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FROM THE EDITOR

Welcome to the inaugural issue of the Journal of Business & Technology (JBT)! The goal of the Journal of Business & Technology is to provide an invaluable reference that spans a broad spectrum of topics in business and technology. The JBT will be a key reference source for professionals in academia, business, industry, and government, as well as graduate and undergraduate students in different academic disciplines. It will be a major source of basic and advanced information to guide students, researchers, practitioners, policy makers, and the general public. With this mission in mind, we publish five articles in our inaugural edition within an open-theme format.

Schwaner, Harter, and Palla introduce a qualitative meta-analysis focusing on the relationship between external technology, globalization, and the shift to a knowledge-based economy and its effect on trust in the workplace. Demirkol and Sherman present an overview of the real estate industry, including key indicators and risk factors as well as challenges, current trends, and forecasts. Guerra-Lopez Hicks provides an analysis of the Impact Monitoring and Evaluation Process as a systematic approach to integrating continuous improvement in organizations. Bernardez illustrates the emergence of a new type of university, centered not only in educating individuals and producing intellectual capital but in educating organizations able to create productive jobs for their graduates and take their research to the market more rapidly. Finally, Lewis and McGivern focus on the topic of downsizing and its impact on the perceptions of those affected. Although this quantitative study is framed in a manner similar to a dissertation, we felt it was important to include as encouragement to aspiring researchers to persevere through their educational pursuits to contribute to the literature and applied environment.

I sincerely thank all who provided scholarly, administrative, and capital contributions to help make the inaugural edition of the Journal of Business & Technology a reality. I look forward to your comments, critique, and future submissions.

Eric S. Harter, DM
Editor in Chief
Trust and the Workplace in a Flatter World: A Content Analysis of Technology, Globalization, and Normative Transformation

Shawn Schwaner, PhD  |  Eric S. Harter, DM  |  Anil Palla, MD

ABSTRACT

Past studies of trust in the workplace have focused on leadership, executive success, and productivity. While the typical meta-analysis relies upon quantitative methodology to examine past results on particular topics, this one utilizes a qualitative analysis focusing on the relationship between external technology, globalization, and the shift to a knowledge-based economy on trust in the workplace. It is argued here that trust is a qualitative normative expectation that rests within dynamic social relationships within the workplace as a cultural entity; in many ways, trust is a living organism. The growth of virtual groups, which, by definition, require a trusting environment, is a proxy variable of technological change in the contemporary workplace. As such, this research examines the transformation of trust in the workplace as the literature increasingly analyzes virtual teams. The focus here is to uncover the subtle variations of trust before and after the arrival of virtual teams and make sense of its impact on leadership and productivity. Its vitality has been diffused, re-conceptualized, and modified to the point that it presumes a nature of a social psychological and network concept serving as a form of modified social glue in a cultural, structural, and virtual context. Implications are discussed.

INTRODUCTION: THE DYNAMICS OF WORKPLACE TRUST, SYMBOLIC SYSTEMS, AND CHANGING TECHNOLOGY

Friedman argued that the world is flat (2006), hot, and crowded (2009). Fundamentally, technology has arguably provided access to information for populations spanning the globe. The outcome of such time-centered change is that the human capacity to process data at light speed has brought people together in most a unique networked web of relationships. The nature of the workplace has shifted from a local place to virtual dynamic where symbolic systems of communication, ethics and values, and normative systems, such as those dealing with trust, have been transformed. Taken together, demographic shifts, technological innovation, and globalization have transformed the nature of interpersonal conduct and trust in the workplace.

This research is designed to examine how the nature and concept of trust in the workplace has shifted over the past half century in relationship to globalization and technological innovation. In its most fundamental manifestation, it is assumed here that trust has been regarded as an intuitive construct in the academic literature though it is increasingly being treated as a fundamental exogenous concept to fundamental business measures of success (Dirks & Ferrin, 2002). In doing so, this research takes a step back from regarding trust as an independent variable and regarding it within a broader symbolic system reflecting broader cultural and structural shifts in business enterprise. In this capacity, trust is an entity, linkage, and mediator between technological
innovation, growth, and human output; perhaps it is the recapitulated social contract as defined by enlightenment contract thinkers such as Rousseau, Beccaria, Hobbes, Locke, and others. Trust as a form of a priori (Durkheim, 1997) social glue permits technology to be ingratiated into the traditionally change-fearing work climate.

Namely, though there have been meta-analytical examinations of trust in the workplace (Dirks & Ferrin, 2002), the current research looks at trust from a raw and fundamental perspective. That is, it is argued that the concept of trust has been analytically transformed from a stand-alone term to one that is embedded within a much broader dynamic and socially constructed system. Currently, debates rage in terms of its cognitive, hierarchical, relational, and organizational aspects. However, few have examined the etiology of this process as reflected in symbolic interpretation within research itself. It is argued here that the concept of trust has been transformed by structural shifts in business enterprise, cultural systems of normative expectations in the workplace, and changing and dynamic technological systems that are re-defining the method by which work is experienced and performed.

Academic research, like any other language system, is a dynamic symbolic system reflecting dominant themes, expectations, and ethical processes. The structure of research has changed, methods improved and become more robust, all the while new language systems have emerged. For example, in the transformation of the workplace from an industrial model to a knowledge-based one (Adler, 2000; Drucker, 1996) where virtual communication systems have transformed work groups and teams into “virtual work groups,” the nature, definition, and dynamic of trust as a construct has been portrayed in a changing manner as well. Content analysis is used to examine the manner by which the term trust is introduced, defined, and transformed by cultural and technological change. Specifically, this study examines how trust is introduced in its most base form within the titles of academic research as it reflects symbolic systems in a most concise, condensed, and lucid style.

Implications of the changing nature of trust are discussed.

**TECHNOLOGICAL INFRASTRUCTURE, CULTURAL LAG, AND TRUST**

It has long been argued that the infrastructure of society, technology, demography, and allocative and authoritative resources (Giddens, 1979) impacts both the institutional order and the superstructure (Marx, 1848). Though this paper is not designed to explore the nature and impact of power on trust in a Marxist framework, it does suggest that trust plays a role in the distribution of hierarchical power within an organizational climate, management system, and leadership structure. However, germane to this research, changes in infrastructure, such as technology, have an impact on belief systems, albeit erratic and, often times, embedded in conflict.

Traditionally, employees tend to seek stability within the workplace. It is far more comfortable to maintain tradition to ensure employment stability and habitual rhythms. As such, human nature clings to institutional patterns of behavior to promote stability and for management, equilibrium and productivity (Durkheim, 1997). Thus, cultural systems of language, beliefs, and norms are resistant to change. Such a situation, by implication, suggests that culture lags behind technological innovation. Consequently, the notion of trust as a norm within a broader organizational culture is likely to change slowly, including for management personnel. Over time, this potentially creates disconnect between management and expectations, leadership and the ability to maintain trusting relationships with personnel, and a climate redefining trust. Rapid technological change is met with resistance and distrust is a potential outcome; change leaders and leadership emerge out of the wreckage of a falling industrial model of management (Drucker, 1996).

In time, it is expected that language systems built around trust will gradually transform to catch up with the infrastructural shifts associated with technological change. Rather than having a smooth flat world, it is likely to be mountainous and bumpy and not nearly as smooth as technocrats would
suggest. Thus, the mere advance of technology has success that is predicated upon the adjustment of normative systems built on trust. Interpersonal and intragroup relationships, which are increasingly short-term based in the currently mobile workforce, are more difficult to create. Consequently, within the academic literature, the concept of virtual team has emerged as an issue of the future and one that shapes the technology-trust hubris. Thus, not only are there organizational culture issues at hand, the globalization of the virtual workplace has shifted trust as a structural concept within the workplace. The ability of managers and executives to lead this change will require the shortening of the lag time between technological change and trust. The associated language and ability to make such adjustments are certain to impact productivity.

For example, the first appearance of the landmark Apple/Macintosh commercial during the 1984 Super Bowl (Couch, 2011) was a certain precursor of personal computing to come. In a cultural sense, the now famous commercial ushered in a major point of fissure between traditional social and economic models with more technologically derived ones. Since that time, personal computing has changed the way in which work, lives, and organizations operate. This change in the infrastructure laid the groundwork for the superstructural ideological and belief systems of the newly emerging millennial generation. Consequently, not only has the workplace changed, and been forced to do so, the culture and language of work has done so as well. The use of abbreviated terms such as “LOL” are a cultural lag of Apple that took nearly 30 years to complete. In other words, it is clear that the social, cultural, and symbolic systems of work have shifted with technology, and trust as a fundamental glue to organizational structure has shifted as well. This paper maps out these dynamics.

Central to this research, particular attention is paid toward looking at the nature of how the concept of trust is embedded within the literature. It is assumed that as culture changes so will the nature of how trust is portrayed. Analagous to Maslov’s Hierarchy of Needs, once a plateau is reached in the academic literature, there is no turning back. Therefore, it is assumed that shifts from an industrial model of management to a knowledge-based one transformed the nature of how trust was utilized in the literature. Similarly, the introduction and growth of technology will, again, expand and redefine the nature of trust in the workplace. The language used in academic literature is likely to lag behind technology but demonstrate its transformation in a most public way. For this study, the notion of the virtual team is used as a proxy term suggesting that technology is directly impacting the workplace via the transformation of trust.

TECHNOLOGY AND TRUST LAG

Marvin Harris (1979) espoused that social life is tied to cultural materialism. The material foundation of society, technology, demography, and ecology, shape the nature and direction of cultural patterns. This is true, conceivably, in the workplace as well. It has been clearly established that the current era is the first in which there are four generations of employees working together with a rapidly expanding international workforce. The globalization of local economies has been coupled with a virtual reality that is re-organizing work life in general. Just as the shift from an industrial economy to a post-industrial one had an impact on the workplace, technological revolutions have done the same. Interestingly, there is a confluence between demographic, technological, and economic forces. The material foundation of society is reshaping culture.

It is certainly true that normative systems are shifting as well. Giddens (1979) noted that the cultural systems that shape individual agency is tied inextricably to institutional forces. His theory of structuration suggests that macro and micro forces work simultaneously and maintain a dynamic process. Though agency matters, so do institutional forces. As such, technology, by definition, redefines time-space relationships. Time-space distanciation indicates that advanced telecommunication technology makes it possible to communicate with individuals at great distances. It is now possible to communicate in a face-to-face forum with anyone.
in the world at any time. Thus, the time it takes to communicate across distance is 0; it can be done immediately.

The shrinking of time and space is in its infancy. For individuals who migrate to the United States from abroad, it is possible to maintain daily, hourly, and by-the-minute communication with persons in a home country. As such, contact is never lost within individual social relationships. Because of this pattern, individuals from diverse places can maintain intimate cultural relationships while adapting to new societal standards. Because of this time-distance force, the nature of diversity in the workplace is shifting. Various cultural belief systems exist in the workplace and companies have the ability to establish operations in the United States, elsewhere, or both without losing time in the decision-making process. As a matter of fact, the growth of teams in the workplace in the 1990s has given way to the emergence of virtual teams. The landscape of work is changing and the dynamics of trust as a psychological concept is changing as well.

Adaptive structuration theory (DeSanctis & Poole, 1994) promotes the concept that changes in technology are precursors to social, cultural, and structural change. Though the direction of causation may be of little importance, it is worthy of note. That is, as technology changes within the public and private domain, so will norms. Technology is predictive of cultural change. The concept of trust is assured to change as virtual reality grows.

Looking back on the past sixty years, and germane to this research, there have been several critical shifts in technology that have impacted the workplace. First, the deindustrialization of America (Bluestone, 1982) ushered in a change in the basic arrangement of societal structures. By 1984, the transformation of the national economy was directly experienced in the rust belt of the country as internal migration patterns pushed growth in the west and south. Cities such as Cleveland, Pittsburgh, and Detroit were in the process of being reconfigured. During this period, it was noted that the industrial model of management began to give way to a knowledge-based one (Adler, 2000; Drucker, 1996). The Taylor method of task management gave way to the emergence of a leadership model in which managers had to account for the human needs of employees. The shift to a knowledge-based economy, though still not complete, impacted the way in which people worked. Instead of finding one job for life, it was expected that individuals would have several jobs, and even careers, in their lifetime. Mobility and work-ethic shifted; trust changed as well.

During the industrial period, interpersonal trust was paramount to corporate success. Though there may have been conflict, expectations were fixed by workplace role, and trust was a structured phenomenon. A breakdown in trust was met with suspicion (Deutsch, 1958), conflict, and even anger. However, it could be addressed by management in a direct and, at times, forceful way. Though these shifts started in the 1950s and 1960s with the suburbanization of America, the process was fully entrenched by the 1980s. Then, in 1984, Apple/Macintosh launched its revolutionary postindustrial commercial promoting personal computers and marked the cultural change from the typewriter to computer. The greatest technological revolution in recent history was underway. Cultural and normative systems have adapted to computer technology and work has been transposed beyond what could have been imagined in 1984.

Between 1984 and 1995, roughly, the utility of personal and workplace computing seeped into the institutional fabric. The growth of the World Wide Web in the early 1990s moderated new models of time and space. Access to information became “real time.” With it, expectations of how work, play, and family were done were transformed. By 1996, e-mail and “web-surfing” were deeply embedded in the digital way of doing things; culture shifted. During the period, the concept of trust began to take on a virtual reality as personal relationships could be built without the actual physical presence of two parties. Thus, by 2004, the concept of virtual teams was established and trust, as related to the concept of time-space distanciation, became swift. Co-workers increasingly develop trust in a quick way where the time-consuming process of the industrial period became less viable. This paper uses this
rough time sketch of technology for analytical purposes throughout. That is, it is argued that there are four periods of technological change since the 1950s. These periods include 1955–1984 as the industrial period; 1985–1996 as the de-industrial period; in tribute to Friedman, the 1996–2003 is regarded as the technological “flattening” period in which computers and the access to information technology grew and reconfigured social and work life; finally, 2004–2013 is regarded as the virtual period.

These periods are instructive for a couple of reasons. Most notably, by creating ideal types (Weber, 2002) by historical period, it permits for a portrait of trust to be painted in qualitative terms. The periods of time provide a frame from which to make sense of the findings from the content analysis.

**SYMBOLIC INTERACTIONISM, LANGUAGE SYSTEMS, AND TRUST AS AN EXPRESSION OF CHANGE**

Mead (1934) argued that social life is an outcome of symbolic interaction. Human beings engage in symboling behavior so as to construct reality. In this vein, all of life is an emergent process in which meaning systems are negotiated, defined, and redefined by agents in action. Thus, technology has no inherent meaning but emerges as an outcome of individuals defining situations as real.

In this context, the workplace is a context that provided scripts for drama, expression, and other behavioral repertoires (Goffman, 1958). Therefore, as the broader external social and demographic forces shape institutional arrangements, the workplace adapts. Management styles emerge, disappear, and re-emerge in newly configured ways. Thus, when the industrial economy gave way to the information age and a knowledge-based economy emerged, management shifted toward a leadership model from a task-centered one. Similarly, the rise of such a model necessitated the centrality of trust in organizational systems. Management was forced, in many ways, to build cultural meaning systems that fostered creativity, human resources, and trust as a social glue for operational success. In this way, the concept of trust emerged through countless interactions at the societal level and became a central feature to corporate structure.

As such, the workplace language system was transformed and modified as well. If symbolic systems are real, then they are likely to be a reflection of broad-based changes in economy, politics, demography, and technological innovation. A structurated model would suggest that meaning systems emerged simultaneously as institutional forces changed, but their meaning lagged as workplace culture had to adapt. It is likely, as is contended here, that the academic literature, as a place of language and meaning systems, would reflect structurated changes as well. It is hypothesized here that the titles found in the academic literature will reflect the transformation of the workplace vis-à-vis technological innovation as it is related to the concept of trust. Thus, the titles of published articles will serve as cultural artifacts and portray a dynamic story about trust in the workplace.

**METHODS**

Content analysis is used to explore the relationship between technological change and its impact on trust in the workplace. This research assumes that language systems are expressed in written form within the academic literature. In order to make for a manageable exploration, this study only analyzed academic journals that had the term “trust” in the title. Though the search engines generated many more than the 238 articles used in this study, it was more efficient and reliable to focus on titles only. This decision provided parsimony to the analysis.

Academic literature was chosen as the source for the analysis rather than popular press or trade journals. It is assumed here that the academic literature is, by definition, more conceptual than other sources and would provide a theoretically and philosophically based framework. The peer review process suggests that research is sound and valid, therefore providing a point of reference that is reliable. Further, such a decision permitted the research team to narrow its sources in the data search.

