of succession process and to call the attention of researchers to the relevance of succession planning. According to Chand and Bronner (2008:1) "succession is not about filling leadership vacancies; it's about creating an organization's future. It's about looking down the road, determining what future challenges await the organization and providing what's needed to arrive at the desired destination".

Summarizing the above, succession is a structural process whereby the transfer of business occurs including the whole or partial transfer of ownership or/and leadership, moreover it includes the strategic decision of the founder-owner with respect of the future of the organization. During the decision the founder-owner is considering the characteristics of environment, enterprise and individuals in order to plan their own exit strategy and the entry of the successor, who can be a family member or non-family member and can come from outside or inside of the company.

It is widely accepted that succession is more like a process than an event (Churchill and Hatten, 1987; Farquhar, 1989; Friedman, 1986; Gilmore and McCann, 1983; Handler, 1990; Longenecker and Schoen, 1978). It is not just a step where the leadership and/or ownership will be transferred. Succession also needs to be handled as a multi-decisional process, which is happening repeatedly during the organizational life. The process of succession can be interpreted by two aspects:

• the process models (Longenecker and Schoen, 1978; Handler, 1990;) and,
• the lifecycle models (Greiner, 1998; Barnes and Hershon, 1976; Adizes, 1992; Gersick et al., 1997)

The process models construe the succession process like a periodic process, the life cycle models interpret the succession process as the way of the organizational evolution in order to reach the transfer of business. My research concentrates on the analysis of the process of succession so I will present Handler's model (1989) in details. According to Handler (1989) the process of succession can be divided into phases, which can be phases before the arrival of a successor and the after phases of transfer of leadership. Handler (1989: 43) executed 32 interviews with family businesses and experienced that the "next-generation family members indicated that their own role in the business was shaped by the role of the predecessor". With her case studies a mutual adjustment process is described in which the roles during the process of succession are not separated rather evolving according to the succession of the other actor. First the successor has no role then they become a helper, a manager and at the end of the process they will be leader/chief executive decision-maker. On the other hand the roles of the predecessor are first sole operator, followed by the role of a monarch, an overseer/delegator and finally a consultant. Figure 1 shows the process of succession.
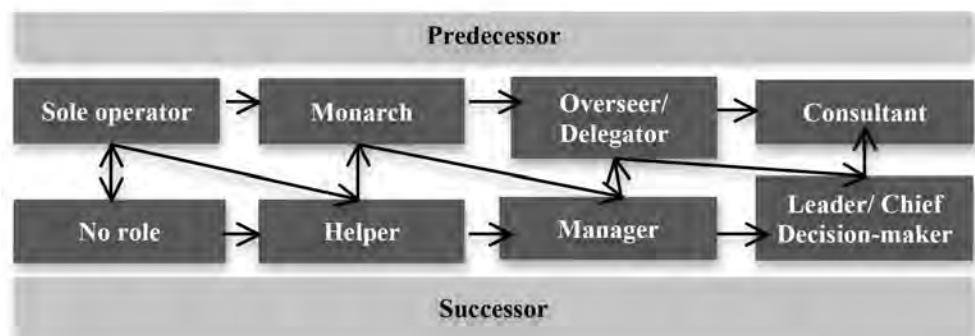

Figure 1. Handler's mutual adjustment process of succession
Source: Handler, 1989:194

As we can see in Figure 1 during the first phase the predecessor is the sole operator of the business. During this phase the owner mainly deals with leadership functions and initial operational functions in connection with the establishment of the business. In this phase the owner is equal with their business. The successor role is not apparent yet or it is not necessary to think about the succession. During the next phase the predecessor takes up the monarch role which already gives them an outstanding power over the business. In line with these the successor also gets a new role as a helper. In this phase the successor gets functional tasks and learns the operational mechanisms of the business. When the predecessor is a delegator they transfer the responsibility over the business to the successor, who is a manager. This point is one the most sensitive parts of the progress. According to Handler (1989) most of the companies cannot get to this phase. To get through the phase mutual trust, sharing common values and delegation of responsibilities are needed. During the last phase the predecessor is a consultant, actively not part of the operation of the business. A main difficulty during this phase is the disengagement or retirement from the organization and the simultaneous pursuit of other interests. The leadership role of the successor will be successfully transferred if the power and influence will be also passed.

According to Handler (1989) the succession will end if beside the transfer of leadership the transfer of the majority of ownership also takes place. The starting point of a typical succession process is not when the successor enters the business. It happens earlier when the idea of the succession surfaces in the mind of the owner. After the entrance into the business operation the relationship between the owner and manager is based on the recognition of the roles and the transfer of business specific knowledge to the successor. The successor receives managerial functions or tasks when they step into the formal hierarchical system. The phase will end when the predecessor appraises the work of the successor and decides about the transfer of the whole leadership. At the end of the whole process the transfer of the majority of ownership occurs, and finally the succession ends.

Leadership roles during the process of succession

Instead of the process of the leadership succession as a whole the research narrows down to the transfer process of leadership roles and factors influencing its phases. The literature review revealed the complex nature of the process of leadership succession. I opted for the process models approach to understand the leadership succession process. The central idea of process models is that the leadership succession process is treated independently from the business life-cycle. When dealing with process models I focused on the continuous and

mutual exchange of roles that occur throughout the various phases of the leadership succes-
sion process. The exchange of leader roles results in a decreasing number of roles on behalf
of the transmitter and an increasing number of roles on behalf of the successor. To answer
the question whether it is possible to define a profile of leadership roles of current and future
leadership succession processes of SMEs I used the three most common types of task-oriented
leadership roles that exist in the literature.

In order to identify the appropriate tasks in relation with the roles of the leader and mana-
ger I reviewed the most important literature. It is important to note that the present literature
review does not cover all leadership and management research results, the review represent
the most significant features. The aim of the review is to demonstrate such parameters which
clearly define the leaders' and managers' tasks. The longish research stream represents well
the main differences between the managers and leaders (see in Appendix No.1). As we can
see on the table in Appendix No. 1, the role of manager is characterized by the rules, consis-
tency, predictability and order. The main task of the manager is the efficient and effective
implementation of the organizational goals by the planning, organizing, managing and con-
trolling of the organizational resources. They believe in the rules, accept the presents' losses
with such expectation that they will win next time. The leader communicates indirectly,
through messages and signals. The managers' goal is to be, what the company expects from
them – they accept the status quo. The manager uses traditional techniques to reach the pre-
determined goals. They are too busy to handle difficult or impossible problems. They accept
reality, focus on the systems, structures and lead on controlling. They follow a short-run
viewpoint, and concentrate on the 'How?' and 'When?' questions.

The leaders' tasks could also be itemized similar to the managers' tasks. The equivalent
of planning is the representation of an attractive vision for people and marking out the way
that people need to follow. The equivalent of organizing is lining up people in order to
achieve the vision. The equivalent of leading is the motivation and inspiration of the people
in order to stay in the right way. The leaders' goal is working, and in order to reach goals high
and outstanding performance is expected. The roles of the leader are like a capability that al-
lows them to influence, motivate and empower people to contribute to the organizational
performance and efficiency. The leader rebels against rules, creating new approaches to the
long-standing problems and posing open questions to the new opportunities. The leader
works in a highly risky position and is ready to explore the risk and danger. The leaders' goal
is to execute the talents, motivate, coach and build trust. They are looking to the future in
order to define tasks which help to reach the organizational goals. The leaders' goal is to be
what you are. I also consider it important that not just these two roles could appear in the

successor and in the incumbent roles. I also examined the third role, the governors' role. The governor is the appropriate role for owners who would like to participate in the direction of the organization but they do not want to take part in the daily operation.

The governor who dominate the decision-making channels, influence, handle the formal and informal power structures, balance between boards or bodies, lobby, form coalitions, manoeuver between influential bodies (Angyal, 1999). The governor ensures that the organization has a clear mission; give direction in order the organization can have a clear strategy. He or she also provides wisdom, insight and good judgment. The governor manoeuvers with differing, competing, or colliding priorities, interests, values, and perspectives. "They must serve as mediator, translator, negotiator, and facilitator... To characterize these ideas succinctly: leadership answers the question 'what?' management answers the question 'how?' and governance answers the question 'who?'. Or, to put it more playfully, leadership is inspiration, management is perspiration, and governance is incorporation" (McLaughlin, 2004: 6).

The literature shows clearly what managers, leaders and governors really do. Based on these and also based on the field work I determined the main tasks of the leaders, managers and governors (see in Appendix No. 2) and we can assume that a profile of leadership roles can be defined with which the leadership succession processes of Hungarian SMEs can be characterised.

Research model and factors influencing leadership succession

Following the identification of current and future leader functions, I also investigated relationships between organisational and individual characteristics and the roles of leadership. In order to visualize my hypotheses a research model was developed. It shows organisational and individual factors as explanatory variables and the factors of leadership succession as the explained variables and the relationships between the two sides (Figure 2).

The first component of the organisational factors is the ownership interests. They were examined from two perspectives: the family aspect and the international aspect. In the first stage of the analysis I wanted to identify the differences between family owned and non-family owned businesses in terms of their leadership succession processes.

The literature review indicated that during the leadership succession process family businesses favour those successors who upon stepping into family businesses take roles of lower management levels or leader roles (Stewart and Hitt, 2011; Gersick et al., 1997; Yeung, 2000).
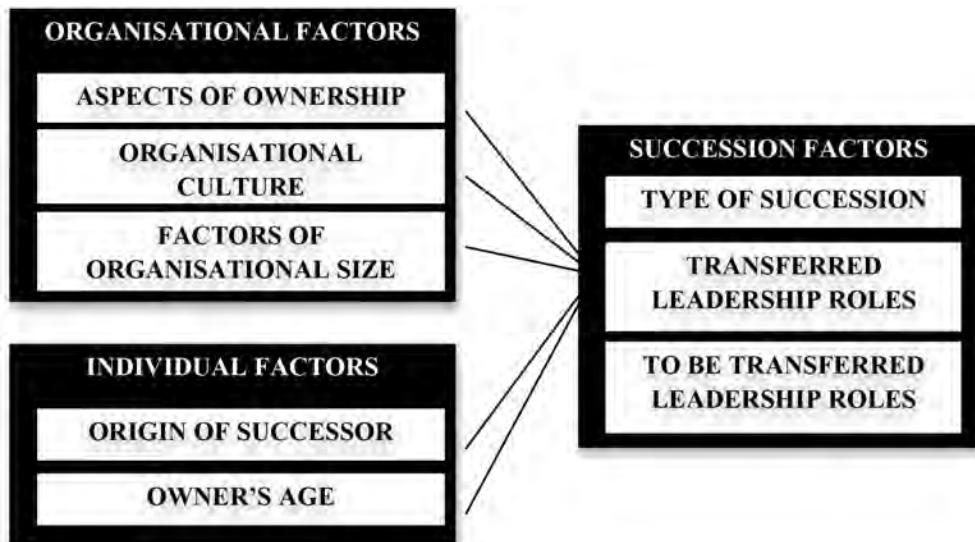
Figure 2. Research model

Bringing managers from outside the family is not common in Hungary so the professionalization of family businesses is not common either (Csákné, 2012). It would lead to loss of trust in businesses (Bjuggren and Sund, 2002; Lee et al., 2003; Royer et al., 2008). These facts indicate that transferring ownership interest and governor roles in family businesses to managers outside of the family is less common. Non-family businesses prefer transferring roles and functions to managers outside the family are more common because the leadership succession process is less influenced by emotions (Grusky, 1969; Giambatista et al., 2005; Zhang and Rajagopalan, 2006). Consequently, non-family businesses are more ready to transfer a wider range of functions and roles now and in the future as well. When examining the international aspect I aimed at finding evidence to identify the differences of leadership succession processes between enterprises with Hungarian and foreign ownership majority. Since Hungarian enterprise owners are quite young succession is not at the forefront at it can be assumed that these enterprises are at an earlier phase of leadership succession.

To examine the second component of organisational factors I used Cameron and Quinn's organisational assessment instrument (Quinn and Rohrbaugh,1983; Cameron and Quinn, 2006) which is able to measure the dominant organisational culture of organisations (Cameron et al., 2006). Based on the literature review we can assume that there is significant relationship between the ownership relations of enterprises and the factors of leadership. Pre-

liminary research results had shown that passing on values and norms does influence leadership functions and roles that are to be transferred (Ciampa, 2005; Hall and Hall, 1989; Venter et al., 2005; Benavides-Velasco et al., 2013). Regarding the correlation between the various phases of leadership succession and the organisational culture type the main question is whether the internal-external focus or the stability-flexibility dimensions are more dominant in the later phases of leadership succession. According to the literature of influential effect of values during the transfer process (Denison et al., 2004; Chirico, 2008; Nordqvist, 2005; Schein, 1995; Bynander and Hart, 2008; Kur and Bunning, 2002; Dyer, 1988) we can conclude the influence of organizational culture too.

In my opinion in clan culture where solidarity and team work are the most important values the process of leadership succession is less relevant because paternalist leaders withhold most of the leaders' functions and roles to themselves. In market culture competition is highly motivating and leaders quickly realise the advantages brought by delegating functions and roles. The lesson we can learn from the above is that the dominant organisational culture and the type of leadership succession show a relationship as do the dominant organisational culture and the transferred leader functions and roles. At the same time, it might also be interesting to see how a future dominant organisational culture can influence leader functions and roles that will be transferred in the future. Do SMEs take thought for the future in regards to their dominant organisational culture?

The third component of organisational factors is size which was divided into two sections one is organisational size and the other is change in size. In case of the organisational size the challenge was to find answer to the possible differences between small and medium sized businesses in terms of their leadership succession processes. It might seem obvious that small businesses transfer less roles but it is more complex to answer which roles are transferred. It is hypothesized that in case of small and medium sized businesses manager and leader roles are more often transferred and governor roles are transferred mostly in case of medium sized businesses only (Dalton and Kesner, 1983). I thought to be important to examine any changes in business size as well because a dynamically changing business more leadership functions and roles will be transferred in both small-and medium sized businesses (Kraatz and Moore 2002, Finkelstein and Hambrick, 1996; Boeker, 1997). Based on these we can assume that there is significant relationship between the factors of organisational size and the characteristics of leadership succession.

Within individual factors the most significant element most researches focus on is the origin of successor which can be divided into two (Grusky, 1960; Brown, 1972; Brady et al., 1982; Weisbach, 1988; Kesner and Sebora, 1994; Birnbaum, 1971). On the one hand there

is the origin of the successor and its relation to the performance of the organisation (Karaevli, 2007) and the other is the analysis of the characteristics of successor (Gersick et al., 1997; Yeung, 2000). During my research I focused on the influence of the origin of the successor. More precisely the relationship between the origin of the successor – from within the organisation versus from outside the organisation – and the factors of succession were examined. It can be assumed that the successors from inside the organisation are transferred more functions and tasks from the owner-leader simply because there is more trust involved in this transfer (Gersick et al., 1997; Yeung, 2000; Harris and Helfat, 1997; Helmich and Brown, 1972; Dalton and Kesner, 1983; Royer et al., 2008). The literature shows that successors from outside of the organisation push the organisation more to the direction of professionalization (Stewart and Hitt, 2011) and eventually they can take over more functions and tasks if trust evolves between them and other members of the organisation. Based on these we can assume that there is significant relationship between the origin of the successor and the factors of leadership succession.