Trust and the Workplace in a Flatter World: A Content Analysis of Technology, Globalization, and Normative Transformation
Though the current list is not exhaustive, probably, of all articles written with the term trust in the title, it provides a qualitatively sound point of reference for review. This non-random sample was derived by simply engaging in a key word search using the terms “trust” AND “workplace.” It was decided that the term trust had to be in the title but workplace did not. The reason for this decision was driven by the idea that the conceptual emphasis was on trust while workplace provided a context. The sample was derived by using EBSCOHOST and focusing on the Business Source Complete and SocIndex databases. Interestingly, there were many more articles generated than 238; however, many did not have the term trust in the title.

As noted elsewhere, the articles were analyzed within categories of time, 1955–1984, 1985–1995, 1996–2003, and 2004–2013. The choice of dividing the 1996–2013 period at 2004 was due to a natural pattern found in the data. In 2003 there were 63 articles that pertained to virtual teams and in 2004 it increased to 101. It was decided that this shift was significant and told a unique story pertaining to trust and virtual teams. The 1955–1984 period yielded 22 articles; 1985–1995 produced 17 articles; 1995–2003 yielded 88 articles; and 2004–2013 produced 111 articles. The increase in articles by period suggests that the vitality of trust as a conceptual tool has increasingly become a central feature of organizational structure and culture.

The data was analyzed qualitatively and without any expectations or particular direction. Patterns emerged through the careful interpretive lens of seeing articles as “cultural artifacts.” It was assumed that there were patterns of how the term trust was used. During the course of analysis, several observations were noted. First, early articles used trust generically and did not qualify the term. That is, there were few articles that attached any descriptors to the concept. Second, ongoing observation uncovered that there were clear and distinct contextual parameters for the articles. There were several conceptual and contextual parameters that guided analysis. Several conceptual tools were noted, and included the following: stand-alone, affective, social, organizational, leadership, and technological and time-centered. Contextual tools included: measurement and data, psychological, organizational/workplace, leadership/management, technological/virtual, and international.

In addition, it was noted that numerous articles had a term attached to trust and was defined as “trust formations.” These formations were very closely linked to the time periods discussed elsewhere and renamed. The 1955–1984 period was defined as the social trust period, 1984–1996 was a psychological trust period, 1996–2003 was an organizational trust period, and 2004–2013 a period of diffused trust. It was also noted the articles clearly established that trust was a broad and dynamic term and was described in Figure 2 as a person, place, or thing. As a noun, trust has characteristics of being a social glue, a psychological state of being, an organizational concept, a language system, an analytical tool, and an economic tool.

**RESULTS**

The nature and structure of trust as portrayed in the titles of academic literature paints a most unique and dynamic picture. When traced over time and against significant periods of technological change, the picture is telling. As suggested in Figure 1, the analysis of trust is a central concern to academicians. Dirks and Ferrin’s (2002) meta-analysis of trust captured the state of the term as it was related to leadership. Their analysis cited books, unpublished dissertations, professional conference presentations, and academic journals. Their work shows that the majority of their citations were in refereed journals, suggesting that trust was a vital and central concept for formal and professional interest. Most notably, the majority of their analysis was performed on works found in peer-reviewed journals. As a matter of fact, 43.2% of their references were written for an academic audience. This was followed by authors of dissertations and conference presentation papers (37.9%) and books (29.4%). Such findings demonstrate that there is vitality in examining the content of academic journals (as is performed here).
FIGURE 1. LITERARY SOURCES FOR DIRKS AND FERRIN’S (2002) META-ANALYSIS OF TRUST AND LEADERSHIP

<table>
<thead>
<tr>
<th>Books</th>
<th>Diss/present</th>
<th>Journals</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/17 = 29.4%</td>
<td>11/29 = 37.9%</td>
<td>35/81 = 43.2%</td>
</tr>
</tbody>
</table>

In examining the content of titles containing the term trust, there were four distinctive themes in accordance to changing time periods. Figure 2 depicts trust as it is attached to other terms. Though most articles analyzed in this study had only the generic reference term “trust,” others attached conceptual forms to it. For example, in the 1955–1984 period, any article that had a conceptual attachment to trust did so with the term interpersonal [trust]. As such, the conceptual trust formation of the period could be regarded as a period of emphasis on social trust. From 1985–1995 there were two new trust formations found in the literature, including affective trust and trust inventory (a psychological inventory).

FIGURE 2. THE DYNAMICS OF TRUST IN ARTICLE TITLES BY HISTORICAL PERIOD

**Trust in a Round and Industrial World: 1955–1984**

A. Trust and Suspicion (1958)

B. Conceptual and Methodological Considerations of Trust and Suspicion (1970)

C. The Impact of Trust on Creative Problem Solving (1975)

D. Interpersonal Trust and Effectiveness in the Workplace (1977)

E. A New Scale for the Measurement of Interpersonal Trust (1967)

F. Interpersonal Trust, Trustworthiness, and Gullibility (1980)

G. New Work Attitude Measures of Trust, Organizational Commitment, and Personal Need Fulfillment (1980)

H. Reciprocity and Trust Between Professionals and Their Secretaries (1983)

**Trust and the Emergence of Apple in a Knowledge-Based World: Deindustrialization in America: 1985–1995**

A. Trust as a Social Reality (1985)

B. Trust as a Commodity (1988)

C. Supervisor Trust Building: Leader-Member Exchange and Organizational Citizenship Behavior (1994)

D. Initial Trust Formation in New Organizational Relationships (1993)

E. An Integrative Model of Organizational Trust (1995)

F. Trustworthiness as a Source of Competitive Advantage (1994)

**Trust in a Flattening World: 1996–2003**

A. The Effects of Conflict, Trust, and Task Management on Project Team Performance (1996)


C. Some Antecedents and Effects of Trust in Virtual Communities (2002)

D. Trust in Leadership: Meta-analytic Findings and Implications for Research and Practice (2002)


**Trust in a Flat and Virtual World: 2004–2013**

A. Toward Contextualized Theories of Trust: The Role of Trust in Global Virtual Teams (2004)

B. Swift Trust in a Virtual Temporary System (2007)

Figure 2 provides a sampling of titles as found within each time period. In the first period, trust was bound by a round (as opposed to flat) world of an industrial period. Given the turmoil of the 1960s it is instructive to note that trust as a topic was centered around its relationship to suspicion. Though there were several articles focusing on measurement, the general emphasis of the period was on interpersonal relationships, the use of trust in promoting creativity and an effective workplace, and need fulfillment. Articles written in this period clearly had a social, scientific, and personalized focus. At this time, trust appeared to be an intervening variable between individuals and organizational success. People mattered. Note that one article went as far as to examine the hierarchical relationship between “professionals and their secretaries.” Reciprocity, by extension, provided interpersonal respect and subsequent organizational success.

The Apple/Macintosh commercial of 1984 was a cultural marker noting the shift to a knowledge-based economy and the twilight of industrialism. During this period, it was notable that trust was a “social reality” marked by supervisory leadership skills. It is worthy to mention that the rise of the knowledge-based economy was met with an emphasis on leadership and organizational matters. Organizational trust was coined in 1995 suggesting that the idea of trust was no longer interpersonal but systemic. Its nature took on a postindustrial, perhaps even postmodern (Habermas, 1990) form in the period. As a system, trust was noted to be a source of competitive advantage and could be bought and sold as a commodity. In other words, trust was transformed into an object separate and distinct from a bond or relationship. In an Apple world, trust became systematized and depersonalized.

As the world flattened between 1996 and 2003 with the ever-growing use of computer technology, trust became a central feature of teams, leadership, and engaging in a virtual world. In other words, academic journal titles increasingly reflected the technological revolution that made the world, at
least in part, virtual. As a matter of fact, it was noted in 2002 that there were “antecedents” to virtual communities (which is even broader than a team). Trust, in this context, was expanding into the world of virtual teams but also was becoming locked in an inner-space type of system. That is, it grew and simultaneously became invisible. Time-space distanciation had shrunk trust as an entity to zero; it had become a real-time stand-alone. Incidentally, it was in this period that the term workplace trust was created. Again, the nature and direction of trust continued to change.

Finally, trust within a flat and virtual world became a diffused and complicated matter. No longer was trust a social or psychological construct, it is the central component of an intersection of new virtual domains and a search for that which is “genuine” about trust. On the one hand, trust was clearly marked by a time element of “swiftness” as coined in “swift trust,” but it is also related to e-loyalty (where people do not have to see or speak to each other to have trust), networks, and even the process of constructing websites. In the modern era, trust is being transformed into a computer code and used as a tool of speed within “temporary systems.” Figure 3 suggests that the boundaries and parameters of trust, and more generally, normative systems, and organizational cultures are undergoing revolutionary change. The dynamics of interpersonal expectations, in some ways, were entering into a technologically driven Brave New World (Huxley).

FIGURE 4. TRUST AS A PERSON, PLACE, OR THING

<table>
<thead>
<tr>
<th>Trust as Social Glue</th>
<th>Psychology of Trust</th>
<th>Trust and Organizations</th>
<th>Trust as a Language</th>
<th>Trust as a Tool</th>
<th>Trust as a Economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust as a Role</td>
<td>Trust as an Attitude</td>
<td>Trusting Organization</td>
<td>Grammar of Trust</td>
<td>Trust Analysis</td>
<td>Trust as a Commodity</td>
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<td>Trust as a Linkage</td>
<td>Trust as a Boundary Condition</td>
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<td>Trust as a Place</td>
<td>Trust as a Facilitator</td>
<td>Trust as a Performance Link</td>
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<td>Trust as a Mediator</td>
<td>Trust as Competitive Advantage</td>
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Aside from the sampling of article titles, the remaining figures and tables analyze different aspects of trust over time. In the period of 1996–2003 there was a radical shift from the social and psychological dimensions of trust to an almost exclusive one focusing on organizational systems as trust entities. Within the literature during the Organizational Trust period, there were several categorical schemes. There were those that pertained to leaders, supervisor, and followers; there were group and organizational entries, and ultimately the term “virtual trust” emerged as a concept (in 2003). Interestingly, the
break in the rapid expansion of trust and the virtual team happened in 2003 as it marks a point in time in which a significant influx of virtual team articles were cited in academic literature. Thus, it can be clearly stated that the organizational nature of trust in the 1996–2003 period was giving way to the new diffused era.

The “diffused trust” era is interesting. On the one hand, the term swift trust is introduced and essentially means that in the virtual team, co-workers must quickly and effectively develop trusting relationships. Though not reported in this figure, the notion of swift trust becomes a core conceptual tool in the period for researchers. However, there are various and sundry vestiges of social, psychological, and organizational trust found in the period as well. It is a diffuse period as it appears that there are a couple of currents of work occurring. On the one hand, authors were revisiting older and more traditional themes of politics, knowledge, and perceptions as associated with trust. On the other hand, others seek to find the etiological and primordial roots of trust and seek out general and genuine trust. It is apparent that “genuine” and “general trust” are new configurations for the more generic “stand-alone” trust as was dominant in the literature during the “Round World” era. As such, the literature clearly portrays a path of new formation built around technology and a reformation back toward traditional social and psychological roots. In other words, the concept of trust has diffused to the point that it has split like an atom and seeks a new model and framework. Technology has apparently reconfigured culture, norms, and language as borne out in the titles of academic journal articles.

By extension, the concept of trust has been expanded as a virtuoso of noun-like structures. When examining the content of articles with the term trust found in its title, trust has been transposed into various types of configurations. Within the literature, trust has been redefined as social glue, a psychological state, and organizational system, a tool for analysis, a language system in its own right, and a commodity to be bought and sold. As social glue, trust has been paired with the ideas that it is a role, a linkage within a network, a place, and both a facilitator and mediator within the workplace. As such, trust has moved away from an affective state bound by Maslowian needs to become a connector by place. Though there remains a psychology of trust as an attitude and boundary condition, it is also an entity.

Trust is much larger than a willingness to share with others in the face of rejection. It has become a system as in a trusting organization, a climate for behavior, a formation, and a performance link. As such, trust is no longer an interpersonal relationship as so widely discussed in the pre-1984 era. It is an entire process. It is a complex network-based arrangement born out of the very fabric of organizational structure. As such, it is an independent variable to performance, turnover, satisfaction, and even a competitive advantage (Barney & Hansen, 1994). Therefore, trust, in this account, supersedes leader-follower formation, upward and downward relationships, and is, instead, a systemic and institutional arrangement directly related to the success and failure of organizations. In this view, the ability of a company to build trust into its institutional fabric is more likely providing it is commodified in a market-based economy; trust is a commodity (Dasgupta, 1988) with a unique “grammar” and language system of its own. It no longer stands alone, it is an a priori (Durkheim, 1997) state of institutional structure.

Table 1 supports the notion that trust has become an institutional structure within the academic literature. Namely, given that this research only examined articles with the term trust in the title, the modal category of production occurred in the 2004–2013 period. Nearly 50% of all articles containing the word trust in the title were written in this period followed by the 1996–2003 period (37.0%). That is, since the academic literature experienced a gentle increase in the production of virtual team publications between 1995 and 1996, this served as a point to show that technology directly impacted the workplace. Though computers were already in offices nationwide, virtual teams, by definition, expanded the boundaries of work beyond “brick and mortar” and served as a historical point of separation. In this vein, the vitality and conceptualization of the term
trust become paramount to organizational effectiveness as industrial management systems (Drucker, 1995) gave way to a leadership modality.

The shift from a management system to a leadership one under the knowledge-based economy was exacerbated by technology. No longer could autocratic task-oriented Taylorism work in the workplace; the need for leadership systems emerged as necessary in a service economy. The fluidity of mobility within and without the workplace was heightened by the use of computers as success and failure, or as Barney and Hansen (1994) termed it, competitive advantage required inherent systems of trust. As such, there was a surge in publications on trust as a reflection of the overlap between technological shifts in the economy and the breaking of the traditional management model for a leadership one. The idea of trust, however, remained a stand-alone and generic concept.

In terms of conceptually linking trust to other enhancing terms, a couple of major transformations occurred. First, the lowest rate of stand-alone articles were written during the industrial and de-industrial eras of the 1950s–1984. The highest rate of stand-alone terminology was in the 1996–2003 era when technology was flattening (Friedman, 2006) the global playing field. However, the major conceptual shift was from the focus of interpersonal forms of trust from 1955–1984 (40.9%) to a low of 3.4% in 1996–2003. This supports the idea that trust was no longer a mere interpersonal or psychological construct, it was transforming as a cultural marker. Clearly, trust has become a central theme in organizations but waned as a leadership co-concept from 1985–1995 onward. This suggests that trust was increasingly portrayed in organizational terms and as a system rather than a relational entity. Nothing more clearly demonstrates this transformation than the 2004–2013 emergence of swift trust. In a Giddens (1979) perspective, the idea of time-space distanciation has shrunk to a global real-time structure which redefined the central premise of humanity as a social relationship. In other words, trust (in an e-harmony type of world) must be quick, efficient, and real-time whereas it was once based upon long-term relational aspects.

These patterns are instructive. It is clear from this table and figures that technology has had a tremendous impact on the fundamental structure of organizational culture and workplace relationships. Trust as a relationship glue is in the midst of transforming, though vestiges of traditional models linger. In some ways, there is a cultural lag in the workplace environment but in others the adaptive structuration model appears poignant. Namely, there appears to be a simultaneous macro and micro organizational adaptation to technological change in the workplace. Though the changes are only beginning, as reflected in the co-conceptual arrangements and attachments to trust, the context in which trust is analyzed is undergoing significant and powerful transformations.

<table>
<thead>
<tr>
<th>Years</th>
<th>Stand Alone</th>
<th>Affective</th>
<th>Social</th>
<th>Organizational</th>
<th>Leadership</th>
<th>Virtual and Swift</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955–1984</td>
<td>13 (59%)</td>
<td>0</td>
<td>9 (40.9)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>22 (9.2)</td>
</tr>
<tr>
<td>1985–1995</td>
<td>11 (64.7)</td>
<td>1 (5.9)</td>
<td>1 (5.9)</td>
<td>2 (11.8)</td>
<td>2 (11.8)</td>
<td>0</td>
<td>17 (7.1)</td>
</tr>
<tr>
<td>1996–2003</td>
<td>64 (72.7)</td>
<td>4 (4.5)</td>
<td>3 (3.4)</td>
<td>15 (17.0)</td>
<td>1 (1.1)</td>
<td>1 (1.1)</td>
<td>88 (37.0)</td>
</tr>
<tr>
<td>2004–2013</td>
<td>72 (64.8)</td>
<td>4 (3.6)</td>
<td>10 (9.0)</td>
<td>21 (18.9)</td>
<td>1 (1.0)</td>
<td>3 (2.7)</td>
<td>111 (46.6)</td>
</tr>
<tr>
<td>Total</td>
<td>160 (67.2)</td>
<td>9 (3.8)</td>
<td>23 (9.7)</td>
<td>38 (16.0)</td>
<td>4 (1.7)</td>
<td>4 (1.7)</td>
<td>238</td>
</tr>
</tbody>
</table>

Trust and the Workplace in a Flatter World: A Content Analysis of Technology, Globalization, and Normative Transformation
Table 2 shows that when the context of research is coded beyond looking at how trust is paired with other terms, transformation is apparently well afoot. In the 1955–1984 era, there was an overwhelming emphasis on interpersonal notions of trust as those types of titles accounted for the majority of contexts for analysis (59.1%). In addition, there was a sizable percentage of titles focusing on organizational context in the period though the focus was on the interpersonal nature of trust in the workplace. Finally, a significant amount of articles (22.7%) emphasized issues of measurement, defining and theoretically developing the concept of trust. In this earliest period, interpersonal trust in the organizational framework was a vital concept of measure.

After 1985, there were significant shifts in the context in which trust was discussed. The emphasis on organizational context expanded to 41.4% in the 1985–1995 period and slowed and flattened at 47.7% in the diffused period of 2004–2013. As such, trust became increasingly centered as an organizational tool. Interestingly, the context of leadership and trust increased dramatically from 9.1% in the industrial period to 35.3% in 1985–1995 and curiously decreased in emphasis to 27.2% in 1996–2003 and hit its nadir in the diffused period. This suggests that, as the post-industrial knowledge-based economy emerged, leadership as a central focus reflected such a current. Upward and downward forms of trust was emphasized during the period, demonstrating a cultural shift in the workplace. At that time, there grew an emphasis on teams after 1996–2003 (8.1%) and 2004–2013 (15.3%). This emphasis clearly matched the increasing use of team structure in the modern workplace.

Most importantly, the leadership-trust emphasis was replaced with a growing conceptual concern of trust in virtual teams. By 2004–2013, the virtual team-trust dynamic was exploding and represented 29.7% of the contextual emphasis in trust-related titles. Finally, the notion of trust in international scope increased to 9.9% in the 2004–2013 period. The findings from Table 2 suggest that title content is predictive of economic, organizational culture, and workplace trends. In addition, the study of titles pertaining to trust clearly suggest that Friedman is correct in identifying that the world is growing flat due to technology as international and virtual discussions grow. These shifts have transformed the concept of trust from an internal psychological characteristic and interpersonal bond to a global process. Certainly, the dynamics of culture, workplace norms, and organizational structure reflect this dynamic.

### Table 2. The Context of Trust in Academic Literature Titles (Frequency and Percentages)

(Cells do not add up to sample size due to multiple categories of article titles)

<table>
<thead>
<tr>
<th>Years</th>
<th>N</th>
<th>Measure-/Data</th>
<th>Psychological</th>
<th>Social</th>
<th>Organizational</th>
<th>Leadership</th>
<th>Teams</th>
<th>Virtual Team</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955–1984</td>
<td>22</td>
<td>5 (22.7%)</td>
<td>0</td>
<td>13 (59.1%)</td>
<td>6 (22.3%)</td>
<td>2 (9.1%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1985–1995</td>
<td>17</td>
<td>1 (5.9%)</td>
<td>3 (17.6%)</td>
<td>6 (35.3%)</td>
<td>7 (41.1%)</td>
<td>6 (35.3%)</td>
<td>0</td>
<td>1 (5.9)</td>
<td>0</td>
</tr>
<tr>
<td>1996–2003</td>
<td>88</td>
<td>5 (5.2%)</td>
<td>2 (2.3%)</td>
<td>4 (4.5%)</td>
<td>41 (46.6%)</td>
<td>24 (27.2%)</td>
<td>7 (8.1)</td>
<td>5 (5.7)</td>
<td>3 (3.4)</td>
</tr>
<tr>
<td>2004–2013</td>
<td>111</td>
<td>7 (6.3%)</td>
<td>0</td>
<td>8 (7.2%)</td>
<td>53 (47.7%)</td>
<td>9 (8.1%)</td>
<td>17 (15.3)</td>
<td>32 (29.7)</td>
<td>11 (9.9)</td>
</tr>
</tbody>
</table>
The results of the content analysis in the current research paint a most intriguing analysis of culture, workplace, and the dynamics of trust. Fundamentally, this research suggests that, in general, academia is a reflection of larger normative cultural systems. In some ways, the trends portrayed here are apparently predictive of the future of organizational culture. Namely, technology is and will continue to redefine how the workplace operates and how normative systems are emerging. It seems as though there is a diffusion of interest to return to old models of interpersonal trust while the complexity of trust itself is transformed into a system rather than a relationship expectation. Such change, philosophically, takes trust out of the interpersonal world and has begun to place it in a virtual domain.

As a concept, the transformation of trust has been guided by a structurated process. Institutional forces shaped by changing technological forces alongside of globalization is redefining the parameters of what is meant by community. Transnational networks, migration, and real-time communications are impacting culture in unique ways. Rather than having trust as an interpersonal entity, it has become a system reflecting global linkages and real-time relational expectations. Though there is a search for “genuine” trust, the major impetus is to make sense of “swift trust” in a virtual workplace. At some level, there is less emotional risk involved in depersonalized workplace trust as issues of fulfillment mattered in the 1980s. As such, individual agency is guided by immediacy where organizational trust supersedes personal forms.

The transformation of trust continues. With the globalization of the world economy and ongoing computing revolution being reduced to an iPhone and iPad, telecommunication as a work-related tool is likely to become central to organizational structure, culture, and patterns of trust. Namely, during the 1950–1980 era, trust was geared around issues driven by measurement, social agency, and suspicion in traditional power structures. The shift from an industrial model to a knowledge-based one had the impact of expanding the parameters of trust in organizational context but only inasmuch as it was tied to management, change, and affective components. Finally, with the growth and modification of technology as well as the surge in virtual teams and international boundaries, the scope and direction of the workplace is assured to be affected.

As such, trust can only now be regarded as an Enlightenment concept of a social contract bound within network configurations and virtual implications. Its meaning has been measured, sculpted, and modified to the point of intrigue and debate. However, in its most elementary form, and in a Durkheimian (1997) view, it is social glue, a contract that binds in a real-time mode. As a contract, trust binds in an upward, downward, horizontal, and even virtual direction. Its growth from a “stand-alone” form to global one is telling.

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INTRODUCTION

The real estate industry in the United States has always been the bellwether measure of U.S economic performance. That being the case, an understanding of how that industry works, the players in the industry, their roles, and the industry’s value chain is critical to determine the industry forces (Porter, 1980) driving the industry toward or away from profitability and growth. This paper presents an overview of the industry (key factors, risk factors) as well as challenges, current trends, and forecasts.

DESCRIPTION

Companies operating within the real estate industry perform one, or several, of the following activities: they acquire, develop, operate, lease, dispose, and market real estate. This industry includes real estate agencies and brokerages, commercial and single-family or multi-family residential real estate developers, commercial and residential property management companies, and REITs (real estate investment trusts) (Hoover’s, 2012). Some companies in the real estate industry mainly focus on buying single-family or multifamily residential properties such as houses, condominiums, town-houses, and apartment buildings in order to rent or resell and ultimately, gain profitable revenue growth (Hoover’s, 2012).

KEY FACTORS

There are a few factors that drive the real estate industry. One of the fundamental factors that impact the real estate market is “demand” which is driven at least partially by population growth. For instance, the population explosion in the United States after World War II, called the baby boomer generation, is a great example of a demographic trend that has had significant influence on the housing market. Home builders and developers have expected boomers to be either a seller or a buyer and to drive the housing industry (Umberger, 2011; Peak & Wilcox, 1991).

Current economic conditions also influence the real estate industry. In order to measure the overall pulse of the economy, we can typically look at gross domestic product (GDP), unemployment rates, manufacturing activities, and the price of goods. Interest rates affect a consumer’s ability to purchase a residential property because when interest rates are high consumers have less buying power (the monthly mortgage expense is higher). On the contrary, low interest rates will decrease the mortgage costs and enable consumers to purchase more expensive homes (Collins, 2010).
Furthermore, government legislations play a significant role in effecting the real estate business in both negative and positive ways. For instance, high tax rates, which are related to real estate transactions, are a burden to buyers or homeowners and increase the actual cost of a home. This therefore weakens consumers’ ability to make purchases (PAR Legislative Priorities, 2012). In 2009, the U.S. government introduced first-time homebuyer tax credit legislation, which boosted home sales and revived the real estate market. According to the National Association of Realtors (NAR), “about 2 million people qualified for this credit in 2009 and another 900,000” qualified in 2010 (Haley, 2010).

**RISK FACTORS**

Companies in the real estate industry are generally subject to certain risks and uncertainties such as changes of economic environment, high interest rates, high unemployment rates, volatility in the financial and credit markets, the availability of consumer credit and mortgage financing, changes in tax legislation, unexpected increases in real estate taxes and operating expenses (Associated Estates Annual Report, 2012, p. 6). Moreover, for big projects such as high-rise towers in urban areas, time to complete the project can be a risk factor for a real estate company. These kinds of challenging projects might take eight or more years, and there is no certainty what the economic conditions will be like in ten years (Abdou, 2012).
COMPETITION AND CHALLENGES

The overall real estate market is challenging and competitive in terms of acquiring, developing, operating, leasing, and selling real estate properties. Therefore, companies that perform in this industry need to differentiate themselves by developing powerful reputations and building strong relationships with clients. Some of the major real estate companies, which have managed to differentiate themselves, are able to “generate repeat business and create recurring revenue sources” (Hoover’s, 2013). In order to gain and maintain these strengths, companies in the real estate industry strive to keep compensation competitive so as to attract and retain talented employees and stand out from their rivals (Hoover’s, 2013).

Due to the impact of technology on customer demand, real estate companies should adopt, develop, and maintain new means of communication through technology such as social media tools, mobile applications, and online commerce sites. Furthermore, with the increase in usage of internet-based services by brokerage firms, traditional real estate businesses face the possibility of coming to an end (Hoover’s, 2013).

In markets where the rate of new household formation is low, housing supply increases and it helps suppress housing value. Therefore, users’ behavior shifts toward a high tendency to make buying decision rather than renting. Real estate is a risky market to invest in, and it “is often highly leveraged and illiquid” (Hoover’s, 2013). Therefore, “…capital to fund acquisitions or construction can be difficult to obtain…. In down markets, equity in real estate projects can rapidly disappear, leaving lenders with sharply devalued properties. Banks hurt by real estate-related losses respond by tightening credit standards” (Hoover’s, 2013). These strict credit standards affect customers’ eligibility to acquire loans and as a result, homebuyers will have difficulty in making buying decisions.

In down markets, it is a challenge to sell single-family houses or any kind of properties. Therefore, the real estate market leans toward placing the properties that are not sellable on the rental market. However, another challenge that emerges with this situation is that these properties now have to compete with existing rental properties (Hoover’s, 2013). A new ratio of the same number of potential buyers to greatly increased number of sellers creates competition in the market.

CURRENT REAL ESTATE TRENDS

In October 2012, the Federal Reserve Board (FRB) reported current economic conditions related to the real estate industry. The residential real estate market as well as residential construction have displayed prevalent improvement in most districts compared to the report that was released in August. Existing home sales have risen considerably and home prices have risen steadily in nearly all districts. Some districts—Boston, Atlanta, Minneapolis, Dallas, and San Francisco—have declared confined inventories, which has increased upward price pressures (Beige Book, 2012).

The January 2013 Beige Book reported that since the previous report, real estate remained “steady in eleven districts for existing home sales and leasing; eight districts for residential construction; eleven districts for nonresidential sales and leasing; and nine districts for nonresidential construction” (Beige Book, 2013). When it comes to loan demand, it remained consistent in five districts, increased in four, and decreased in one. Credit standards were unchanged in most districts other than “two districts where there were some signs of loosening.” Six Districts saw improvement in credit quality and/or decline in delinquency rates (Beige Book, 2013).

Due to the low interest rates, moderate prices, and increased rents, the Boston District saw steady sales growth for existing residential real estate activities. Price levels increased in most districts considerably while New York and Chicago declared only very slight rises. The five districts saw decline in housing inventories. “New residential construction (including repairs) expanded in all but one district of those districts that reported” (Beige Book, 2013). The Kansas City District announced “that increased lumber and
drywall costs limited construction, causing a slight
decline this period.” Hurricane Sandy adversely
affected construction activities primarily in New
York. However, it created more “work for subcon-
tractors on repairs and reconstruction” (Beige Book,
2013).

According to the Standard & Poor’s/Case-Shiller
Index, as of October 2011, “home prices rose
4.3 percent” nationwide ending in October 2012
(Associated Press, 2012). This rate is “the largest
year-over-year increase in two and a half years,
when a homebuyer tax credit temporarily increased
sales” (Associated Press, 2012).

Even though existing home sales slightly decreased
in December, it was yet higher from a year ago
(Molony, 2013). According to the National
Association of Realtors, “the preliminary annual
total for existing-home sales in 2012 was 4.65
million, up 9.2 percent from 4.26 million in 2011. It
was the highest volume since 2007 when it reached
5.03 million and the strongest increase since 2004”
(Molony, 2013). Some of the reasons for this
increase are low mortgage interest rates and growth
in buying ability and confidence of home buyers.
However, limited real estate inventory and stiff
mortgage underwriting standards are restricting the
home sales. Although confined inventory causes an
upward price pressure trend on the housing market,
“after values fell below replacement construction
costs, [while] prices are still affordable” nationwide
(Molony, 2013).

According to the National Association of Realtors,
there is a sharp drop, “…a 21.6 percent drop from
one year earlier” in real estate inventory (Realtor
Magazine, 2013). One of the reasons that the house
inventory has dropped is that because there are
currently more than 10 million underwater home-
owners. Unless they go through a life-changing event
such as marriage, divorce, or a dramatic shift in
financial circumstances, it is very unlikely for these
owners to sell their properties (Timiraos, 2013). If
they decide to sell their houses under these circum-
stances, they will have to take a hit by selling for
less value than the amount they owed to the bank.
Another reason is for the drop in housing inventory
is that most homeowners posses “less than 20
percent equity in their current residence” (Timiraos,
2013). Due to this fact, these under-equitied home-
owners are not eligible to trade up their current
properties and move to a more expensive residence.
Furthermore, current homeowners are not willing
to sell their houses with a low value while there is an
opportunity for them to wait for economic condi-
tions to improve then sell those properties with a
higher price. In addition, the majority of investors
have purchased houses to rent out rather than resell-
and gaining quick profit. There are two ways in
which the inventory is kept off the market: Firstly,
“homes that are bought at courthouse foreclosure
auctions never show up on multiple-listing ser-
vice when they’re initially sold” (Timiraos, 2013).
Secondly, properties are kept for renting out rather
than selling and are therefore not listed. Another
reason why housing inventory keeps declining is that
banks and other firms that are conducting foreclo-
sure processes are having difficulty proving that they
have followed a legal process due to the distrust
toward these institutions after the emerging of the
robo-signing scandal in 2010. Therefore, this issue
slows down the pace for banks to market these prop-
erties. The final reason a confined inventory issue
exists today is because builders have added much
less home inventory to the market since the recession
emerged in 2008 (Timiraos, 2013).

According to the U.S. Census Bureau, “ …for rental
housing by area, the fourth quarter 2012 vacancy
rates inside principal cities (8.7 percent), in the
suburbs (8.6 percent), and outside Metropolitan
Statistical Areas (MSAs) (9.6 percent) were not
statistically different from each other. The rental
vacancy rate inside principal cities was lower than a
year ago, while the rates in the suburbs and outside
MSAs were not statistically different from the fourth
quarter 2011 rates” (Callis & Kresin, 2013). While
Northeast, Midwest, and West did not see any
change in rental vacancy rates, the highest vacancy
rate among regions was in the South, 10.7 percent,
which is lower than a year ago (Callis & Kresin,
2013).
In December, sales of distressed homes (foreclosures and short sales) were 24 percent, above the November sales, which was 22 percent; however it is “below the 32 percent share in December 2011. Foreclosures sold for an average discount of 17 percent below market value in December, while short sales were discounted 16 percent” (Molony, 2013). The current trend shows that foreclosure activity has been declining annually nationwide. However, in 2012, nearly half of the states saw an increase in foreclosure activity, and it is expected for foreclosure rates to increase further in 2013, according to RealtyTrac (Veiga, 2013).