The literature is quite divided about the age of the owner and there is no clear evidence regarding this issue (Brickley, 2003; Hambrick and Mason, 1984; Lansberg, 1999). Some of the research suggests that the owner's age has influence on the motivation of decision-making. So, in my research I was looking for evidence to support whether the factors of succession are influenced by the age of the owner. As the owner-leaders draw on in years they gradually start to prepare their organisation for the succession process. Although, in Hungary it seems that owner-leaders are less concerned with their age and they are often 'addicted' to their organisation and they do not want to part with it. To show their strong ties with their organisation they are reluctant to transfer governor roles and their ownership interest (Csákné, 2012).

Methodology and research sample

When selecting the appropriate research methods we need to keep in mind the research questions which must be responded to and the hypotheses that must be tested. As the focus of my research was the succession aspects of Hungarian SMEs and the study of various organisational and individual factors with succession it. Consequently, my research is a descriptive and explanatory one within social and management science. In order to secure the reliability of my research results I used both quantitative and qualitative research methodologies. I have prepared case studies which provided a firm base for the final questionnaire. The quantitative research methods included statistical analyses to prove my hypotheses. I applied prin-

cipal component analysis to investigate the process of succession and analysis of variance to investigate the differences according to aspects of transferred and to be transferred leadership roles. To investigate relationships between various factors I used analysis of variance (ANOVA) and cross-table analysis.

Micro enterprises were excluded from the research sample. Methodologically it is difficult to identify these organisations and they have fewer levels of hierarchy which suggests that succession is also much less complicated. The final target group became Hungarian small- and medium sized businesses. There have been several studies on Hungarian and foreign family businesses so I aimed at including non-family businesses as well. I also excluded businesses which operate in a legal form in which the question of ownership is blurry such as joint stock companies. The research sample included limited partnerships and limited companies. The formulation of the questionnaire included a section in which the current and future organisational culture was examined using an already existing and widely used questionnaire developed by Cameron and Quinn. The 'Organizational Culture Assessment Instrument' (OCAI) is a validated research method to examine organizational culture. The rest of the questionnaire was made relying on information from forming the research concept and operationalizing the research.

Research sample characteristics

Questionnaires were sent to top managers of companies listed in a marketing database. I selected 6112 small-and medium sized enterprises from the database which corresponded with my criteria. I sent the questionnaires in three rounds: on 21 and 28 February and on 7 March in 2013. Respondents had two weeks to return the questionnaires. I received a total of 412 responses and in the following two months an additional 15 questionnaires were received. After verification of all the questionnaires (427) 393 (that is 92% of the total) were testable.
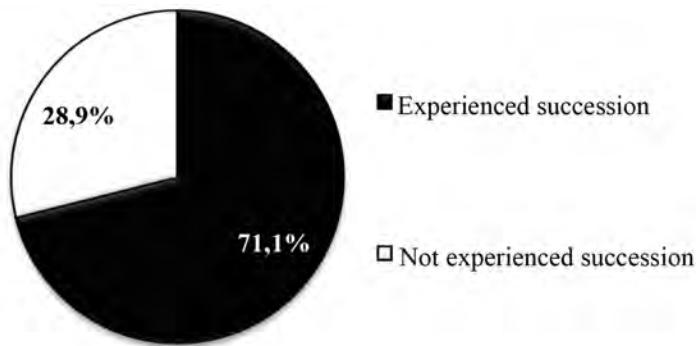
Figure 3. The distribution of enterprises already experienced and not yet experienced leadership succession

More than 70% of enterprises which responded have experienced at least one phase of leadership succession and 28.6% had not experienced any forms of leadership succession (Figure 3). The research analysis included only those enterprises that have already experienced leadership succession so the examined enterprises amounted to 278.

Research results

Firstly, I examined the transferred and 'to be transferred' leadership roles which were analysed by qualitative and quantitative techniques. In order to characterize the transfer of organizations I examined three factors, which came from the contradictory literature results. As a result I set out as an objective to create my own measuring system. The factors of succession are measured by the types of occurred succession (whether it was only managerial function transfer, only ownership transfer or both); by the presently transferred and the desirable leadership roles what mean the owner wants to transfer in the near future.

The sample distribution by the occurred transfer show that the 21.9% of the companies experienced only ownership succession, 42.8% only functional transfer and 35.3% both types of succession (Figure 4). The balanced distribution gives opportunity to examine the transfer of companies according to the 3 types of succession. Hereinafter, I use these companies for further examination.

The transferred and the "to be transferred" leadership roles were created by principal components analysis. The three leadership roles are: the governor, the leader and the manager. Before the principal components analysis I also tested the leadership roles in four companies. First, I created 76 tasks based on literature in order to describe the leadership roles. After the

fieldwork I reduced these tasks to 38 and tested with principal components analysis. The present and preferred succession has been identified by the principal components analysis of leadership roles (Table 1).
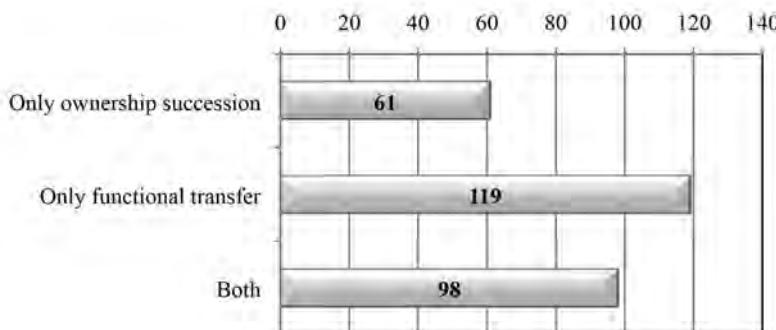

Figure 4. Succession types

Principal component analysis of roles	KMO value	Bartlett significance	Communalities	Explained variance
Transferred governor role	.873	.000	✓	45.852
To be transferred governor roles	.865	.000	✓	41.707
Transferred leader role	.943	.000	✓	59.812
To be transferred leader roles	.934	.000	✓	55.823
Transferred manager role	.949	.000	✓	64,760
To be transferred manager role	.941	.000	✓	64,882

Table 1. Principal component test

As we can see in Table 1, the requirements of the analysis have been met so the principal components of the transferred and "to be transferred" roles can be used for further analysis. The principal components of leadership roles meet the requirements of KMO and Bartlett tests (Table 1). The communalities are over the required 0.25 which is above the traditional methodological expectations of social sciences. This indicates that the principal components of transferred and 'to be transferred' roles can be accepted. Based on the above we can state that in the companies responding, that **by the role profile of governor, leader and manager we can characterize the current and future phases of leadership succession of Hungarian small-and medium sized businesses.**

The influencing factors of leadership succession were divided into organisational and individual factors in my explanatory research. Organisational factors include the aspects of

ownership, the organizational culture and the factors of organizational size. I measured the aspects of ownership with the family aspect and the aspect of the majority of ownership whether it is foreign or Hungarian. The examination of relations between the organizational, individual and succession factors I used crosstab and variance-analysis. The connection between the aspects of ownership and the type of succession was examined by crosstab analysis. Table 2 shows the results of crosstab analysis.

Correlation between factors	χ^2 Significance	Cramer V	Analysis
Family aspect and the type of succession	0.032	0.16	Significant weak relationship
International aspect and the type of succession	0.515	0.73	No relationship

Table 2. Results of cross-table analysis

The significance of Chi-square is 0.032 and the Cramer V shows weak connections. It means that between the type of succession and the family aspect of ownership there is a significant but weak connection. I investigated another aspect of ownership too, which is the majority of the ownership whether it is Hungarian or foreign. The value of the Chi-square is not significant (Table 2) so on this sample I cannot report any significant relationship between the majority of ownership and the succession types. Figure 5 shows that 48% of family businesses and 38% of non-family businesses transferred only leadership functions. Family businesses prefer less the transfer of ownership, they rather choose only the transfer of leadership or both of the two types of succession together. Otherwise 27.6% of the non-family business transferred only the ownership and 34% of non-family businesses choose both of the succession types together.