Echo boomers (Generation Y, born in the 1980s or 1990s), which make up one-third of the population today, shape the market in metropolitan areas. They prefer to live in urban areas rather than suburbs and rent small apartment units, which are walking distance to public transportation and convenient in terms of accessibility of the quality roads and schools (Urban Land Institute & PricewaterhouseCoopers, 2013, p. 1).

**FORECAST**

According to Fannie Mae, rental prices will keep rising and be higher than home prices. Fifty percent of Americans who were surveyed recently by Fannie Mae have an increased desire to buy a home rather than rent one. According to the survey, consumers expect home rental prices to rise in 2013, and this expectation enables them to consider that the buying option is more lucrative than renting. Eighteen percent of the people who were surveyed say, “it is a good time to sell a home” while 72 percent say “it is a good time to buy!” Slow but steady improvement in the housing sector gives the real estate market, including construction firms, banks, and insurance companies, a hope to bounce back (Realtor Magazine, 2012).

According to the *Emerging Trends in Real Estate Report* by PricewaterhouseCoopers, the real estate market will continue to show recovery further in 2013. Small “gains in rents, leasing, and pricing will extend across [the country] and improve prospects for all property sectors including housing.” The multifamily housing sector shows solid development opportunities. However, there are concerns about low barriers for builders to enter the market due to the potential overbuilding, which is expected to continue until 2015. Other parts of real estate sector maintain little improvement due to the sluggish tenant demand and high unemployment rates (Urban Land Institute & PricewaterhouseCoopers, 2013, p. 1).

As it was in 2012, the same sluggish job growth is expected in 2013. *Emerging Trends* interviewees say that job creation is getting better but still slow and limited, and it does not drive sufficient demand for the housing market. According to the forecast of Moody’s Analytics, there will be a 1.1 percent increase in employment in 2013 (Urban Land Institute & PricewaterhouseCoopers, 2013, p. 26).

The Federal Housing Administration’s 203(k) Rehabilitation Mortgage Insurance program, which provides home buyers with loans to purchase and repair or renovate bank-owned foreclosures or short sales with shortcomings such as failing heating, plumbing, or roofing systems, is expected to propel the real estate industry by yielding quick return on homebuyers’ investments. According to this program, borrowers have to collaborate with building consultants, who write “the initial estimate of the cost of planned repairs,” private mortgage insurers, and contractors. One of the drawbacks of this program is that the loans are not available for investors but only for borrowers. The other disadvantage is that the borrowers are required to live in the single- or multi-family house for at least a year (Prevost, 2013).
The following YouTube broadcasts provide additional information and updates relative to the real estate industry.

**Evolution of the Real Estate Industry**
www.youtube.com/watch?v=zXeM5kEwS2c

“Evolution of the Real Estate Industry” podcast provides an overview as to how the real estate industry has evolved from the 1970s until today. Today’s market is experiencing similar trends as the late 70s and early 80s; a client-centric industry. These trends have emerged based on the market’s needs, expectations, and external factors within that time.

**Real Estate Rebound Brings Hope to Industry**
www.youtube.com/watch?v=0f9HB1-yoTc

The podcast “Real estate rebound brings hope to industry” notes that what is happening in the current real estate market, and in what way the key factors of the industry, such as low interest rates and restricted housing inventory, affect and contribute to the current market situation. Case in point, we see that employment rates in the housing industry, especially in construction sector, are bouncing back as limited inventory has caused the need to build more dwellings in order to meet the current market’s demand. What is the trend for home prices today, and correspondingly, what is the homebuyers’ behavior in the market?

**U.S. Housing Market Improving in 2013**
www.youtube.com/watch?v=QFjdh2WEcZ4

On the other hand, millions of Americans went through foreclosures or short sales over the past few years. These activities have been the biggest drags on the market after the 2008 crisis. Foreclosures basically caused inflation of artificial inventory and brought home prices down. Therefore, distressed homes often sell below market value today.

**JCA’s Billie Redmond on FOX Business**
www.youtube.com/watch?v=odEDNWBsUIA

The healthiest subsector of commercial real estate is multi-family units as driven by the fact that sluggish sales in the residential market have seen homebuyers becoming renters. Occupancy rates have increased tremendously, nearly 200 percent. However, as rent prices increase due to higher occupancy rates, new demand for new construction spurs home construction. Real estate and the construction industry may have lost the most jobs during the recession, but the job market is improving in-line with industry growth.

**Real News » Housing Bubble 2.0**
www.youtube.com/watch?v=VmGndsjo1Cw

Greg McBride, the senior financial analyst at Bankrate.com, states that while the government tells banks to loosen their credit standards, the regulations, such as Dodd Frank, which the government introduced in 2010 and requires at least a 20 percent down payment, restrict the availability and willingness of banks to lend due to the stringent penalties. This unfortunately reduces the number of potential homeowners given their lack of liquidity.

**Robert Shiller - Fragile Global Recovery & the Housing Market**
www.youtube.com/watch?v=4HS0J9PHv_k

Robert Shiller a Yale professor and the author of *Animal Spirits*, is not very optimistic about the current housing market. He says that nations that experience financial crisis go through at least ten years of a weak economy. Therefore, the sluggish housing market may remain for another five years. He also denotes that today’s market may be considered a good time to buy a home since interest rates are so low.
The following Figures and Table provide additional information relative to the real estate industry.

**CONSUMER ATTITUDES ABOUT HOMEOWNERSHIP**

Average home price change expectation edged up slightly to 1.7 percent, continuing the positive trend of the past year. 10% of those surveyed say that home prices will go down in the next 12 months, a 13 percentage point decrease since October 2011, and the lowest level since the survey’s inception in June 2010.

<table>
<thead>
<tr>
<th>Month</th>
<th>Go Up (Percent)</th>
<th>Go Down (Percent)</th>
<th>Stay the Same (Percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct-11</td>
<td>55</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td>Nov-11</td>
<td>50</td>
<td>19</td>
<td>31</td>
</tr>
<tr>
<td>Dec-11</td>
<td>48</td>
<td>12</td>
<td>40</td>
</tr>
<tr>
<td>Jan-12</td>
<td>46</td>
<td>11</td>
<td>37</td>
</tr>
<tr>
<td>Feb-12</td>
<td>48</td>
<td>11</td>
<td>37</td>
</tr>
<tr>
<td>Mar-12</td>
<td>46</td>
<td>10</td>
<td>38</td>
</tr>
<tr>
<td>Apr-12</td>
<td>48</td>
<td>10</td>
<td>38</td>
</tr>
<tr>
<td>May-12</td>
<td>48</td>
<td>10</td>
<td>38</td>
</tr>
<tr>
<td>Jun-12</td>
<td>48</td>
<td>10</td>
<td>38</td>
</tr>
<tr>
<td>Jul-12</td>
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</tr>
<tr>
<td>Aug-12</td>
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<td>10</td>
<td>38</td>
</tr>
<tr>
<td>Sep-12</td>
<td>48</td>
<td>10</td>
<td>38</td>
</tr>
<tr>
<td>Oct-12</td>
<td>48</td>
<td>10</td>
<td>38</td>
</tr>
</tbody>
</table>

After a sharp drop last month, the percentage who think mortgage rates will go up rose 4 percentage points in October to 37%.

72% of respondents say it is a good time to buy, while 18% say it is a good time to sell, consistent with the trends seen over the past 6 months.

**FIGURE 2. CONSUMER ATTITUDES ABOUT HOMEOWNERSHIP**

CONSUMER ATTITUDES ABOUT HOME RENTAL

The average rental price expectation jumped up by 0.8% to 3.9%, a return to the level seen in July 2012. 50% of those surveyed say home rental prices will go up in the next 12 months, a 3 percentage point rise over last month and the highest level since the survey’s inception in June 2010.

After reaching a survey high last month, the percentage who say it is a good time to buy decreased by 3 percentage points to 66%.

29% of respondents say they would rent if they were going to move, even with last month.

FIGURE 3. CONSUMER ATTITUDES ABOUT HOME RENTAL

<table>
<thead>
<tr>
<th>U.S. Metropolitan Area</th>
<th>Monthly cost of homeownership ($)</th>
<th>Monthly cost of renting ($)</th>
<th>Difference ($)</th>
<th>Difference (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Akron, OH</td>
<td>$589</td>
<td>$3,310</td>
<td>-$721</td>
<td>-55%</td>
</tr>
<tr>
<td>Albany, NY</td>
<td>$999</td>
<td>$1,355</td>
<td>-$356</td>
<td>-35%</td>
</tr>
<tr>
<td>Albuquerque, NM</td>
<td>$755</td>
<td>$1,237</td>
<td>-$482</td>
<td>-39%</td>
</tr>
<tr>
<td>Allentown, PA-NJ</td>
<td>$792</td>
<td>$1,396</td>
<td>-$604</td>
<td>-43%</td>
</tr>
<tr>
<td>Atlanta, GA</td>
<td>$589</td>
<td>$1,356</td>
<td>-$767</td>
<td>-57%</td>
</tr>
<tr>
<td>Austin, TX</td>
<td>$938</td>
<td>$1,545</td>
<td>-$607</td>
<td>-39%</td>
</tr>
<tr>
<td>Bakersfield, CA</td>
<td>$627</td>
<td>$1,157</td>
<td>-$530</td>
<td>-46%</td>
</tr>
<tr>
<td>Baltimore, MD</td>
<td>$817</td>
<td>$1,874</td>
<td>-$1,057</td>
<td>-56%</td>
</tr>
<tr>
<td>Baton Rouge, LA</td>
<td>$613</td>
<td>$1,372</td>
<td>-$754</td>
<td>-55%</td>
</tr>
<tr>
<td>Bethesda-Rockville-Frederick, MD</td>
<td>$1,246</td>
<td>$2,250</td>
<td>-$1,004</td>
<td>-45%</td>
</tr>
<tr>
<td>Birmingham, AL</td>
<td>$515</td>
<td>$1,247</td>
<td>-$732</td>
<td>-59%</td>
</tr>
<tr>
<td>Boston, MA</td>
<td>$1,338</td>
<td>$2,256</td>
<td>-$918</td>
<td>-41%</td>
</tr>
<tr>
<td>Buffalo, NY</td>
<td>$745</td>
<td>$1,350</td>
<td>-$605</td>
<td>-45%</td>
</tr>
<tr>
<td>Camden, NJ</td>
<td>$925</td>
<td>$1,691</td>
<td>-$764</td>
<td>-45%</td>
</tr>
<tr>
<td>Cape Coral-Fort Myers, FL</td>
<td>$702</td>
<td>$1,334</td>
<td>-$632</td>
<td>-47%</td>
</tr>
<tr>
<td>Charleston, SC</td>
<td>$753</td>
<td>$1,643</td>
<td>-$880</td>
<td>-54%</td>
</tr>
<tr>
<td>Charlotte, NC-SC</td>
<td>$691</td>
<td>$1,487</td>
<td>-$796</td>
<td>-54%</td>
</tr>
<tr>
<td>Chicago, IL</td>
<td>$821</td>
<td>$1,628</td>
<td>-$806</td>
<td>-50%</td>
</tr>
<tr>
<td>Cincinnati, OH-KY-IN</td>
<td>$612</td>
<td>$1,320</td>
<td>-$708</td>
<td>-54%</td>
</tr>
<tr>
<td>Cleveland, OH</td>
<td>$585</td>
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<td>-60%</td>
</tr>
<tr>
<td>Colorado Springs, CO</td>
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<td>-$550</td>
<td>-43%</td>
</tr>
<tr>
<td>Columbia, SC</td>
<td>$607</td>
<td>$1,272</td>
<td>-$665</td>
<td>-52%</td>
</tr>
<tr>
<td>Columbus, OH</td>
<td>$670</td>
<td>$1,368</td>
<td>-$697</td>
<td>-51%</td>
</tr>
<tr>
<td>Dallas, TX</td>
<td>$812</td>
<td>$1,501</td>
<td>-$689</td>
<td>-46%</td>
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<td>$524</td>
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<tr>
<td>Denver, CO</td>
<td>$798</td>
<td>$1,823</td>
<td>-$1,025</td>
<td>-56%</td>
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<td>Detroit, MI</td>
<td>$349</td>
<td>$1,149</td>
<td>-$800</td>
<td>-70%</td>
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<tr>
<td>Edison-New Brunswick, NJ</td>
<td>$1,225</td>
<td>$2,291</td>
<td>-$1,065</td>
<td>-47%</td>
</tr>
<tr>
<td>El Paso, TX</td>
<td>$719</td>
<td>$1,202</td>
<td>-$483</td>
<td>-40%</td>
</tr>
<tr>
<td>Fairfield County, CT</td>
<td>$1,730</td>
<td>$2,902</td>
<td>-$1,172</td>
<td>-40%</td>
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<td>Fort Lauderdale, FL</td>
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<td>$1,664</td>
<td>-$913</td>
<td>-55%</td>
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<tr>
<td>Fort Worth, TX</td>
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<tr>
<td>Fresno, CA</td>
<td>$672</td>
<td>$1,333</td>
<td>-$661</td>
<td>-50%</td>
</tr>
<tr>
<td>Gary, IN</td>
<td>$616</td>
<td>$1,649</td>
<td>-$1,033</td>
<td>-63%</td>
</tr>
<tr>
<td>Grand Rapids, MI</td>
<td>$523</td>
<td>$1,219</td>
<td>-$696</td>
<td>-57%</td>
</tr>
<tr>
<td>Greensboro, NC</td>
<td>$566</td>
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<td>-$593</td>
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<tr>
<td>Greenville, SC</td>
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<td>$1,277</td>
<td>-$648</td>
<td>-51%</td>
</tr>
<tr>
<td>Hartford, CT</td>
<td>$1,014</td>
<td>$1,703</td>
<td>-$689</td>
<td>-40%</td>
</tr>
<tr>
<td>Honolulu, HI</td>
<td>$1,519</td>
<td>$2,007</td>
<td>-$488</td>
<td>-24%</td>
</tr>
</tbody>
</table>

Note: Cost of homeownership assumes that the home is sold after 7 years and includes closing costs, maintenance, insurance, property taxes and other costs. Cost of renting includes security deposit and renters insurance. Monthly costs are based on net present value of costs averaged over 7 years, and based on the average across all properties listed in the metro area, including those for sale and those for rent, in summer 2012.
TABLE 1. TRULIA’S RENT VS. BUY REPORT SUMMER 2012 CONTINUED

<table>
<thead>
<tr>
<th>U.S. Metropolitan Area</th>
<th>Monthly cost of homeownership ($)</th>
<th>Monthly cost of renting ($)</th>
<th>Difference ($)</th>
<th>Difference (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jacksonville, FL</td>
<td>$642</td>
<td>$1,355</td>
<td>-$713</td>
<td>-53%</td>
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<tr>
<td>Kansas City, MO-KS</td>
<td>$549</td>
<td>$1,276</td>
<td>-$728</td>
<td>-57%</td>
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<tr>
<td>Knoxville, TN</td>
<td>$630</td>
<td>$1,260</td>
<td>-$630</td>
<td>-50%</td>
</tr>
<tr>
<td>Lake County-Kenosha County, IL-WI</td>
<td>$981</td>
<td>$1,892</td>
<td>-$911</td>
<td>-48%</td>
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<tr>
<td>Lakeland-Winter Haven, FL</td>
<td>$495</td>
<td>$1,276</td>
<td>-$781</td>
<td>-61%</td>
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<tr>
<td>Las Vegas, NV</td>
<td>$626</td>
<td>$1,153</td>
<td>-$527</td>
<td>-46%</td>
</tr>
<tr>
<td>Little Rock, AR</td>
<td>$588</td>
<td>$1,259</td>
<td>-$671</td>
<td>-53%</td>
</tr>
<tr>
<td>Long Island, NY</td>
<td>$1,603</td>
<td>$2,513</td>
<td>-$910</td>
<td>-36%</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>$1,379</td>
<td>$2,020</td>
<td>-$641</td>
<td>-32%</td>
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<tr>
<td>Louisville, KY-IN</td>
<td>$548</td>
<td>$1,199</td>
<td>-$751</td>
<td>-58%</td>
</tr>
<tr>
<td>Memphis, TN-MS-AR</td>
<td>$548</td>
<td>$1,189</td>
<td>-$641</td>
<td>-61%</td>
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<tr>
<td>Miami, FL</td>
<td>$1,032</td>
<td>$2,003</td>
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<td>Middlesex County, MA</td>
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<td>$2,309</td>
<td>-$1,030</td>
<td>-45%</td>
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<tr>
<td>Milwaukee, WI</td>
<td>$780</td>
<td>$1,652</td>
<td>-$872</td>
<td>-53%</td>
</tr>
<tr>
<td>Minneapolis-St. Paul, MN-WI</td>
<td>$751</td>
<td>$1,558</td>
<td>-$807</td>
<td>-52%</td>
</tr>
<tr>
<td>Nashville, TN</td>
<td>$703</td>
<td>$1,525</td>
<td>-$821</td>
<td>-54%</td>
</tr>
<tr>
<td>New Haven, CT</td>
<td>$932</td>
<td>$1,684</td>
<td>-$752</td>
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</tr>
<tr>
<td>New Orleans, LA</td>
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<td>$2,687</td>
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<td>-31%</td>
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<td>Newark, NJ-PA</td>
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<td>$2,231</td>
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<td>-43%</td>
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<tr>
<td>North Port-Bradenton-Sarasota, FL</td>
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<td>$1,564</td>
<td>-$802</td>
<td>-51%</td>
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<tr>
<td>Oakland, CA</td>
<td>$1,331</td>
<td>$2,321</td>
<td>-$990</td>
<td>-43%</td>
</tr>
<tr>
<td>Oklahoma City, OK</td>
<td>$590</td>
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<td>-$987</td>
<td>-63%</td>
</tr>
<tr>
<td>Omaha, NE-IA</td>
<td>$666</td>
<td>$1,225</td>
<td>-$559</td>
<td>-46%</td>
</tr>
<tr>
<td>Orange County, CA</td>
<td>$1,610</td>
<td>$2,423</td>
<td>-$813</td>
<td>-34%</td>
</tr>
<tr>
<td>Orlando, FL</td>
<td>$607</td>
<td>$1,345</td>
<td>-$738</td>
<td>-55%</td>
</tr>
<tr>
<td>Palm Bay-Melbourne-Titusville, FL</td>
<td>$576</td>
<td>$1,133</td>
<td>-$557</td>
<td>-49%</td>
</tr>
<tr>
<td>Peabody, MA</td>
<td>$1,081</td>
<td>$2,256</td>
<td>-$1,176</td>
<td>-52%</td>
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<td>Philadelphia, PA</td>
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<td>$1,583</td>
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<td>-46%</td>
</tr>
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<td>Phoenix, AZ</td>
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<td>$1,223</td>
<td>-$598</td>
<td>-49%</td>
</tr>
<tr>
<td>Pittsburgh, PA</td>
<td>$652</td>
<td>$1,218</td>
<td>-$566</td>
<td>-46%</td>
</tr>
<tr>
<td>Portland, OR-WA</td>
<td>$880</td>
<td>$1,504</td>
<td>-$624</td>
<td>-41%</td>
</tr>
<tr>
<td>Providence RI-MA</td>
<td>$956</td>
<td>$1,773</td>
<td>-$817</td>
<td>-46%</td>
</tr>
<tr>
<td>Raleigh, NC</td>
<td>$798</td>
<td>$1,403</td>
<td>-$605</td>
<td>-43%</td>
</tr>
<tr>
<td>Richmond, VA</td>
<td>$699</td>
<td>$1,372</td>
<td>-$673</td>
<td>-49%</td>
</tr>
<tr>
<td>Riverside-San Bernardino, CA</td>
<td>$853</td>
<td>$1,495</td>
<td>-$642</td>
<td>-43%</td>
</tr>
<tr>
<td>Rochester, NY</td>
<td>$790</td>
<td>$1,358</td>
<td>-$568</td>
<td>-42%</td>
</tr>
<tr>
<td>Sacramento, CA</td>
<td>$898</td>
<td>$1,474</td>
<td>-$576</td>
<td>-39%</td>
</tr>
<tr>
<td>Salt Lake City, UT</td>
<td>$919</td>
<td>$1,478</td>
<td>-$560</td>
<td>-45%</td>
</tr>
<tr>
<td>San Antonio, TX</td>
<td>$809</td>
<td>$1,370</td>
<td>-$562</td>
<td>-41%</td>
</tr>
<tr>
<td>San Diego, CA</td>
<td>$1,314</td>
<td>$1,981</td>
<td>-$667</td>
<td>-34%</td>
</tr>
</tbody>
</table>

Note: Cost of homeownership assumes that the home is sold after 7 years and includes closing costs, maintenance, insurance, property taxes and other costs. Cost of renting includes security deposit and renters insurance. Monthly costs are based on net present value of costs averaged over 7 years, and based on the average across all properties listed in the metro area, including those for sale and those for rent, in summer 2012.
### TABLE 1. TRULIA’S RENT VS. BUY REPORT SUMMER 2012 CONTINUED

<table>
<thead>
<tr>
<th>U.S. Metropolitan Area</th>
<th>Monthly cost of homeownership ($)</th>
<th>Monthly cost of renting ($)</th>
<th>Difference ($)</th>
<th>Difference (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Francisco, CA</td>
<td>$2,327</td>
<td>$3,226</td>
<td>-$899</td>
<td>-28%</td>
</tr>
<tr>
<td>San Jose, CA</td>
<td>$1,819</td>
<td>$2,646</td>
<td>-$827</td>
<td>-31%</td>
</tr>
<tr>
<td>Seattle, WA</td>
<td>$978</td>
<td>$1,693</td>
<td>-$715</td>
<td>-42%</td>
</tr>
<tr>
<td>Springfield, MA</td>
<td>$869</td>
<td>$1,649</td>
<td>-$781</td>
<td>-47%</td>
</tr>
<tr>
<td>St. Louis, MO-IL</td>
<td>$993</td>
<td>$1,251</td>
<td>-$258</td>
<td>-53%</td>
</tr>
<tr>
<td>Syracuse, NY</td>
<td>$766</td>
<td>$1,572</td>
<td>-$806</td>
<td>-51%</td>
</tr>
<tr>
<td>Tacoma, WA</td>
<td>$811</td>
<td>$1,383</td>
<td>-$572</td>
<td>-41%</td>
</tr>
<tr>
<td>Tampa-St. Petersburg, FL</td>
<td>$594</td>
<td>$1,393</td>
<td>-$799</td>
<td>-57%</td>
</tr>
<tr>
<td>Toledo, OH</td>
<td>$476</td>
<td>$1,222</td>
<td>-$746</td>
<td>-61%</td>
</tr>
<tr>
<td>Tucson, AZ</td>
<td>$635</td>
<td>$1,172</td>
<td>-$536</td>
<td>-46%</td>
</tr>
<tr>
<td>Tulsa, OK</td>
<td>$883</td>
<td>$1,316</td>
<td>-$433</td>
<td>-56%</td>
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<tr>
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<td>$1,516</td>
<td>$2,274</td>
<td>-$759</td>
<td>-33%</td>
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<tr>
<td>Virginia Beach-Norfolk, VA-NC</td>
<td>$764</td>
<td>$1,456</td>
<td>-$693</td>
<td>-48%</td>
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<tr>
<td>Warren-Troy-Farmington Hills, MI</td>
<td>$888</td>
<td>$1,494</td>
<td>-$607</td>
<td>-61%</td>
</tr>
<tr>
<td>Washington, DC-VA-MD-WV</td>
<td>$1,205</td>
<td>$2,098</td>
<td>-$893</td>
<td>-43%</td>
</tr>
<tr>
<td>West Palm Beach, FL</td>
<td>$723</td>
<td>$1,764</td>
<td>-$1,041</td>
<td>-59%</td>
</tr>
<tr>
<td>Wilmington, DE-MD-NJ</td>
<td>$726</td>
<td>$1,441</td>
<td>-$715</td>
<td>-50%</td>
</tr>
<tr>
<td>Worcester, MA</td>
<td>$908</td>
<td>$1,898</td>
<td>-$990</td>
<td>-52%</td>
</tr>
</tbody>
</table>

Note: Cost of homeownership assumes that the home is sold after 7 years and includes closing costs, maintenance, insurance, property taxes and other costs. Cost of renting includes security deposit and renters insurance. Monthly costs are based on net present value of costs averaged over 7 years, and based on the average across all properties listed in the metro area, including those for sale and those for rent, in summer 2012.

(Trulia Real Estate Corporate, 2012, Table 1)

### FIGURE 4. QUARTERLY RENTAL AND HOMEOWNER VACANCY RATES FOR THE UNITED STATES, 1995–2012

### Figure 5. New and Existing Home Sales, U.S.

<table>
<thead>
<tr>
<th></th>
<th>New Homes</th>
<th>Existing Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sold</td>
<td>Sold</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>2008</td>
<td>485</td>
<td>352</td>
</tr>
<tr>
<td>2009</td>
<td>374</td>
<td>232</td>
</tr>
<tr>
<td>2010</td>
<td>322</td>
<td>188</td>
</tr>
<tr>
<td>2011</td>
<td>305</td>
<td>150</td>
</tr>
<tr>
<td>2012</td>
<td>368</td>
<td>150</td>
</tr>
</tbody>
</table>

For greater detail and analysis of these and other data, go to HousingEconomics.com

(1), (2), & (4)-(9) Data are in thousands of units.
(3) & (10)-(12) Number of months.
(1)-(6) Monthly data are seasonally adjusted.
(7)-(12) Monthly data are not seasonally adjusted.
(2) Annual data are a stock number and represent December figure of the given year, not seasonally adjusted.
(3) Annual numbers are end-of-year (December) seasonally adjusted numbers.
(10)-(12) Annual data are an average of the monthly not seasonally adjusted.
(NA) = Not available.

Sources: (1), (2), & (3) U.S. Bureau of the Census; (4) through (12) National Association of Realtors.
The Impact Monitoring and Evaluation Process: A Systemic Approach to Continual Improvement

Ingrid Guerra-López, PhD | Karen Hicks, MA

ABSTRACT

Continuous performance improvement requires accurate and timely performance data to support organizational decision-making. Monitoring is central to timely feedback, evidenced-based management, and continuous performance improvement. The authors use existing literature to propose four key levels of continuous improvement in organizations: (1) evidence gathering through summative evaluation, (2) evidence gathering through monitoring and formative evaluation, (3) using evidence for feedback and communication, and (4) using evidence for measurably adjusting performance. The authors then conclude by proposing the Impact Monitoring and Evaluation Process as a means of integrating the four levels of continuous improvement in organizations.

INTRODUCTION

Swanson & Holton (2009) define human resource development (HRD) as “a process for developing and unleashing human expertise through organization development and personnel training and development for the purpose of improving performance” p. 4. The HRD function is experiencing ever expanding responsibility for enterprise-wide performance, moving beyond training and development, and highlighting the “performance improvement” mission. This trend positions the HRD function as strategic partner with accountability over organizational vital signs. Moreover, it provides greater potential for HRD to be well aligned with strategic goals and adding value to the organization (Swanson, 1995).

There are many potentially positive impacts of purposeful system alignment. Firstly, it positions HRD to keep track of the performance indicators that matter. That is, those that directly, or in some other important way, support the attainment of strategic aims. Secondly, with access to relevant and timely performance data, it also positions HRD to become a proactive detector of performance opportunities and deficiencies. Thirdly, it allows us to identify measurable and relevant performance gaps before picking performance improvement solutions. Fourthly, it increases HRD’s ability to select the right performance solutions, based on performance gaps and their root causes. For example, training will add little value, if root causes of performance gaps are primarily related to lack of clear expectations and appropriate consequences. These are issues of the performance environment, rather than the individual performer. Fifthly, it provides us with the monitoring and evaluation framework we need to ensure that our performance solutions stay on track and meet their expected destination (Guerra-López, 2008). It is precisely this ongoing feedback that enables continuous improvement to occur (Guerra-López, 2012).
Monitoring and evaluation (M&E) can provide a systemic, and systematic, framework that aligns decisions, results, activities, and resources so that performance data is responsive and provides a clear recipe for improving performance (Guerra-López, 2008). Such alignment sets the stage for relevant and ongoing performance feedback that sheds light on the progress an organization is making toward (or away from) its vision and related measurable objectives. Thus, this ongoing performance feedback obtained through a well-designed (i.e., well aligned) monitoring and evaluation system is a fundamental element of continuous improvement in organizations.

In the last half century, HRD has turned to M&E as a means of supporting continuous improvement, although its progress has been slow (Wang & Spitzer, 2005). One explanation may be that current evaluation approaches measure the effects of a single intervention with results reported at the individual employee level, at one point in time. This approach does not account for the complexity of organizations, and the ability to detect, influence, and report impact at the organizational level is limited. A holistic perspective is required, one that integrates the M&E process into a broader organizational performance system and looks beyond the most immediate intervention effects exclusively (Guerra-López, 2010; Wang & Spitzer, 2005). This systemic view gives us the ability to detect patterns from the data to understand internal and external factors for change, and subsequently select appropriate courses of action (Grieves, 2003). If this type of integration is achieved, HRD can indeed become a proactive partner in supporting evidenced-based decision-making that results in continuous performance improvement.

**LITERATURE REVIEW**

From a review of the literature, four key dimensions emerged: evidence gathering through summative evaluation approaches, gathering evidence through monitoring, using evidence for feedback and communication, and using evidence for adjusting performance.

**Gathering Evidence**

While fundamental to responsible decision-making, the most neglected aspect of decision-making in the literature is intelligence gathering (Eisenhardt, 1998; Nutt, 2007). Decision-making begins when stakeholders see a triggering trend (e.g., declining revenues or sales) or event (e.g., a threat to unionize) as significant, prompting steps to obtain intelligence (Nutt, 2007). Decision-makers are often inundated with signals from customers, employees, shareholders, attorneys, competitors, regulators, and suppliers. Finding which trends or events are worthy of priority attention can be an overwhelmingly challenging proposition. Some researchers suggest that signals should be decoded as performance gaps (Pounds, 1969; Nutt, 1979; Cowan, 1986), and that the gap will be considered significant when an important performance indicator, such as market share or revenue, falls below preset criteria and conversely, the signal would be ignored if performance equals or exceeds the expected performance criteria. When a performance gap is detected, it also reveals the magnitude of the concern to be overcome (Cowan, 1990), this magnitude can be one major consideration in prioritizing performance problems for resolution. Decision-making is then undertaken to find ways to deal with closing the performance gap, and reduce or eliminate the concern. This process begins with the evidence gathering activities of monitoring and evaluating.

**Gathering Evidence Through Monitoring**

Monitoring integrates measurement and tracking. We measure what matters and track its progress. Continual improvement depends on knowing where we are headed, and continually monitoring our course to get us from where we are to where we want to be (Guerra-López, 2007). We do this by asking the right questions, collecting useful data on an ongoing basis, and then using the information we draw from the data to make sound decisions about required changes and/or which current initiatives to sustain. This is essentially what we mean when...
we talk about evidence-based decision-making and practices. With this continuous and proactive approach, organizations focus on their performance targets and align efforts toward these goals creating value for the organization.

The value of monitoring is not in using it as a means of control or to stifle creativity or innovation. Wells, Moorman, & Werner (2007) demonstrated employees have a positive response to monitoring activities when reasons for the activity are understood and trusted as means for development. Gruman and Saks (2011) argue that including employees in the development of goals support employee engagement that leads to desired performance with both the employee and the organization as benefactors. Such practices allow employees to situate their goals within the organizational context and welcome a collaborative monitoring design.

The process of monitoring does not imply we forego a summative confirmation and celebration of ultimate results. With direction to continuously monitoring progress, organizations are encouraged to identify milestone opportunities that acknowledge improvements and time to reflect on what worked well that should be repeated and what improvements should be made for the future. “Progress, milestones reached (or not reached), action plans for reaching desired goals, etc. should be consistently and accurately communicated throughout the organization” (Guerra-López, 2008). A discussion on where we’ve been, a description and acknowledgement of the efforts that have led to the progress, and how we will continue to move forward to achieve our goal is recommended at specified intervals.

Continuous improvement elements: measurement and tracking, check-in points, synthesis of variables.

Gathering Evidence Through Summative Evaluation

Scriven (1967) argued that the purpose of evaluation is to prove the merit of some program or effort. Moreover, the purpose of proving the merit of any initiative is to improve its future performance (Guerra-López, 2007) and stakeholder decision-making (Patton, 1994; Guerra-López, 2007; Nielsen & Ejler, 2008). A content analysis (Duan, 2011) showed data is collected most often in the analysis and evaluation phases of a project. This practice applies evaluation as an event, rather than a process and does not necessarily satisfy organizational needs of timely and incremental performance data. Retrospective, or summative-type, evaluations seek to prove, rather than improve. For example, the training program did (or did not) address the performance gap. Without interim data, we are disadvantaged as we face challenges with isolating the effects of training. Continuous performance improvement is a proactive perspective that seeks to improve, in addition to prove. It also allows us to document performance gaps, root causes, their interrelationships, and performance solution criteria; all necessary for purposefully driving the performance improvement journey (Gilbert, 1978).

Continuous improvement elements: improve, compare results with expectations, find drivers and barriers to expected performance (causal factors), produce action plans for continuous improvement.