I examined the relationship between the aspects of family ownership and the leadership roles during the succession process. The principal components of leadership roles were created to the present and to the desired status of leadership succession. To investigate the relationship between these two factors I made variance-analysis. The results are demonstrated in Table 3. The requirements of homogeneity of variances and the normality have been met so I can investigate the results of ANOVA table. The ANOVA table (Table 3) shows significant differences between the roles and the majority of ownership.

Based on the results I can state that the owners of family businesses want to hold the ownership in their own hands until their successors become experienced enough to succeed, at the moment when the successors can demonstrate their qualities in the managerial functions and earn the trust of the owner. On the other side the succession characteristics of non-
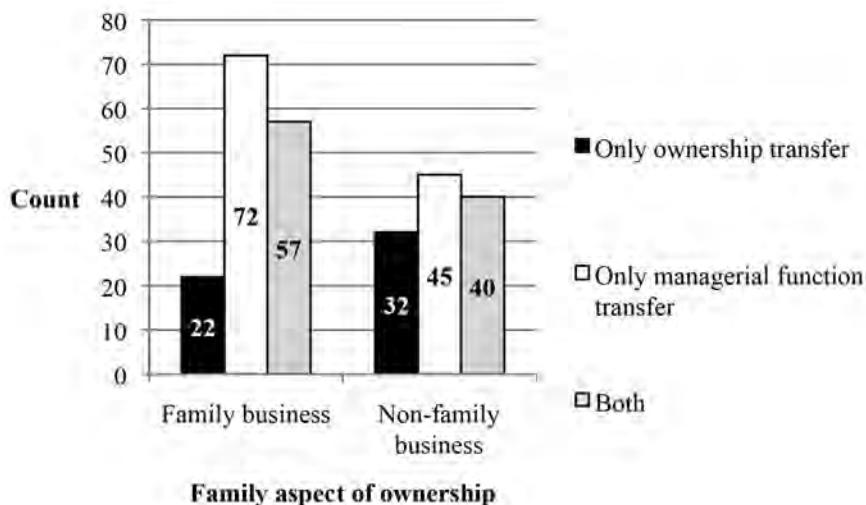
Figure 5. Family-businesses and the type of succession

Roles during the process of leadership succession	Family business (significance)	Foreign business (significance)
Transferred governor role	.003	.011
To be transferred governor role	.124	.005
Transferred leader role	.002	.032
To be transferred leader role	.494	.137
Transferred manager role	.003	.000
To be transferred manager role	.270	.011

Table 3. ANOVA levels of significance

family businesses in the group of small sized companies are very similar to the family businesses and the dominant type of succession is the transfer of managerial functions. In the middle-sized company category the non-family businesses already transferred besides the managerial functions the share of the ownership too. The results show significant differences between the transferred leadership roles according to the family aspect of ownership. Moreover, the family businesses are less experienced in the transfer of leadership roles than the non-family businesses. These results mean that in the family businesses the tenure of the owner is significantly longer and it indicates that top management role is a strongly protected "throne" for the owner. The family business owners insist on the top management and will

not transfer the leadership roles in the near future. Otherwise the non-family business' owners are delegating more leadership.

According to the results we can say that the approach of the family business owner about the letting go of the business is very hide-bound. They are applying a paternalistic attitude which is holding the owners very close to the business. Moreover, their stance is not helping to recognize the importance of the succession and the actions and competences of the new leader or leaders. This introspected organizational behaviour resulted in the fact that the family businesses failed to recognize the priorities of leadership succession. This may also lead to the stagnation of the family businesses. Based on the above we can state that **the family aspect of ownership has significant relationship with the transferred leadership roles.**

The further analysis is concentrated on the organizational culture effect. After the computation of the values of dominant current and future organizational culture I examined the relationship between the culture and the factors of succession by crosstab-, and variance analysis. The crosstab analysis shows no significant correlation between the culture and type of succession. The next step of the analysis was to examine the relationship between the current and future culture and the transferred and 'to be transferred' leadership roles by analysis of variance. The analysis shows significant connection between the current organizational culture and the transferred governor and managerial roles. According to the post-hoc analysis the difference is significant between the clan, hierarchy and market type of cultures (Figure 6).

Owners of organizations which are operating in current clan or hierarchy culture transfer less governor and managerial roles. According to the analysis of variance there is a significant relationship between the dominant future organizational culture and 'to be transferred' managerial role (Figure 6). According to the post-hoc analysis the difference is significant between the hierarchy and market type of cultures. Owners of organizations which are operating in future hierarchy culture are less transferred the managerial role than organizations desire to operate in future market culture.

The dividing line between the transferred and 'to be transferred' leadership roles are the internal-external focus of organizational cultures. What it means is that organizations in which the values of competitiveness, the performance and the customers are operating, are delegating more leadership roles than organizations in which the values of family, the hierarchy and the formalities are the most important. Based on the above we can state that **there is a significant relationship between the current dominant organisational culture and the transferred governor and manager roles. Moreover there is a significant relationship between the desired dominant organisational culture and the 'to be transferred' manager role.**
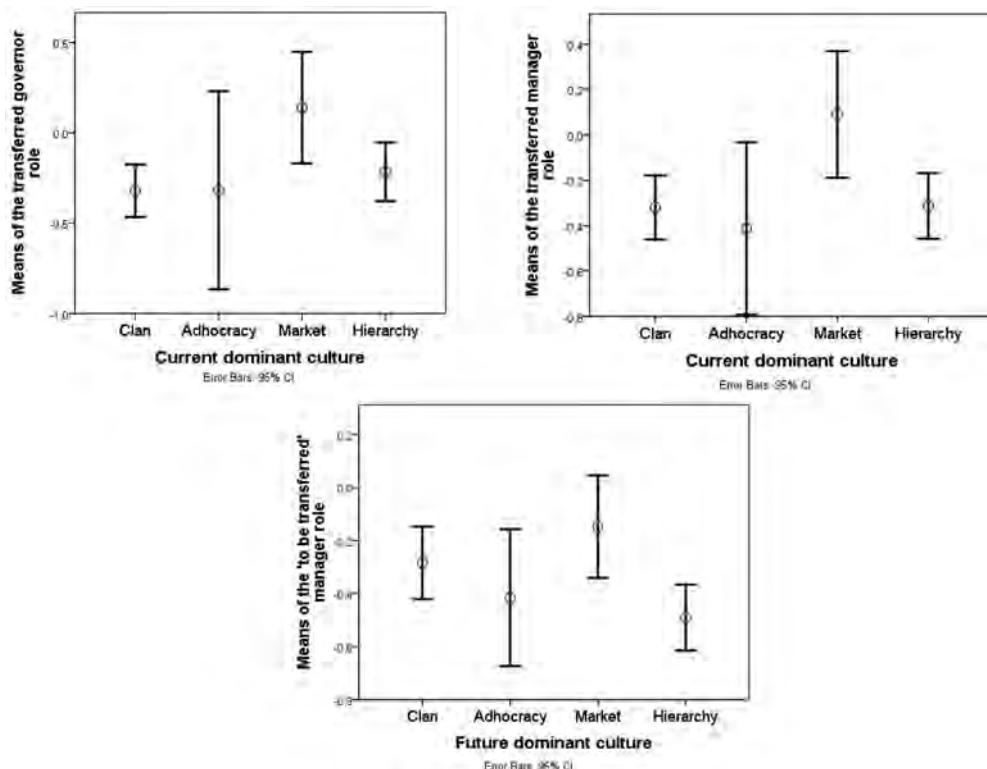
Figure 6. The means of main components of transferred governor, manager and "to be transferred" manager roles based on the current and future dominant culture

The third organizational factors were the factors of organizational size, which contained two components: the size of the organization, and the change in size. The organizational size was measured by traditional definition of small-and medium sized enterprises. The change in size was measure by absolute and relative indicators of growth according to the European Commission and these resulted 4 change category (exponentially growing, linearly growing, stagnant and companies decreasing in size).