Using Evidence for Feedback and Communication

One of the critical contributions of monitoring and evaluation is the feedback that it provides. The feedback loop represents the reiterative nature of tracking and adjusting. Open communication of the evaluation process, findings, and recommendations directly impacts the change process. Lack of information promotes a sense of anxiety and resistance, particularly when individuals begin to make their own stories about what is going on, and what will happen in the future. The ongoing feedback provided by monitoring facilitates an ongoing dialogue with stakeholders where we can empower them to have performance data readily accessible to those impacted. In ASTD’s 2011 State of the Industry Report, 79.5 percent of respondents stated their organization should have standardized talent review and feedback processes, although only 35.9 percent of respondents said their organizations did this. Performance data should not only be accessible by all, but should be clearly understood by all. Gilley, Maycunich, & Quatro (2002)
recommend making more “data about employee and
customer satisfaction and organizational financial
performance” available to staff as a leading posi-
tive approach toward transformational change in
HRD. Respondents of 2011 ASTD State of the
Industry voiced their agreement with 70.3 percent
recognizing that sharing data as important to talent
management, although only 13.9 percent of their
organizations do this. Providing consistent feedback
about performance is part of broader, and effective,
communication systems. If developed appropriately,
it will allow leaders and employees to track, manage,
and sometimes forecast, performance at opportune
times. In this sense, it is very much like monitoring
the vital signs of the organization.

Continuous improvement elements: reiterative track-
ing of vital sign messages, performance forecasting,
participatory discussion of trends.

Using Evidence for Adjusting Performance

The benefit of continual improvement can have
great payoffs in any endeavor. The ideal process is
one that can be controlled to define and then main-
tain quality, and to adjust at the earliest sign that
something is out of what is acceptable. While quality
control measures keep things on track, all parts of
the organization are encouraged to look, in a coor-
dinated fashion, for ways to improve the enterprise
by adjusting design specifications and altering the
various processes to include any new improved
features and/or changing that which will not deliver
measurable success. Smith (2002) found necessary
adjustment tactics were successful when there is an
alignment between the change tactics and business
strategies to address organizational issue. Sleezer,
Hough, & Gradous (1998) note stakeholders look to
HRD to identify specific corrective actions that can
be made for improvement in complex organizations.

Decisions regarding adjustments, or change tactics,
are made daily in organizations. Pound (1995)
warns these subtle day-to-day decisions are where
we are most susceptible to organizational failure.
Daily decisions may include: Is the rate of prog-
ress obtained consistent with the rate of progress
planned? How has the intervention impacted
individual areas and, the system? Is the interven-
tion and its results sustainable? Why or why not?
Ongoing performance data is required to inform
these adjustment decisions, among many others.
HRD functions seeking the ultimate level of con-
tinuous improvement identify means of developing
systematic processes grounded in systemic views
and gain opportunity to effectively and efficiently
monitor progress, and therefore, alignment to the
organization.

Continuous improvement elements: en-route data
usage for improvement, systemic change creation
and management, systematic application.

Table 1 on page 23 synthesizes the literature
reviewed here, and organizes it through levels of
continuous improvement.
### TABLE 1. HIERARCHY OF CONTINUOUS IMPROVEMENT ELEMENTS

<table>
<thead>
<tr>
<th>Levels¹</th>
<th>Continuous Improvement Dimensions</th>
<th>Key Elements</th>
</tr>
</thead>
</table>
| Basic Level | Gathering evidence through summative evaluation | • Gain knowledge to improve  
• Compare results with expectations  
• Find drivers and barriers to expected performance (causal factors)  
• Produce action plans for continuous improvement |
| Intermediate Level | Gathering evidence through monitoring | • Ongoing measurement and tracking  
• Ongoing action triggered by data  
• Check points  
• Holistic view of variables |
| Advanced Level | Using evidence for feedback and communication | • Reiterative tracking of vital sign messages  
• Participatory interpretations of trends  
• Performance forecasting |
| Ultimate Level | Using evidence for adjusting performance | • En-route data usage for improvement  
• Systemic change creation and management  
• Systemic application |

¹Each subsequent level includes the properties of the previous levels.

### THE IMPACT EVALUATION PROCESS: A PROPOSED MODEL FOR CONTINUOUS IMPROVEMENT IN HRD

The Monitoring and Impact Monitoring and Evaluation Process (Guerra-López, 2007a; 2007b, 2008; 2012) is a monitoring and evaluation framework based on a system approach to improving performance. The process consists of seven reiterative elements with stakeholders and external impact on society as the basis for everything done in evaluation. The following section describes this methodology in greater detail and is offered as a process that meets the requirements of the highest level in the continuous improvement hierarchy described above. Figure 1 provides a visual representation and overview of the model, with a detailed description that follows. It is important to note that alignment of all elements is fundamental to the utility of this methodology (Guerra-López, 2012).
STEP 1: IDENTIFY STAKEHOLDERS AND EXPECTATIONS

The process begins with the evaluator’s identification of stakeholders and the expectations of the stakeholders. The monitoring and evaluation team must identify key stakeholders that will be intricately involved in the effort. Evaluators must capture who is, or could be, affected by the evaluation or could potentially affect the evaluation in a meaningful way. The stakeholder groups include those who will be making decisions either throughout the monitoring and evaluation process, or directly as a result of the findings, as well as those that can be affected by the data in some way. A diverse group of stakeholder representation will also have a diverse group of expectations. These expectations are the basis for planning, design, and execution of the continuous improvement process, and should explicitly articulate what is expected of you (as well as of the stakeholders). If you do not have the specific stakeholder expectations clearly defined from the start, it is nearly impossible to align your efforts to such expectations without sheer luck. If you do not align your efforts with stakeholder expectations from the start, it is unlikely that you will meet those expectations.

STEP 2: DETERMINING KEY DECISIONS AND OBJECTIVES

The evaluator then identifies the decisions that will have to be made using the evaluation findings. A primary step is to ask the stakeholders to articulate the types of decisions for which the monitoring and evaluation system will provide feedback. Evaluators guide this discussion about the decisions
and help stakeholders to align these decisions to broader, organizational performance management systems. At its core, measurement, monitoring, and evaluation systems are performance management systems. Effective management is based on these types of evidence-generating tools. Sound decisions should be primarily driven by relevant (related to results of interest), reliable (trustworthy), and valid (a true measure of what you want to measure) data, and these data should come from measurable indicators of the results we want to accomplish, which in turn are related to the questions we want to answer (Guerra-López, 2008; Guerra-López & Thomas, 2011).

**STEP 3: DERIVING MEASURABLE INDICATORS**

Indicators are observable and measurable occurrences that reveal something about the programs being evaluated and thus form a critical part of data collection. Monitoring and evaluation efforts are at the core of tracking the performance data required to answer the questions that guide the inquiry. Together these indicators should provide a systemic view of the progress and impact of various performance improvement interventions. Looking at the collection of indicators as a whole can give us a significantly different view of reality than looking at one data point in isolation.

**STEP 4: IDENTIFY DATA SOURCES**

Direction is given to evaluators to identify where the data will come from early in the evaluation process. These sources vary and are dependent upon the type of data being sought. Identifying, and planning for, the sources to be used for collecting data will improve access to the data, and the quality of the data collection tools to be used, and help prevent data gaps. Innovations in technology have significantly increased access to data from across the organization, and indeed across the globe, by linking documents, reports, databases, experts, and other sources. Triangulated data sources is just as important as triangulating performance indicators to ensure reliability.

**STEP 5: SELECTING DATA COLLECTION METHODS**

A fundamental consideration for evaluators is the selection of appropriate data collection tools. The data you collect is in great part a function of the data collection methods you select. Therefore, monitoring and evaluation efforts should use the right tool for the data they seek. Evaluators should make every effort to ensure the usefulness of their data through reliable and valid tools that incorporate the alignment of the data type and scale of measurement, the data source, data collection tools, and the forthcoming, data analysis procedures. One fatal mistake often made in this area is picking the data collection methods before clearly articulating the data that is required (in the context and order described above), which limits our range of vision. For example, collecting surveys, simply because we have always used surveys in the past will not guarantee the usefulness of the data we get back.

**STEP 6: SELECTING DATA ANALYSIS APPROACHES**

The analysis of data as part of a monitoring and evaluation effort is more than the organization of information to discover patterns and fortify arguments used to support conclusions or evaluative claims that result from your evaluation study. We also seek to understand how to improve the performance of our interventions and organizations, and the impact they have on our clients and society (Guerra-López, 2012). Selecting the appropriate technique depends on not only the scale used to measure the data but also the specific purpose of our analysis. The analysis approach we take can significantly alter what we find, how we communicate it, and what conclusions can be drawn. Therefore, it is critical to select the right approach.

**STEP 7: CONTINUOUS FEEDBACK AND ACTION**

Stakeholders must continuously use data to track and communicate about patterns, trends, logical interpretations at given points in time, and
alternative courses of action given relevant objectives, and criteria. Further, continuous feedback gives stakeholders the opportunity to provide valuable feedback and allows for involvement, and buy-in, from those affected. This ongoing approach to feedback supplies real time and en-route data throughout the life cycle of strategically coordinated interventions, rather than at or after implementation, reducing the perception of HRD as an optional activity. Providing this valuable feedback and guidance for strategic orientation and execution can position HRD practitioners as true strategic partners.

**SUMMARY**

It is more imperative than ever for HRD to realize its expanding responsibility for enterprise-wide performance improvement, beyond traditional training and development. This trend positions the HRD function as strategic partner with accountability over organizational vital signs. An understanding of continuous improvement and its various levels then becomes imperative for HRD’s mission.

A review of relevant literature has revealed four key dimensions and specific elements of continuous improvement: (1) evidence-gathering through summative evaluation, (2) evidence gathering through monitoring or formative evaluation, (3) using evidence for feedback and communication, and (4) using evidence for adjusting performance. A hierarchy of continuous improvement levels for evaluative approaches was then derived in order to clarify the purpose and value of various evaluation approaches, where summative evaluation is a basic step, rather than an ultimate step in the continuous improvement process. Finally, the Impact Monitoring and Evaluation Process was then proposed as an approach to ensure an organization continuously improves through the use of evidence.

**REFERENCES CITED**


The Performance-Centered University: From Graduating Individuals to Graduating Organizations and Communities

Mariano Bernardez, PhD, CPT

ABSTRACT

At the beginning of the twenty-first century, the combined forces of a globalized, knowledge-based economy and rapidly growing emerging economies has provoked the emergence of a new type of university, centered not only in educating individuals and producing intellectual capital but in educating organizations able to create productive jobs for their graduates and take their research to the market more rapidly.

Since their emergence during the Middle Ages (Graves, 1910) (Grendler, 2002), the universities have evolved very little and very slowly from their traditional role of graduating professionals and producing basic research.

For all their emphasis in advancing knowledge, universities are extremely resistant to advance as organizations. In discussing the different speeds of organizational change, Alvin and Heidi Toffler classified universities as the slowest, moving in “tortoise time” (Toffler & Toffler, 2006). As a matter of fact, it took almost 300 years for the universities to move from scholastic teaching to empirical research (Mokyr, 1990, 2001).

FROM GRADUATING INDIVIDUALS TO GRADUATING ORGANIZATIONS, COMMUNITIES

We can distinguish three main business models for higher education organizations coexisting nowadays: traditional, research, and performance-centered universities:

TRADITIONAL UNIVERSITY

Created by guilds and religious institutions during the Middle Ages (Grendler, 2002) (Haskins, 1923, 1957) (North & Thomas, 1973, 2009) as a way to transmit and regulate the access to professions and trades or institutional positions, traditional universities have a distinctive focus on instruction and teaching, delivering and certifying pre-existing knowledge and know-how.

By controlling the access to high-paying jobs that increasingly require undergraduate or graduate degrees, traditional universities have grown in number and enrollment to represent the most common model.

As college degrees become a generalized requirement for social mobility and employment, societal and market pressure for providing a low-cost response to the growing demand combined with the limitations of a tuition-based revenue model forces traditional universities to seek subsidies and focus on short-term, undergraduate degrees and conventional, most-demanded careers.
The traditional university model responds to the challenge of keeping tuition costs low while increasing enrollment by employing large numbers of low paid, part-time professors in exchange for contracts that prioritize job stability and lower teacher-student ratios—both highly popular among politicians and teachers unions.

A more recent variation of the traditional university model are private, for-profit universities that deliver low-cost education and degrees over the Internet to local and international students, cutting infrastructure costs.

Critics of the traditional model contend that it drives to prioritize quantity over quality, past over future skills, lower value, conventional know-how and technology over cutting-edge, advanced R&D.

The traditional university—focused on educational programs—revenue comes from tuition, and societal impact, such as graduates’ employment, is left to individuals.

An empirical or natural sciences that preceded—and contributed decisively—to the Industrial Revolution required a new model of university focused on research and dedicated not only to transmit existing knowledge but to create new, basic science and technology applicable to the growing industry and commerce.

The German model of research university was rapidly adopted and improved in the countries at the forefront of the Industrial Revolution: Britain and the United States.

The research university (Geiger, 1986) focused on creating basic science, giving high priority to research over traditional teaching. Massing the best and the brightest in laboratories and research produced unparalleled breakthroughs in the fields.

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**FIGURE 1: TRADITIONAL UNIVERSITY BUSINESS MODEL**

<table>
<thead>
<tr>
<th>Traditional University business model</th>
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<tbody>
<tr>
<td>Students</td>
</tr>
<tr>
<td>Recruitment &amp; Enrollment</td>
</tr>
<tr>
<td>Selection</td>
</tr>
<tr>
<td>Admission</td>
</tr>
<tr>
<td>Academia</td>
</tr>
<tr>
<td>Professors recruitment &amp; training</td>
</tr>
<tr>
<td>Program design &amp; development</td>
</tr>
<tr>
<td>Schools</td>
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<tr>
<td>Delivery</td>
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<tr>
<td>Evaluation</td>
</tr>
<tr>
<td>Administration</td>
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<tr>
<td>Tuition revenue</td>
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<tr>
<td>Graduation</td>
</tr>
<tr>
<td>Outreach</td>
</tr>
<tr>
<td>Job placement</td>
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<tr>
<td>Societal impact</td>
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</tbody>
</table>

In a traditional university—focused on educational programs—revenue comes from tuition, and societal impact, such as graduates’ employment, is left to individuals.

**RESEARCH UNIVERSITY**

The emergence of empirical or natural sciences that preceded—and contributed decisively—to the Industrial Revolution required a new model of university focused on research and dedicated not only to transmit existing knowledge but to create new, basic science and technology applicable to the growing industry and commerce.

The German model of research university was rapidly adopted and improved in the countries at the forefront of the Industrial Revolution: Britain and the United States.

The *research university* (Geiger, 1986) focused on creating basic science, giving high priority to research over traditional teaching. Massing the best and the brightest in laboratories and research produced unparalleled breakthroughs in the fields.
of physics, chemistry, and natural sciences that more than doubled the production of patents and new inventions (Murray, 2003).

The transition from an industrial economy to one based on technology and knowledge was accelerated in the developed world by the imperative requirements of the two World Wars.

Inventions such as radar, sonar, radio, computers, and nuclear power (Mokyr, 1990, 2001) had to be mass produced and reach the battlefields, and later the markets, at a breakneck pace. Close cooperation between research universities and industrial organizations created technological clusters or corridors close to the military bases or ports where the new planes, radars, sonars, and vehicles could be rapidly shipped overseas and put to use.

In the research university model, revenue comes mostly from grants, patents, and other returns from producing intellectual capital. Unlike the traditional university, the research university focuses on advanced science and technological applications produced by elite students and professors dedicated to research and development for government and corporations that provide the funding.

The research university revenue model focuses on a highly competitive selection of students and faculty able to successfully compete for advanced, well-funded R&D projects for their government and corporate customers. Full-time students and star professors are critical for that purpose and, although tuition is significantly higher, it is replaced by direct investment as the main source of revenue and replaced by scholarship and sponsorship when low-income, talented students are considered critical for a research project.

Critics of the research university contend that this model tends to prioritize conventional return on investment over adding societal value, corporate or government interests over students and community, and fast return startups that develop products and services for developed economies and markets over social enterprises and innovative applications of science and technology for emerging markets.

**PERFORMANCE-CENTERED UNIVERSITY**

In underdeveloped economies like China, India, or Mexico, generating social capital such as organizations and value chains able to generate jobs and growth by producing and exporting to the developed world became a priority for a new type of universities that we call performance-centered universities. (Bernardez, 2008) (Prahalad, 2005).

Performance-centered universities operate actively to create social capital by incubating and “graduating” not just individuals but organizations organizing them in clusters and ecosystems.

The performance-centered university operates as a “hub” at the very center of rapidly growing economic regions such as Silicon Valley and route 128 in the United States, Silicon Fen in England, Silicon Wadi in Israel, the Special Economic Zones in China, or the university-centered cities like Bangalore in India (Bernardez, 2009).

The performance-centered university revenue comes not only from tuition, R&D grants, and intellectual capital but also from the revenue generated by the companies that the university incubates and places into the market.
A performance-centered university measures its success in terms of three kinds of results: students’ graduation, intellectual capital produced by research, and social capital—organizations incubated and placed in the market.

In this business model, the university collects revenue from multiple sources: tuition from students, intellectual capital, incubation, and acceleration fees and revenue from organizations.

Graduates’ job placement is part of the university role, through the process of creating new companies (incubation) that hire its graduates and placing those organizations in the market (acceleration).
TABLE 1: THREE UNIVERSITY MODELS

<table>
<thead>
<tr>
<th>University model</th>
<th>Focus</th>
<th>Value delivered</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional (Middle Ages)</td>
<td>Instruction</td>
<td>Existing knowledge, know-how, degrees and certification Human capital</td>
<td>Teaching</td>
</tr>
<tr>
<td>Research (Eighteen Century)</td>
<td>Science, R&amp;D</td>
<td>Creating new intellectual capital</td>
<td>Research</td>
</tr>
<tr>
<td>Performance-Centered (Twenty-first Century)</td>
<td>Society</td>
<td>Knowledge and competencies’ application Creating social capital (organizations, ecosystems)</td>
<td>Societal, organizational performance</td>
</tr>
</tbody>
</table>

THE ITSON CASE: FOCUS ON SOCIETAL PERFORMANCE (ITSON—SONORA INSTITUTE OF TECHNOLOGY, 2007)

The Sonora Institute of Technology — ITSON—developed a new vision for the Southern Sonora region and in 2005 started a new PhD and MBA program in Societal and Organizational Performance (Rodriguez Villanueva & Guerra-Lopez, 2005) to transform that vision into reality.

Under the motto “give your company a PhD,” the new program started recruiting projects and entrepreneurs rather than just students, based on the priorities of a strategic plan for the region. Each participant in the PhD and MBA program was in charge of helping plan, incubate, and place in the market a new organization, and operated at the same time as student, researcher, and member of an entrepreneurial team.

Participants were organized in three tiers: full-time PhD students — operating as planners and designers, MBA students operating as managers, MS and MA students operating as specialists, and entrepreneurs and existing managers of the new organization operating as sponsors and implementers.
The faculty focused not just on teaching and conducting research, but in consulting and supervising the development of the new organizations.

The Performance Improvement Institute or PII—as the program was called—utilized a double bottom line business case (Bernardez, 2009, Volume 22, Number 2) defining measurable goals at three levels according to Roger Kaufman’s Megaplanning (Kaufman, Oakley-Browne, Watkins, & Leigh, 2003) (Kaufman, 2011) (Kaufman & Guerra-Lopez, 2013)—methodology: products and deliverables for each year—Micro level; revenue and benefit for the new organizations—Macro level; and societal impact—Mega level, such as jobs created,—direct and indirect; revenue for the community and market; or reduction of societal costs derived from unemployment, health, and other community problems. (ITSON—Sonora Institute of Technology, 2007) (Lagarda Leyva, 2010)

### TABLE 2: DOUBLE BOTTOM-LINE BUSINESS CASE FOR A PERFORMANCE-CENTERED UNIVERSITY (PPI, ITSON)

<table>
<thead>
<tr>
<th>PII BUSINESS CASE</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td><strong>MEGA TOP LINE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct jobs revenue</td>
<td>1,800,000</td>
<td>2,700,000</td>
<td>3,600,000</td>
<td>7,200,000</td>
<td>7,200,000</td>
<td>10,800,000</td>
<td>10,800,000</td>
<td>14,400,000</td>
</tr>
<tr>
<td>Indirect jobs revenue</td>
<td>2,700,000</td>
<td>4,050,000</td>
<td>5,400,000</td>
<td>10,800,000</td>
<td>10,800,000</td>
<td>16,200,000</td>
<td>21,600,000</td>
<td>21,600,000</td>
</tr>
<tr>
<td>Incubated companies revenue</td>
<td>2,000,000</td>
<td>4,000,000</td>
<td>4,000,000</td>
<td>4,000,000</td>
<td>8,000,000</td>
<td>8,000,000</td>
<td>12,000,000</td>
<td>16,000,000</td>
</tr>
<tr>
<td>Companies cost reduction</td>
<td>412,500</td>
<td>1,126,000</td>
<td>1,800,000</td>
<td>2,100,000</td>
<td>2,400,000</td>
<td>2,775,000</td>
<td>3,600,000</td>
<td>3,975,000</td>
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<tr>
<td>Societal costs reduction</td>
<td>512,000</td>
<td>640,000</td>
<td>758,000</td>
<td>956,000</td>
<td>1,024,000</td>
<td>1,152,000</td>
<td>1,280,000</td>
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<tr>
<td><strong>MEGA REVENUE</strong></td>
<td>7,424,500</td>
<td>12,515,000</td>
<td>15,550,000</td>
<td>24,356,000</td>
<td>28,424,000</td>
<td>35,827,000</td>
<td>52,680,000</td>
<td>57,383,000</td>
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<tr>
<td><strong>MACRO TOP LINE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition revenue</td>
<td>312,000</td>
<td>312,000</td>
<td>312,000</td>
<td>416,000</td>
<td>520,000</td>
<td>650,000</td>
<td>780,000</td>
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<tr>
<td>Incubation revenue</td>
<td>120,000</td>
<td>120,000</td>
<td>256,000</td>
<td>382,000</td>
<td>779,000</td>
<td>930,000</td>
<td>1,090,000</td>
<td>1,130,000</td>
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<tr>
<td>Research revenue</td>
<td>85,000</td>
<td>125,000</td>
<td>155,000</td>
<td>205,000</td>
<td>245,000</td>
<td>285,000</td>
<td>325,000</td>
<td>355,000</td>
</tr>
<tr>
<td>Funding &amp; direct investment</td>
<td>80,000</td>
<td>80,000</td>
<td>60,000</td>
<td>60,000</td>
<td>120,000</td>
<td>189,000</td>
<td>240,000</td>
<td>390,000</td>
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<td><strong>MACRO REVENUE</strong></td>
<td>577,000</td>
<td>617,000</td>
<td>793,000</td>
<td>1,063,000</td>
<td>1,655,000</td>
<td>2,045,000</td>
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<td><strong>MICRO TOP LINE</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enrolled students</td>
<td>30</td>
<td>45</td>
<td>50</td>
<td>62</td>
<td>72</td>
<td>82</td>
<td>92</td>
<td>102</td>
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<tr>
<td>Incubated companies</td>
<td>6</td>
<td>8</td>
<td>12</td>
<td>15</td>
<td>18</td>
<td>21</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>Graduated students</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>12</td>
<td>19</td>
<td>25</td>
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<td>40</td>
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<tr>
<td>Employed students</td>
<td>5</td>
<td>6</td>
<td>12</td>
<td>15</td>
<td>17</td>
<td>18</td>
<td>23</td>
<td>28</td>
</tr>
<tr>
<td>Patents &amp; other IP</td>
<td>5</td>
<td>12</td>
<td>19</td>
<td>26</td>
<td>33</td>
<td>40</td>
<td>47</td>
<td>54</td>
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<tr>
<td>Books &amp; articles published</td>
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<td>6</td>
<td>9</td>
<td>13</td>
<td>18</td>
<td>23</td>
<td>29</td>
<td>33</td>
</tr>
<tr>
<td><strong>COSTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational costs</td>
<td>150,000</td>
<td>225,000</td>
<td>250,000</td>
<td>308,333</td>
<td>358,333</td>
<td>408,333</td>
<td>458,333</td>
<td>508,333</td>
</tr>
<tr>
<td>Research costs</td>
<td>15,000</td>
<td>36,000</td>
<td>57,000</td>
<td>78,000</td>
<td>99,000</td>
<td>120,000</td>
<td>141,000</td>
<td>162,000</td>
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<tr>
<td>Incubation costs</td>
<td>114,000</td>
<td>114,000</td>
<td>243,200</td>
<td>362,500</td>
<td>721,500</td>
<td>863,500</td>
<td>1,035,500</td>
<td>1,073,500</td>
</tr>
<tr>
<td><strong>TOTAL COSTS</strong></td>
<td>279,000</td>
<td>375,000</td>
<td>550,000</td>
<td>740,233</td>
<td>1,188,833</td>
<td>1,411,833</td>
<td>1,634,833</td>
<td>1,743,833</td>
</tr>
<tr>
<td><strong>CONVENTIONAL BOTTOM LINE</strong></td>
<td>298,000</td>
<td>242,000</td>
<td>242,300</td>
<td>313,767</td>
<td>466,167</td>
<td>633,167</td>
<td>800,167</td>
<td>831,167</td>
</tr>
<tr>
<td><strong>SOCIETAL BOTTOM LINE</strong></td>
<td>7,722,500</td>
<td>12,757,000</td>
<td>15,810,800</td>
<td>28,300,767</td>
<td>26,800,167</td>
<td>39,850,167</td>
<td>53,880,167</td>
<td>58,214,167</td>
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<tr>
<td><strong>CONVENTIONAL ROI</strong></td>
<td>1.1</td>
<td>0.8</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>SOCIETAL ROI</strong></td>
<td>27.7</td>
<td>34.0</td>
<td>28.7</td>
<td>33.8</td>
<td>25.1</td>
<td>28.0</td>
<td>32.8</td>
<td>33.4</td>
</tr>
</tbody>
</table>
This double bottom line business case for a PhD and MBA program at ITSON measures and relates Micro results—student enrollment, graduates, and incubated companies—with benefits for the university at the Macro level—tuition, incubation, and research revenue—and societal impact at the Mega level—revenue for society generated by job creation, companies revenue and cost reduction, and societal costs reduction such as positive impact in the environment, health, and other factors.

The double bottom line reflects the net result for ITSON and the community, as well as a conventional and societal return on investment.

Using the double bottom line business case, PII/ITSON was able to align the teaching, research, and consulting activities with strategic goals and monitor and manage the process, applying a modified version of Geary Rummler’s and Dale Brethower’s Anatomy of Performance (AOP) (Rummler & Brache, 1995) (Brethower, 2007) model to design cross-organizational value chains to connect and synergize the new companies.

In its first five years (2005–2010), the program created 32 new organizations—ranging from agriculture to tourism and NGOs—organized in the South of Sonora corridor, with 950 new professional jobs for their graduates and a total of 9,500 jobs expected for 2014. The PII program also generated $34 million in revenue for the incubated companies and $85 million in societal revenue.

The PII/ITSON performance-centered model had four sources of revenue: students’ tuition, intellectual capital revenue (royalties), incubation revenue from new companies’ development, and acceleration revenue from marketing and placing the new companies and brands in their markets.

**LESSONS LEARNED**

Big changes come better in smaller doses, and walk faster in tip toes (Bernardez, 1998).

Transitioning from a traditional or research university model to a performance-centered university poses several challenges that must be carefully addressed:

1. **Creating and aligning incentives for faculty and students**

   Research (Moore, 2009, Volume 22, Number 2) and experience show that resistance to the new model usually comes from inside the traditional university. Faculty and students might resist accountability for societal and organizational impact required by the new model unless incentives and consequences are properly aligned.

   Professors and students feel more comfortable and prepared to achieve traditional Micro-level results, such as graduation, publication or other purely academic deliverables, than with revenue targets or taking care of client organizations’ success.

   In ITSON’s case, we developed a new compensation system for PhD and MBA candidates as well as for faculty members, establishing quantitative and qualitative rewards for achieving Mega and Macro results.

   The most effective qualitative rewards for both faculties and students were increased autonomy and empowerment generated by self-financing and control of their own budget and resources.

   Quantitative rewards included bonuses for achieving Macro and Mega goals defined as a function of the increased revenue for a university and its client organizations generated by each project.

2. **Changing organizational culture, developing new competencies**

   Developing consulting and business competencies in students and faculties and working closely with teachers unions proved also critical success factors in ITSON’s experience.
Techniques such as GE-type workouts are particularly useful to engage unions, faculty, and students in the early stages of the new project, involving them in selecting value-adding, high-impact projects and in defining, proposing, and implementing changes in rules, regulations, and key processes.

A key step in changing the culture is to turn “upside down” the traditional professional practice model: courses and curricula must respond to client organization’s Mega and Macro needs rather than the other way around.
In a performance-centered university model, all programs start with a project and a business case for a new organization.

Strategic planning and tactical planning definitions for the **planning, incubation, and acceleration stages** define the curricula of courses and research, instead of the other way around.

1. **Spinning off the new university vs. “teaching elephants to dance”**

Starting from scratch by “spinning off” a performance-centered program as a new, experimental organization proved to be faster and simpler than trying to modify the existing traditional model for the entire university.

The Performance Improvement Institute — as the new organization was called — operated as a self-financed, autonomous spinoff of ITSON. Because initial change was limited to an “experimental” organization, resistance was considerably lowered and faculties and students involved in the early stages served as change agents and role models, making the case for change through their own results and informal, peer-to-peer communication.

2. **Planning “outside in”: from the community, region to the companies and students**

As the failure of many clusters confirm, a successful region or market requires more than simply adding multiple organizations’ business plans, but the other way around.

In order to make organizations’ success sustainable, strategic plans must start from a shared vision at the regional and local level.
Organizational missions must fill gaps in results — what we call needs — at the societal level: clients and customers must gain some measurable value — self-sufficiency, well-being, security, health, or any other of those identified by Kaufman’s Minimal Ideal Vision — that offsets the costs of the services and products delivered by the organizations, creating a “double bottom line” return of investment.

Once those concrete goals are identified and measured in a double bottom line business case, organizations can organize in value chains to provide their products and services and the performance-centered university can design value-adding programs to help them by providing adequate human, intellectual, and social capital.

ITSON started by identifying what sources of value could the Southern Sonora region and its three main cities add to its habitants, visitors, other communities, and the global economy. Five different strategic ecosystems were identified: ecotourism, agribusiness, information technology and services, social development — self-sufficient communities, and high value exports.

The gaps between desired and current level for each ecosystem performance became the foundation on which different new (and existing) organizations — for-profit, non-profit, and government — could identify a mission, define a viable double bottom line business case, and organize and position in a value chain as shown in Figure 5.

FIGURE 5: CROSS-ORGANIZATIONAL VALUE CHAIN MAP

The shared goal for the ecotouristic ecosystem was to provide visitors with a “dream vacation.” A needs assessment identified gaps between the desired and current level of the different services and products required for the shared vision of such “dream vacation”: good food and restaurant experience, hospitality, tours. Different companies — new and existing — were aligned and integrated in value and supply chains to provide the required results.
REFERENCES CITED


ABSTRACT

The economic situation in the U.S. in the past decade has resulted in a new demographic of employee that represents the individuals who have experienced downsizing and are subsequently “reentering” the workforce. This research utilized an exploratory quantitative methodology that incorporated a Likert-style survey design to examine the perception of the downsized individual pre-, during, and post-downsizing. Specifically, the study tested whether these individuals perceived downsizing as having a positive impact on their lives, a negative reflection of their job performance, and/or whether it would influence their ability to trust and/or be loyal to their current employer. The results indicate that there were significant differences noted in all three areas. The participants’ responses supported insight into their perception that downsizing offered them the chance to seek new opportunities. Additionally, they did not see downsizing as a negative reflection of their job performance. Lastly, they did not see downsizing as impactful to their ability to be trusting and/or loyal to their current employer.

INTRODUCTION TO THE STUDY

With the changes in the economic conditions in United States, the meaning of the term downsizing has evolved over the past few decades (Jung, 2011). In the 1970s the term downsizing began with meanings associated with inanimate objects such as product lines and services. However, as the recessionary period occurred in the 1970s, the term took on a new meaning in the 1980s relating more to personnel rather than being used in relation to product/service issues (Littler & Gandolfi, 2008). As the 1990s began, the downsizing term was being associated with permanent job loss (Jung, 2011).

The evolutionary process of the term downsizing ran simultaneous to the economic conditions of the United States. To meet bottom-line financial obligations, the leaders of organizations were making decisions with respect to cutting (downsizing) workforces and moving operations/services offshore. One repercussion of these actions was the potential for lasting influence of the effects of downsizing on those individuals that were downsized as they attempted to reactivate into the workplace in another position with another firm. The research question that the study addresses is: Does an individual’s perception of downsizing influence their reacclimation back into the workplace?