The components of organizational size have no significant relationship with the type of succession according to the crosstab analysis and has significant relationship with the transferred and 'to be transferred' leader and managerial roles according to the analysis of variance (Table 4).

Roles during the process of leadership succession	Size (significance)	Change in size (significance)
Transferred governor role	.247	.476
'To be transferred' governor role	.095	.872
Transferred leader role	.016	.239
'To be transferred' leader role	.012	.025
Transferred manager role	.000	.246
'To be transferred' manager role	.001	.070

Table 4. ANOVA levels of significance

More leadership roles were transferred and desire to transfer in medium sized enterprises, and where the change in size was exponentially growing. Based on the above we can state that **there is a significant relationship between the size of organisation and the 'to be transferred' leader and manager roles. Moreover there is a significant relationship between the change in organisational size and the 'to be transferred' leader role.**

During the examination of individual factors I analysed two components, namely the successor origin and the owners' age. The crosstab analysis show significant connection between the successor origin and the type of succession (Table 5) where mostly the inside successor take over the functions and ownership too, and the outsider successor mostly get only functional areas.

	χ^2 Significance	Cramer V	Analysis
Origin of successor and the type of succession	.005	0.184	Significant weak connection

Table 5. Results of crosstab analysis

As Figure 7 shows 48% of the company owners passed the inside successor the ownership, and the functional areas, too. 41% of the company owners preferred the outside succession and preferred only the transfer of functional areas. The results show that the inside successor take over both the ownership and functional areas, and the outside successors take over only functional areas.

The analysis of variance shows significant differences between the transferred and the 'to be transferred' leadership roles according to the successor origin (Table 6).
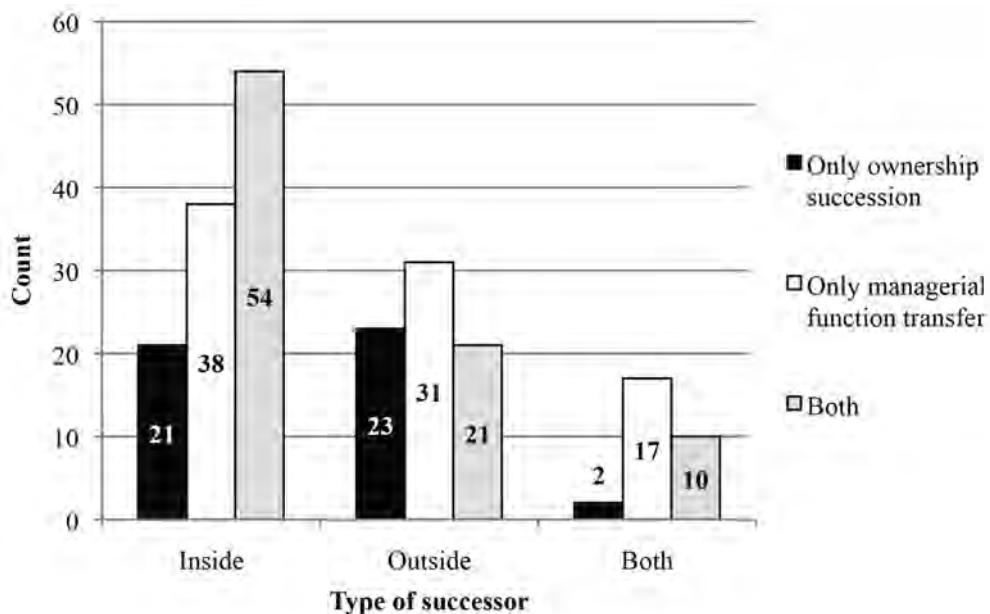
Figure 7. Origin of successor and the type of succession

Owners passed and desire to pass significantly less governor, leader and managerial roles to the inside successors than to outside successors. The results show that trust is important during the process of succession because insider successor take over frequently the part of ownership than outsiders, but during the transfer of leadership roles the role of professionalization of the company is more important. Based on the above we can state that **there is significant relationship between the origin of the successor and the transferred leadership roles and the 'to be transferred' governor roles.**

Roles during the process of leadership succession	Origin of successor (significance)
Transferred governor role	**.010**
To be transferred governor role	**.034**
Transferred leader role	**.000**
To be transferred leader role	.158
Transferred manager role	**.006**
To be transferred manager role	.182

Table 6. ANOVA levels of significance

The other aspect of individual factors is the age of the owner. Here I focused on the age of the owner-manager at the time of the first succession and whether the age of the owner had any influence on the type of succession and the distribution of transferred and 'to be transferred' leader roles. The examination of the age of the owner remained inconclusive which suggests that there is no correlation between the age of the owner and the various characteristics of the succession. In the second round I selected those organisations which are older than 15 years to see whether there is any correlation there. The results show that those organisations which are at least 15 years old show a significant but moderate correlation with the type of succession. Most of the owners of these organisations were between the ages of 35 and 49 during the first transfer of roles. 63% of the transfer of roles included ownership as well as leader roles. There is also a significant correlation between the age of the owner at the time of the first transfer of roles and the transferred governor and 'to be transferred' governor and manger roles. My original assumption could not be proved but I consider it a useful result that organisations older than 15 years show a significant correlation between the age of the owner and the type of succession.

At the beginning of my research I formulated three questions and I made my answers according to the reported analyses:

Is it possible to create a transferred leader role profile with which the distinctive phases of succession of Hungarian SMEs can be described and studied?

The current and future succession phases of SMEs are narrowly described in literature and can be characterised by qualitative and quantitative leader role profile.

What organisational and individual characteristics help defining the current phase of leadership succession?

The succession phase of SMEs can be characterised by the ownership interest, the dominant organisational culture, the size of organisation and changes in size, the origin of the successor and the age of the owner.

Is there a relationship between organisational and individual factors and the factors of leadership succession?

The current succession phases of SMEs show a relationship with the types of ownership of businesses – whether they are family-businesses or non-family businesses – the dominant organisational culture and the size of organisation and the origin of the successor. The future succession phase of SMEs shows a relationship with the dominant organisational culture, the size of organisation and changes in size and the origin of the successor.

Conclusion

Small businesses and their owner-managers are able to construct their own current and future succession phases by identifying and interpreting leadership roles. When analysing their future succession phases they are able to plan the road to a successful succession. It is important because the research has revealed that Hungarian SMEs are less developed in terms of transferring roles during a succession process. Hungarian business owners only consider a future succession process in an explicit way.

The transferred leadership roles of organizations are significantly different according to their family aspect of ownership. The family businesses realized lower transfer states than the non-family businesses. Results show that family business owners pass on the functional areas more frequently than the part of her/his ownership. In my opinion the results are indicating the classical entrepreneurial mentality during which the owners want to stay longer on their 'throne'. Unless the family business owners create a very strong paternalistic organizational climate which gives the owner a protection and make the owner the father of the organization, it is very difficult to recognize the importance of the transfer of leadership.

According to the organizational culture there are significant differences between the transferred and 'to be transferred' leadership roles. Lower states of succession were experienced in the presence of clan organizational culture according to the transferred governor role and lower states were also in the present and desired clan culture according to the managerial role. The state of succession is higher in the desired and present market culture according to the managerial and governor roles.