CLARIFICATION ON THE EVOLUTION OF DOWNSIZING

The next few paragraphs will discuss and further clarify the evolution of the concepts of downsizing and how the present issue under study came about. Al Gore (1997) noted that when we reflect on the United States’ last 20 years of the twentieth century, downsizing and the perceived “social contract” of lifelong employment in the public and private sectors with a single employer will stand out as the one issue that has defined the American workforce (p. 3). In the 1970s, the business world experienced a recessionary period that caused some companies...
to rethink their product line in an effort to reduce expenses for not only themselves but also for the consumer (Budros, 1999). This was most prevalent in the automotive industry where the coining of the term downsizing expressed the need to reduce the size of the automobile in response to the 1973 oil shortage. The American automotive industry began to reexamine its line of vehicles. The American vehicles of the time were made of steel and averaged over 17 feet long with a V8 engine powering the full load (Gandolfi, 2009). The desire was to be able to create smaller, family-oriented vehicles that could consume less gas, operating gas efficiently. However, as the business world continued to evolve, so did the usage of the term “downsizing.”

When business continued into the 1980s, the term downsizing became synonymous with workforce reduction instead of production lines (Littler & Gandolfi, 2008). The specific nature of downsizing assisted in the gradual transition from meaning rooted in the use of product to that of personnel due to the individuals seemingly affected during this time. In the 1980s, companies developed the necessity to implement downsizing as a direct result of a decrease in demand of products and/or services (Cameron, 1994). The practice ultimately resulted in the need to reduce job functions and thereby employees in an effort to keep the business viable. The use of the term downsizing related strictly to the cyclical nature of the business world that the company operated. This meant that employees’ rehiring would occur at the upside of the cycle (increase) of business (Cameron, 1994). In short, downsizing referenced a temporary unemployment status that corresponded with a lull in sales. Although the transition of the term had taken a drastic turn from inanimate object to person, the action steps linked to the term were not seemingly avoidable and therefore did not draw a negative connotation or cause a negative corporate reputation (Kets de Vries & Balazs, 1997). Additionally, the recessionary period that began in the 1970s assisted in this acceptance of the inevitability of downsizing. At this time, downsizing was not a tool in which the organization grew but rather a self-preservation process in order to maintain its competitive nature and viability within their market (Capelli, 2000).

The change in usage of the term and its finality is a direct result of change in the conducting of business and the managing of companies within the business world.

The usage and defining measure of downsizing continues to mirror that which began in the 1990s. The term downsizing has transformed from a temporary action meant to offset losses during a downward cycle of business to one where it is used as a permanent solution in order to rectify a restructuring or loss of business need (Capelli, 2000). Kim (2009) suggests that downsizing has a negative impact due to the association with the permanent removal of personnel from the workplace.

**STATEMENT OF PROBLEM**

For the purpose of this research, the definition of downsizing will be “a set of activities, undertaken on the part of the management of an organization and designed to improve organizational efficiency, productivity, and/or competitiveness” (Cameron, 1994, p. 192). The dynamics of downsizing is overwhelming worldwide, as no industry has escaped having to downsize employees (Bureau of Labor Statistics, 2010). With respect to downsizing, although a leader has good intentions to downsize, the aftereffects are not always as understood. One repercussion that can result is the influence on an individual’s ability to trust and be loyal to their next employer after being downsized. This may hinge on the perceived reasons that were instrumental in their previous employer’s decision to downsize (Andreoli & Lefkowitz, 2009; Carmeli & Sheaffer, 2009; Toor & Ofori, 2009). This situation would certainly provide new dynamics within the workplace as employees who were loyal to their previous employer are perhaps hesitant to offer such unconditional loyalty again (Pink, 2001). If this is the case, the actions of these individuals will provide new challenges to management and leadership. This does not mean these individuals will intentionally create a negative environment, but it would be to the organization’s advantage to understand the dynamics and behaviors of these individuals if they do have trust or loyalty issues.
PURPOSE STATEMENT

Companies experience economic uncertainties as a result of such occurrences as the market crashing, an economic downturn, a loss of market share, a decrease in innovation, or the loss of resources in order to manufacture their product (Datta, Guthrie, Basuil & Pandey, 2010). It is these uncertainties that influence companies to determine the need to reduce expenditures while increasing financial performance (McKinley, Zhao & Rust, 2000). In time, these uncertainties can lead a company to downsize, as it is seemingly the quickest and most viable plan. In making this decision, it is critical for companies to have a working knowledge of how downsizing can affect their business via the retained employees, innovation, and subsequent reputation (Kaye, 2009; O’Neill & Lenn, 1995; Gandolfi & Oster, 2009; Seo, Putnam & Bartuneck, 2004; DeMeuse & Marks 2003; LaMarsh, 2009). It is equally worthy to look at those downsized individuals who lost their jobs because of the decision to downsize. The lagging workforce and high unemployment rate endured in the U.S. between 2008 and 2011 should not seemingly be changing any time soon (Bureau of Labor Statistics, 2011). As a result, the number of individuals affected by downsizing grows exponentially every month (Bureau of Labor Statistics, 2011).

As the number of downsized persons increases, the need to reacclimate these same individuals back into the workplace after experiencing this change also increases (Koen, Klehe, Van Vianen, Zikic & Nauta, 2010; Joseph, 2001). The challenge to earn these employees’ willingness to produce high value, innovation, and subsequent loyalty may be a challenge (Ghosh, 2008), but it is very necessary for organizations to focus on building loyalty and trust (Mueller, Van Deusen & Hornsby, 1998). It would be advantageous to develop a reacclimation plan for the individuals that would assist in creating loyalty, trust, and productivity (Koen et al., 2010; Pink, 2001). In the reacclimation plan, organizations could utilize training processes that develop the employee’s ability to handle the challenges that come with downsizing efforts.

This research identified a business need to analyze how an individual can be influenced post-downsizing. There are many studies that detail the psyche and development of those that “survive” the implementation of downsizing (Feldheim, 2007; Gandolfi, 2009; Hopkins & Weathington, 2006; Kowske, Lundby & Rasch, 2009; Trevor & Nyberg, 2008). These individuals endure a great deal during the period following downsizing and, as such, their plight is important. This research focused on the perception of downsized individuals as they attempt to engage at a new company (Vinokur & Schul, 2002; Vinokur, Schul, Vuori & Price, 2000). The current study examined whether these individuals can reacclimate efficiently into their next work environment. By examining these individuals’ perceptions, the research assisted in discovering if these individuals were able to reflect on company loyalty, acceptance of the work environment, work relationships, and trust the leadership of their new company (Svensen, Neset & Eriksen, 2007). By taking a closer look at these individuals’ perceptions, this research also provides information for companies to use to understand the effects that downsizing has on employees with respect to their trust and loyalty.

RESEARCH QUESTION

The objective of this study was to unmask the potential of the lasting influence of downsizing on those downsized as they reacclimate into the workplace. The question that the study addresses is: Does an individual’s perception of downsizing influence his/her reacclimation back into the workplace?

HYPOTHESES

The study addressed the following hypotheses:

- H₁ = There will be a significant difference between participants’ perception that the implementation of downsizing had a positive impact on their life versus participants’ perception that the implementation of downsizing was not a positive impact on their life.
H2 = There will be a significant difference between participants’ perception that downsizing was a negative reflection on their job performance versus participants’ perception that downsizing was not a negative reflection on their job performance.

H3 = There will be a significant difference between participants’ perception that downsizing has influenced their ability to be loyal to and/or trust their current employer versus participants’ perception that downsizing has not influenced their ability to be loyal to and/or trust their current employer.

RESEARCH METHOD

This study utilized an exploratory quantitative methodology that incorporated a Likert-style survey design to collect data via an online website. The study sample population surveyed downsized individuals who have obtained employment since their downsizing, preferably those currently employed. By utilizing a quantitative research method, the study allowed for the collection of data that could be analyzed through statistical methods (Muijs, 2004). The hypotheses were subject to the Chi Square Test of Independence to test for significance and to assist in further explaining the phenomena experienced by individuals pre-, during, and post-downsizing.

SIGNIFICANCE OF THE STUDY

This study’s relevance supported the importance of acknowledging the influence of downsizing on individuals downsized (laid off). Specifically, the research took an introspective look at downsized individuals as they reacclimate into the workplace by reviewing their work pattern since being laid off and asking questions regarding their perception of events pre- and post-downsizing. The study focused on three specific industries — automotive, financial services/banking, and mortgage — within the financial activities industry. Although these are the specific categories examined here, their losses mirrored throughout all industries as identified by the Bureau of Labor Statistics (2011).

ASSUMPTIONS AND LIMITATIONS

There are multiple assumptions upon which this study rests. The first assumption is that downsizing does influence individuals and therefore the experience of downsizing will influence their behaviors with future employers. Next, there is the assumption that, although there is an altering of one’s professional beliefs once downsized, it is possible to motivate a change in that belief system. However, this process is not an overnight change and will take time due to its dependence upon the leadership in place. The third assumption is that leadership styles can influence how well these individuals are able to reacclimate into the workplace and eventually foster loyalty, trust, and high productivity.

There were methodological assumptions as they relate to the questions asked in the survey. The study focused on topics identified during the literature review process. However, the specific topics the hypotheses addressed were refined through general conversations with downsized individuals in which these topics stood out as relevant to their post-downsizing experience. By developing the questions as such, it allowed for a more applicable gathering of data. Additionally, this data provided insight as to what are the key motivating factors management teams can develop in order to attract and retain these individuals.

The limitations were the participants’ ability to complete the survey correctly. There was also a concern regarding capturing an equal representation of each industry addressed within the study.

SCOPE

This study was limited to downsized individuals within the automotive, financial services/banking, and mortgage industries. There were individuals laid off from varying industries during the timespan the study examines; however, the study focused on only three specific industries in an attempt to narrow the participant pool and manage the potential response.
volume. The participants needed to be employed, without an impending layoff when they completed the survey.

**RESEARCH DESIGN AND DATA COLLECTION**

This study used an exploratory quantitative research methodology. The data collection consisted of a Likert-style survey that asked the participants to provide their perception as related to their downsizing experience. The Likert Scale assisted in capturing the intensity of their perception(s), which was analyzed to determine overall meaning and perception with regard to downsizing (Greasley, 2008).

The gathering of data was through the use of an online survey, which assisted in capturing the responses of the participants. As such, the focus was on how downsized individuals perceive the actions of their former employers and how that related to their new employer. Specifically, how their perceptions of experiences influenced their current actions and therefore whether their professional decisions are due to personal survival rather than the overall health of the company for which they work.

The data collected provided a foundation on which to provide insight to management teams of how best to reacclimate these individuals into their company specifically, therefore, emphasizing how leadership can influence the behaviors of these individuals as they reenter the workplace.

For checking for reliability and validity of the survey, the principal investigator administered a pilot survey in order to validate the formatting and verbiage of the survey in order to alleviate misunderstanding of the questions by the future participants.

**PARTICIPANT DEMOGRAPHICS**

One hundred subjects were asked to complete the survey with only 47 successfully completing the survey. Of these 47 participants, 21 were male (44.7 percent) and 26 were female (55.3 percent). In reference to their current employment status, there were 42 participants (89.4 percent) currently employed while five participants (10.6 percent) indicated they were currently unemployed. The industry representation was financial (46.8 percent), service/banking/mortgage (3.0 percent), and automotive (22 percent). Although the sample size is small, the sample is suggestive of a representation from the larger population in question (see Table 1 for the demographic breakdown by category).
TABLE 1. DEMOGRAPHIC BREAKDOWN

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of Participants</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services/Banking</td>
<td>22</td>
<td>46.8%</td>
</tr>
<tr>
<td>Mortgage</td>
<td>3</td>
<td>6.4%</td>
</tr>
<tr>
<td>Automotive</td>
<td>22</td>
<td>46.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services/Banking</td>
<td>14</td>
<td>8</td>
</tr>
<tr>
<td>Mortgage</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Automotive</td>
<td>6</td>
<td>16</td>
</tr>
</tbody>
</table>

Participants’ Current Employment Status by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Employed</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services/Banking</td>
<td>22</td>
<td>0</td>
</tr>
<tr>
<td>Mortgage</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Automotive</td>
<td>17</td>
<td>5</td>
</tr>
</tbody>
</table>

Participants’ Current Employment Status by Gender

<table>
<thead>
<tr>
<th>Industry</th>
<th>Employed</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>18</td>
<td>3</td>
</tr>
<tr>
<td>Female</td>
<td>24</td>
<td>2</td>
</tr>
</tbody>
</table>

DATA ANALYSIS

Each hypothesis was tested utilizing the Chi-Square Test of Independence. For this study, the Chi-Square Test of Independence was the appropriate tool to measure the relationship between “what is being measured and the numbers that represent what is being measured” (Field, 2009, p. 8). The participants were asked to score their perceptions based on a five-point Likert-style scale, ranging from “Strongly Agree” to “Strongly Disagree.”

RESULTS OF HYPOTHESES TESTING

This section addresses the findings and results of the data analysis of the study as they relate to the hypotheses. The use of the Chi-Square test assisted in testing the hypothesis.

Results to Hypothesis #1. There will not be a significant difference between participants’ perception that the implementation of downsizing had a positive impact on their life versus participants’ perception that the implementation of downsizing was not a positive impact on their life. The Chi-Square test results noted that there was a significant difference regarding whether the participants did or did not perceive downsizing as a positive impact on their lives, P < .05 (see Table 1). Therefore the hypothesis was accepted.

<table>
<thead>
<tr>
<th>Chi-Square Test for H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
</tr>
<tr>
<td>Pearson Chi-Square</td>
</tr>
</tbody>
</table>

Results to Hypothesis #2. There will not be a significant difference between participants’ perception that downsizing was a negative reflection on their job performance versus participants’ perception that downsizing was not a negative reflection on their job performance. The Chi Square test results noted that there was a significant difference regarding whether the participants did or did not perceive downsizing as a positive impact on their lives, P < .05 (see Table 2). Therefore the hypothesis was accepted.
Results to Hypothesis #3. There will be a significant difference between participants’ perception that downsizing has influenced their ability to be loyal and/or trust their current employer versus participants’ perception that downsizing has not influenced their ability to be loyal and/or trust their current employer. The Chi-Square test results noted that there was a significant difference regarding whether the participants did or did not perceive downsizing as a positive impact on their lives, $P < .05$ (see Table 3). Therefore the hypothesis was accepted.

| TABLE 4 |
|-----------------|-----------|--------|
| **Chi-Square Test for H3** |   |       |
| Value | Df | Sig  |
| Pearson Chi-Square | 9.25 | 1 | .013 |

**CONCLUSIONS AND RECOMMENDATIONS**

This study presented the results from a quantitative analysis utilizing a small sample of recently downsized individuals who on the majority are reacclimating back into the workplace. Recognizing that each participant had his or her own respective experience and came from varying industries, the perception of his or her downsizing experience (pre, during, and post) provided insight into how these individuals dealt with downsizing as a whole.

The outcomes from this study were limited due to the small sample size in the data collection, but the results noting significance for each tested hypothesis are suggestive of a direction for the larger population in question for each respective industry (financial, service/banking/mortgage and automotive). All three of the hypotheses were accepted, noting the difference between participants who perceive downsizing as having a positive impact on their lives as compared to those who do not was significant. Additionally, there is a significant difference between whether participants perceived downsizing as a negative reflection of their job performance opposed or not. Lastly, there was a significant difference in the perception of the participants as to how they associate downsizing as a necessity within the business world. This suggests a direct connection to the ability of the participant to trust and/or be loyal to their current employer. If a leadership team had this basic understanding, it could assist them in determining motivators and overcoming any communication barriers.

The recession of 2007–2009 set a record in the number of individuals left unemployed in its immediate wake (Prassas, 2011). The usage of downsizing as a component or strategic plan to remedy a red bottom line has become mainstream in the business world (Bhattacharyya & Chatterjee, 2005). As a result, there is a growing need to push research a step further to examine those downsized once they are rehired into the workforce, especially as our society is becoming increasing full of such individuals (Bureau of Labor Statistics, 2012).

Future research studies regarding the reacclimation back into the workplace of those previously downsized should take a strong consideration in the mindset of these individuals and any links or associations with productivity/business outcomes. Additionally, it would also be equally beneficial to have data collected from organizations that have seen an influx of employees because of a competitor’s decision to downsize. Examining the hire and retention rate of these individuals could offer a new perspective. It also may be insightful to incorporate a qualitative research method in order to have conversations that can drill deeper into the areas of interest. Utilizing a mixed method research would provide additional data in which to interpret the participants’ perceptions of the circumstances and occurrences surrounding downsizing.

Downsizing: Understanding Its Lasting Effect on the Downsized
REFERENCES CITED


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