The differences between the states of succession are based on the internal and external focus. Owners are concentrating on the external processes of organization and are delegating more leadership roles than owners who are concentrating on internal mechanisms. Break with the friendly organizational climate; leave the role of father, and start to operate as a professionalized company it makes very difficult to shift from the clan culture to the market culture. In the clan culture owners are attached to their leadership roles, and they do not want to pass that. However, in the market culture these owners have already recognized the importance of professionalized operation and delegate more leadership roles, too.

According to the factors of organizational size there are significant differences between the transferred and 'to be transferred' managerial and leader roles where the middle sized companies and the exponentially growing companies delegated and desire to delegate more leadership roles. Most of the owners do not want their company to grow, and companies

where growth was important more leadership roles are delegated. So, it is interesting to ask why the exponentially growing companies want to delegate more leader roles? According to the exponentially growing companies the growth indicates that they need to adapt to the environmental changes and this means that they need a strong strategy "creator". Those kind of owners could recognize that they need competent leaders.

Successors from inside the organisation are usually transferred ownership interest and leader functions, too. In those organisations where there is no preferred successor only the transfer of leader functions dominates. It is typical, that owner-managers are strongly attached to the team who was around at the time of foundation. This leads to more trust towards successors from inside the organisation and ownership succession to them is easier. But it is an interesting fact that top management leader functions are retained because while successors from inside the organisation are transferred ownership interest and leader functions, the own leader functions are less transferred. Finding a competent successor from outside the organisation is time and finance consuming and risky. There are no resources available for these long and difficult processes. But it is also true that whenever successors from outside the organisation enter they feel pressured to prove themselves and receive more leader functions. My case studies also suggested that unless a successor from outside the organisation demonstrates his/her abilities he/she will not receive ownership interest.

Applying research results, limitation and further research

Leadership succession is still an uncharted field of management science. There are many aspects of the leadership succession process that need to be studied. One of the specific areas of leadership succession is small- and medium sized businesses. Succession in these organisations has a more crucial role because of knowledge acquisition. In the future I plan to continue research on SMEs because they play a defining role in the Hungarian economy both in terms of innovation and in terms of their contribution to GDP. In order to continue their important role in our national economy they need to secure continuity even when owner-managers leave the organisation. The influencing factors of the research questionnaire need to be extended in order to learn more about the leadership succession of SMEs. This would allow us to analyse those succession processes which had been carried out successfully.

Based on the research results it can be assumed that professionalization has a strong influence on the leadership succession process. It means that certain leader functions are fulfilled by manager hired specifically for these roles. These managers from outside of the organisation are able to bring in values and norms which are new to the organisation. Through

these new values and norms the organisation will be able to experience new momentum and might become more professional. Another field that needs to be further researched is organisational culture and its influences. In this regard the Cameron-Quinn dominant culture types should be further investigated.

My research questionnaire is able to reveal the main characteristics of the leadership succession process in SMEs. The questionnaire section which covers the leader functions is appropriate to study succession processes of SMEs and the aims set for future succession processes. Studying leadership succession processes can also provide a base for comparative analyses of organisations. Environmental factors also need further studies. SMEs are in a difficult position in the current dynamically changing environment which forces them to constantly adapt to changes while they suffer from constant lack of professionals. Business life-cycle studies would also be highly relevant. Within these studies the critical time and size of SMEs should be determined when succession is the most ideal.

The research sample included businesses where the leadership succession process was only partial and the focus of the research was to map the phase of the succession process. In the future I plan to continue the research by analysing the leadership and ownership succession jointly. This is the only way to gain a thorough picture of the whole of the succession process. It is evident that studying ownership succession is much more complicated and needs a deeper analysis. The reason for the complexity of the task is that there are extensive legal, financial, psychological and social factors and interconnectedness involved in that process. Business equity not only involves financial advances but also considerable social and psychological values. Business owners are attached to the organisation they lead and manage. Transferring leader roles during the generation transition processes will be less emotionally tough for owners in the near future than ownership transition.

References

Adizes (1992): *Vállalatok életciklusai*. HVG. Budapest

Angyal, Á. (1999): *A vezetés mesterfogásai*. Kossuth Kiadó. Budapest

Barnes, L. B. – Hershon, S. A. (1976): Transferring power in the family business. *Harvard Business Review,* Jul/Aug, 105–114.

Barry, B. (1975): The Development of Organisation Structure in the Family Firm. *Journal of General Management*, 3, 42–60.

Bass, B. M. – Stogdill, R. M. (1990): *Bass & Stogdill's handbook of leadership theory, research, and managerial applications* (3rd ed.). New York, Free Press

Bateman, T. S. – Snell S. A. (1999): *Management: Building a Competitive Advantage*, 4th ed., Boston: Irwin/McGraw-Hill.

Beckhard, R. – Burke, W.(1983): "Preface". *Organizational Dynamics,* 12: 5–12.

Benavides-Velasco, C. – Quintana-García, C. – Guzmán-Parra, V. F. (2013): Trends in family business research. *Small Business Economics*, 40, 41–57.

Bennis, W. (1989): *On becoming a leader*. Perseus, Reading, Mass.

Bennis, W. – Nanus, B. (1985): *Leaders. The Strategies for Taking Charge.* Harper Perennial, A Division of Harper Collins Publishers.

Bennis, W.G. (1997): in: Maxwell, J.C. *Leadership 101*. Tulsa, Honor Books, 14

Birnbaum, R. (1971): Presidential Succession: An Interinstitutional Analysis. *Educational Record*, Vol. 52, Issue 2, 133–45.

Bjuggren, P.O. – Sund, L.G. (2002): A Transition Cost Rationale for Transition of the Firm within the Family. *Small Business Economics*, Vol. 19, Issue 2, 123–133.

Boeker, W. (1997): Strategic change: The influence of managerial characteristics and organizational growth. *Academy of Management Journal*, 40, 152–170.

Brady, G. F. – Fulmer, R. M. – Helmich, D. L. (1982): Planning Executive Succession: The Effect of Recruitment Source and Organizational Problems on Anticipated Tenure. *Strategic Management Journal,* 3, 269–296.

Brickley, J. A. (2003): Empirical Research on CEO Turnover and Firm-performance: A Discussion. *Journal of Accounting and Economics*, 36, 227–233.

Brown, M. C. (1982): 'Administrative succession and organizational performance: the succession effect'. *Administrative Science Quarterly*, 27, 1–160.

Bynander, F. – Hart, P. (2008): The art of handing over: (Mis)managing party leadership successions. *Government and Opposition*, Vol. 43, Issue 3, 385–404.

Cameron, K. S. – Quinn, R. E. (2006): *Diagnosing and changing organizational culture: based on the competing values framework.* Revised ed. John Wiley & Sons, San Francisco

Cameron, K. S. – Quinn, R. E. – DeGraff, J. – Thakor, A. V. (2006): *Competing Values Leadership, Creating Value in Organizations*. Edward Elgar Publishing, Northampton

Capowski, G., (1994): Anatomy of a leader: where are the leader of tomorrow? *Management Review*, Vol. 83, Issue 3, 10–18.

Chand, S. R. – Bronner, D. C. (2008): *Planning your succession: Preparing for your future.* Highland Park, Mall Publishing Company Chirico

Churchill, N.C. – Hatten, K.J (1987): Non-market based transfers of wealth and power: A research framework for family businesses. *American Journal of Small Business,* Vol. 11, Issue 3, 51–64.

Ciampa, D. (2005): Almost ready: how leaders move up. *Harvard Business Review*, Jan, 46–53.

Covey, S. – Merrill, A. R. –Merrill, R. R. (1994): *First things first: To live, to love, to learn, to leave a legacy.* Simon and Schuster, New York.

Csákné, F. J. (2012): Családi vállalkozások – fókuszban az utódlás. *Kisvállalkozás – fejlesztési központ, Ph.D értekezés*, Budapest, http://phd.lib.uni-corvinus.hu/660/1/Csakne_Filep_Judit_dhu.pdf, downloaded: on 1. March 2013

Daft, R. L. (2003): *Management.* 6th Ed., Dryden, London.

Dalton, D. R. – Kesner, I. F. (1983): Inside/outside succession and organizational size: The pragmatics of executive replacement. *Academy of Management Journal*, 26, 736–742.

Davis, K. (1967): *Human Relations At Work: The Dynamics Of Organizational Behavior*. New York: McGraw-Hill, 96.

Denison, D. – Lief, C. – Ward, J. L. (2004): Culture in Family-Owned Enterprises: Recognizing and Leveraging Unique Strengths. *Family Business Review*, Vol. 17, Issue 1, 61–70.

Dover, P. A. – Dierk, U. (2010): The ambidextrous organization: integrating managers, entrepreneurs and leaders. *Journal of Business Strategy*, Vol. 31, Issue 5, 49–58.

Dyer, G., (1988): Culture and continuity in family firms. *Family Business Review*, Vol. 1, Issue 1, 37–50.

Európai Közösségek Bizottság (2008): *Soroljuk a kkv-ket első helyre! Európa jó a kkv-k számára és a kkv-k jók Európa számára.* Európai Kiadóhivatal

Farquhar, K. A. (1989). *Employee responses to external executive succession: Attributions and the emergence of leadership*. Doctoral dissertation, Boston, MA: Boston University.

Finkelstein, S. – Hambrick D. C. (1996*): Strategic leadership: top executives and their effects on organizations.* Minneapolis/St. Paul.

Fizel, J. L. – D'Itri, M. P. (1997): Managerial efficiency, managerial succession, and organizational performance. *Managerial and Decision Economics*, Vol. 18, Issue 4, 295–308.

Friedman, S. D. (1986): Succession systems in large corporations: Characteristics and correlates of performance. *Human Resource Management*, Vol. 25, Issue 2, 191–213.

Gersick, K.E. – Davis, J.A. – McCollom Hampton, M. – Lansberg, I. (1997): Generation to generation: Life cycles of the family business. *Harvard Business School Press*, Boston, 2–31, 70–71.

Giambatista, R. C. – Rowe, W. G. – Riaz, S., (2005): Nothing succeeds like succession: A critical review of leader succession literature since 1994. *Leadership Quarterly*, Vol. 16, Issue 6, 963–991.

Gilmore, R. N. – McCann, J. E. (1983): Designing effective transitions for new correctional leaders. In: J.W. Doig (Ed.), *Criminal corrections: Ideals and realities*. Lexington, KY: Lexington Books

Greiner, L. (1998): Evolution and Revolution as Organisations Grow. *Harvard Business Review*, Jul/Aug, 65–87.

Grusky, O. (1960): Administrative succession in formal organizations. *Social Forces*, 39, 105–115.

Grusky, O. (1969): Succession with an ally. *Administrative Science Quarterly*, Vol. 14, Issue 2, 155–170.

Haddadj, S. (2006): Paradoxical process in the organizational change of the CEO succession, A case study from France, *Journal of Organizational Change Management*, Vol. 19, Issue 4, 447–456.

Hall, E.T. – Hall, M.R. (1989): *Understanding cultural differences*. Intercultural Press, Yarmouth.

Hambrick, D.C. – Mason. P.A. (1984): Upper Echelons: The Organization as a Reflection of its Top Managers. *Academy of Management Review*, 9, 193–206.

Handler, W.C. (1989): Methodological issues and considerations in studying family businesses. *Family Business Review*, Vol. 2, Issue 3, 257–276.

Handler, W.C. (1990): Succession in family firms: A mutual role adjustment between entrepreneur and next-generation family members. *Entrepreneurship Theory and Practice*, Vol. 15, Issue 1, 37–51.

Harris D – Helfat C. (1997): Specificity of CEO human capital and compensation. *Strategic Management Journal,* Vol. 18, Issue 11, 895–920.

Hay, A. – Hodgkinson, M. (2006): Rethinking leadership: a way forward for teaching leadership. *Leadership & Organization Development Journal*, Vol. 27, Issue 2, 144–158.

Helmich, D. L. – Brown, W. B. (1972): Successor type and organizational change in corporate enterprise. *Administrative Science Quarterly,* 17, 371–381.

House, R. J. (2004): *Culture, leadership, and organizations: The GLOBE study of sixty-two societies*, Sage, Thousand Oaks, Calif.

Karaevli, A. (2007): Performance consequences of new CEO 'outsiderness': Moderating effects of pre- and post-succession contexts. *Strategic Management Journal*, 28, 681-706.

Kesner, I. F. – Sebora, T. C. (1994): Executive succession: Past, present and future. *Journal of Management*, 20, 32–372.

Kotter, J. (1996): *Leading change*. Boston, MA: Harvard Business School Press.

Kraatz, M. S. – Moore, J. H. (2002): Executive Migration and Institutional Change. *Academy of Management Journal,* Vol. 45, Issue 1, 120–143.

Kur, E. – Bunning, R. (2002): Assuring corporate leadership for the future. *The Journal of Management Development*, Vol. 21, Issue 10, 761–779.

Lansberg, I. (1999): *Succeeding generations: Realizing the dream of families in business*. Boston: Harvard Business School Press.

Lee, K.S. – Lim, G.H. – Lim, W.S. (2003): Family Business Succession: Appropriation Risk and Choice of Successor. *The Academy of Management Review*, 28, 657–666.

Levitt, T. (1976): The industrialization of service. *Harvard Business Review*, Sept/Oct, 63–74.

Longenecker, J.G. – Schoen, J.E. (1978): Management succession in the family business. *Journal of Small Business Management*, Vol. 16, Issue 3, 1–6.

Maccoby, M. (2000): Understanding the difference between management and leadership. *Research Technology Management*, Vol. 43, Issue 1, 57–59.

McLaughlin, J. B. (2004): Leadership, Management, Governance. *Education*, 5–13.

Nordqvist, M. (2005): Familiness in top management teams. *Entrepreneurship Theory and Practice,* Vol. 29, Issue 3, 285–291.

Perloff, R. (2004): *Managing and leading: The universal importance of, and differentiation between, two essential functions*. Oxford University.

Pfeffer, J. – Salancik, G. R. (2003): *The external control of organizations: A resource dependence perspective*. New York: Harper & Row.

Quinn, R. E. – Rohrbaugh, J. (1983): A Spatial Model of Effectiveness Criteria: Towards a Competing Values Approach to Organizational Analysis. *Management Science*, Vol. 29, Issue 3, 363–377.

Riggs, D. E. (ed.) (1982): *Library Leadership: Visualizing the Future*. Phoenix, Arizona: The Oryx Press.

Royer, S. – Simons, R. – Boyd, B. – Rafferty, A. (2008): Promoting family: a contingency model of family business succession. *Family Business Review*, Vol. 21, Issue 1, 15–30.

Schein, E. H. (1995): The role of the founder in creating organizational culture, *Family Business Review*, Vol. 8, Issue 3, 221–238.

Stewart, A. – Hitt, M. A. (2011): Why can't family business be more like a nonfamily business? Modes of professionalization in family firms. *Family Business Review*, Vol. 25, Issue 1, 58–86.

Stogdill. R. M. (1997): *Leadership, Membership, and Organization in Leadership. Classical, Contemporary, and Critical Approaches*. Oxford University Press, 112–124.

Venter, E. – Boshoff, C. – Maas, G. (2005): The influence of Successor-Related Factors on the Succession Process in Small and Medium-Sized Family Businesses. *Family Business Review*, Vol. 18, Issue 4, 283–303.

Watkins, M. (2003): *The First 90 Days: Critical Success Strategies for New Leaders at All Levels*. Harvard Business School Press, Boston

Watson, C. M., (1983): Leadership, management and the seven keys. *Business Horizons,* March/April, 8–13.

Weathersby, G. B. (1999): Leadership versus management. *Management Review*, 88, 5.

Weisbach M. (1988): Outside directors and CEO turnover. *Journal of Financial Economics*, 20, 431–60.

Yeung, H.W. C. (2000): Limits to the growth of family- owned business? The case of Chinese transnational corporations from Hong Kong. *Family Business Review*, Vol. 13, Issue 1, 55–70.

Yukl, G. (2006): *Leadership in organizations* (6th ed.). Upper Saddle River, NJ: Pearson-Prentice Hall.

Zaleznik, A. (1977): Managers and leaders: Are they different? *Harvard Business Review,* Vol. 55, Issue 3, 67–78.

Zhang, Y. – Rajagopalan, N. (2004): When the known devil is better than an unknown god: An empirical study of the antecedents and consequences of relay CEO successions. *Academy of Management Journal*, 47, 483–500.

Appendix No.1

Manager	Leader
"Do things right!" *(Bennis and Nanus, 1985)*	**"Do the right thing!"** *(Bennis and Nanus, 1985)*
General management functions: planning, organizing, staffing, controlling *(Kotter, 1996; Yukl, 2006)*	**Planning: Presenting the vision; Organizing: Accomplishing the vision by supporting people; Leading – Controlling: motivation, inspiration in order to take the right way** *(Kotter, 1996)*
Focuses on complexity – the aim is the efficiency *(Dover and Dierk, 2010)*	**Focuses on change – the aim is the acceptance of the change** *(Dover and Dierk, 2010)*
Get to the position by assignment, follow the traditional hierarchy *(Stogdill, 1997)*	**It is a process, not a position, and turn up with the undertake of the teams' responsibility** *(Bennis, 1989; Davis, 1967; Stogdill, 1997; Bateman and Snell, 1999)*
Searching stability and control *(Zaieznik, 1977; Bennis, 1997, Yukl, 2006)*	**Tolerating chaos** *(Kotter, 1996; Zaieznik, 1977)*
How? When? *(Bennis, 1997; Zaieznik, 1977)*	**What? Why?** *(Bennis, 1997; Zaieznik, 1977)*
Importance of the rules *(Kotter, 1996; Zaieznik, 1977, Yukl, 2006)*	**Rebelling against the routines** *(Zaieznik, 1977)*
Communicating on indirect way *(Zaieznik, 1977)*	**Using open questions** *(Zaieznik, 1977)*
Problem-solver *(Kotter, 1996; Zaieznik, 1977)*	**Problem-analyzer** *(Zaieznik, 1977)*
Administrator, Maintainer, typical good soldier *(Bennis, 1997)*	**Change manager, Innovator, Developer** *(Bennis, 1997; Hay and Hodgkinson, 2006; Covey et.al, 1994; Bennis, 1989; Maccoby, 2000; Zaieznik, 1977)*
To be, what the company expects from you! *(Bennis, 1989)*	**To be what you are!** *(Bennis, 1989)*
Accepting status quo *(Bennis, 1997;1989)*	**Status quo as challenge** *(Bennis, 1997;1989)*

Manager	Leader
More brain, less soul! *(Capowski, 1994)*	**More soul and heart, less brain!** *(Capowski, 1994)*
Working with available, existing paradigms and methods *(Covey et.al, 1994, Kotter, 1996; Zaieznik, 1977; Bennis, 1989, 1997; Riggs, 1982; Yukl, 2006)*	**Creating new paradigms, approaches and methods** *(Covey et.al, 1994, Kotter, 1990; Zaieznik, 1977; Bennis, 1997)*
Short- run viewpoint *(Bennis, 1997)*	**Long- run perspective** *(Hay and Hodgkinson, 2006; Bennis, 1997; Kotter, 1996; Bennis and Nanus, 1985; Zaieznik, 1977; Perloff, 2004)*
Systematic activities and the importance of the rationality *(Watson, 1983; Levitt, 1976; Yukl, 2006)*	**The importance of the intuition** *(Zaieznik, 1977)*
Coping with limited choices, sorting organizational resources, and allocating the scarce resources *(Kotter, 1996, Daft, 2003; Weathersby, 1999, Covey et.al, 1994)*	**For her/him the goal is work itself, the work causes satisfaction for her/him, and also expects outstanding performance** *(Bennis, 1997; Kotter, 1996; Watson, 1983; Bass and Stogdill, 1990; Bateman and Snell, 1999)*
Stronger emotional reactions *(Zaieznik, 1977)*	**The importance and the existence of self-discipline, self-knowledge** *(Bennis and Nanus, 1985; Bennis, 1997)*
Too busy to deal with difficult or impossible tasks *(Riggs, 1982)*	**Ready for searching the risk and danger, above all for the opportunity and reward** *(Zaieznik, 1977, Yukl, 2006)*
Concentrating on systems *(Kotter, 1996; Covey et.al. 1994; Bennis, 1989; Bennis, 1997)*	**Concentrating on the stimulation of reaching the aims** *(Bateman and Snell, 1999; Kotter, 1996; Dover and Dierk, 2010)*
The main device is the control, regulation, and the guarantee of discipline *(Dover and Dierk, 2010; Kotter, 1996; Bennis, 1989; Daft, 2003; Levitt, 1976; Zaieznik, 1977; Bateman and Snell, 1999, Bennis, 1997)*	**Empowering, delegation, arousing the interest to solving problems, empathy, building trust** *(House, 2004; Zaieznik, 1977; Plunkett, 1996)*

The characteristics of leader' and manager' roles

Appendix No. 2

Managers' tasks	Leaders' tasks	Governors' tasks
Formulating operational plans, action plans	Formulation of vision	Forming or developing the mission
Communicating the operational plans	Ensuring the acceptance of vision	Ensuring the acceptance of the mission
Formulating the organizational structure	Formulating strategic goals	Defining the policy of the leadership succession
Formulating formalized systems	Facilitating the identification with the strategic goals	Handling the Public Affairs
Formalization of the authorities and responsibilities	Communicating strategies and actions to stakeholders	Handling the relations between the investors
Job analysis and -planning	Initiating changes	CSR
Creation of work conditions	Developing change management strategies	Managing/treatment the employees' interest
Creation of the benefit system	Implementation of organizational development	Handling social interest related to protecting the environment
Operational controlling	Handling the conflict between organizations	PR
Reporting the co-workers	Strategic controlling	Participation in meetings with the key customers, strategic partners
Handling operational problems	Coordinating informal relations	Deciding about donation, sponsorship, patronage and other subsidies
Handling the conflict between individuals	Coordinating projects	
Deciding about the development of the co-workers	Individualized support of the co-workers in the implementation of the tasks	
	Individual guide to co-workers	

Identified tasks of managers, leaders and governors

Eszter Bogdány is a Lecturer at the Department of Management, University of Pannonia. She graduated in Management and Leadership with Human Resource Management and Organization Development Specialization in 2010 and received her PhD degree in Business Administration and Management Sciences in 2014. Her research interests are human resource management and leadership in SMEs.

Eszter teaches Personnel, Controlling Personnel Processing and Rationales for Responsible Business. Eszter Bogdány can be contacted at *bogdany.eszter@gtk.uni-pannon.hu* and at the Management Institute, Faculty of Business and Economics, University of Pannonia, Veszprém.