

MANAGEMENT FOCUS

Cultural Influences on Employee Termination Decisions: Firing the Good, Average or the Old?

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This paper reports the results of an empirical study of the cultural influences on the choice of whose employment to terminate in a general workforce reduction.

The authors report the conclusions reached during the first phase of a large European study



on managerial decision-making. Nearly 300 managers participated in this phase, which surveyed 25 firms from the financial sectors of France, Germany, Italy, Spain, and the United Kingdom. Models built upon classical economic theory and social justice theory are examined. The results of this study indicate that nationality is a good determinant of the choice of whom to dismiss. Some nationalities are more concerned about the social effects of dismissal on the individual and work group. Others are more concerned about the economic benefits or costs to the firm. The authors conclude that human resource programs designed to standardize career management policy across Europe may fail because of intentional and unintentional barriers. © 2001 Elsevier Science Ltd. All rights reserved

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The Terror of Globalization

Read the business headlines. Two thousand employees will be dismissed because of this or that

merger. Another five thousand will go because of a corporate restructuring plan. Maybe a further two thousand five hundred because of outsourcing or moving a factory to a cheaper labour market. These are common occurrences — almost banal. But after the announcements come the terror, at least for employees. Who among the current employees is going to go? Who stays in the new, leaner, and hopefully more profitable company and who hits the sidewalks looking for a new job? Who faces a more secure future and who faces inconvenience, uncertainty, and maybe a permanent drop in their standard of living?

A recent survey of over seventeen thousand households in Europe by Eurobarometer suggests that the answer to who will go is clearly the youngest and oldest employees (Figure 1¹). Middle-aged employees appear to be unemployed less than the other two groups. What accounts for this phenomenon? Are they better, more experienced workers with more value to companies? Or are these the more vulnerable workers who are protected out of human compassion? Does the nationality of the company or decision-maker matter? Are the reasons why certain groups stay and others leave the same from country to country? All are interesting questions which, until now, have been left largely to academic debate. But perhaps this should change.

One reason for renewed interest is the explosion of mergers, acquisition, joint ventures, and other types of alliances (hereafter referred to simply as mergers) among companies across the European Union. This activity has sometimes caused the need to organize business operations on a Europe-wide level to take advantage of the common market and the introduction of the Euro.² As with many mergers, the result is generally an overlap of operations resulting in the eventual closing of duplicate business units. Hence the problem of which employees stay and which return to the labour market. A second reason can be attributed to the pressures of globalization, defined here as the development of global product markets. Previously protected national markets are now open to all players. This places both the products and man-



Figure 1 Percentage of Unemployed European Managerial Employees¹

agement philosophy of local and regional companies in direct competition with the best in the market. They must either improve or face losing their clients. Improvements in either generally have some impact on how, where, and who they employ. Simply stated, better management normally beats poorer management. Knowing how your competition does things provides important information.

The European Managerial Decision-Making Project

The European Managerial Decision-Making Project (EMDM) was organized to examine organizational issues that create barriers to effective cross-border integration of European companies. It is funded by the *Fondation HEC* with assistance from the European Financial Marketing Association, the Community of European Schools of Management, and the EU-ASEAN Management Centre.³ It sampled nearly 300 managers, working in 25 financial institutions across England, France, Germany, Italy, and Spain. It concentrated on isolating managers and organizations that have traditionally been the most protected from international competition in an effort to capture the essence of European organizational values.

The EMDM project asked managers to read a one-page scenario that described the following workforce reduction situation.

You are a key manager of your business unit and have a difficult decision to make today. The company lost 5 million pounds last year and will probably lose more next year. The firm's economic problems started several years before the recent recession but it was always able to avoid staff reductions. However now this is no longer possible and some employees must be sacrificed. Therefore, the firm is closing some departments to reduce staff. You must choose one of the following four employees to leave since only three will be reassigned. We know this is not easy since they all have families. It might be easier if one was a really unproductive employee, but they have all received average or better performance appraisal ratings over the last several years. But one must go and we must decide which one. Who should it be?

The scenario further offers four distinct choices and a dialogue among the four fictional managers discussing their own preferences. The choices and justifications of the European managers responding to the Survey provide ample reason to suspect that European corporate integration will not be easy. The following Report outlines the layoff candidate profiles, the choices and justifications of the respondents, and an analysis of these justifications.⁴ The differences among the respondents will be uncovered and illustrated with examples. An explanation of why these differences might exist and what advantages they might confer will be presented.

Who and Why to Dismiss When Staff Reductions Are Necessary

The basic situation underlying the Employee Reduction Decision Scenario is based on the results of a previous Study that interviewed nearly 100 European managers about the cultural problems European integration created for their companies.⁵ The principal purpose of this earlier Study was to limit, as much as possible, the personal biases of the EMDM project's principle designers. Roberts (1970),⁶ in her influential paper on culture and management studies notes that one of its main limitations is that the kinds of questions covered and the methodological strategies employed are largely determined by the author's biases. It is fair to note that most studies of organizational or managerial problems have been primarily ethnocentric and often North American in their conception and execution.⁷ Other European researchers⁸ have examined common organizational problems from a theoretical perspective in one context or another. But few have collected empirical data about managerial values directly from a large sample of European managers about day-to-day managerial situations.⁹ During these exploratory interviews high-ranking managers were asked to recount business problems they attributed to the differences among Europe's many national and regional cultures. These stories were recorded and analysed. They became the basis for a series of scenarios, including the workforce reduction scenario.

One of the common problems included making work force adjustments after mergers or in response to increased competition. The typical situation identified during the interviews often had these elements. A directive from corporate headquarters requires a reduction in the number of managerial or professional employees. A small department can be closed with some of its employees transferred to other units. Since not all of them can be transferred some will have to leave the firm. Executing this order requires making redundant employees who have essentially interchangeable competencies and skills. Complicating this task was the opinion that often 'good' employees, that is employees who have performed at normal levels of acceptability, were being fired. But still some had to be selected for departure (Table 1).

The information and stories gleaned from these interviews were woven into a 'typical' workforce reduction situation. The scenario offers four choices for dismissal.¹⁰ None of the employees is really an under-performing employee. All have consistently average, above average or excellent performance ratings over the last five years. Two are presented as average employees, meaning they have been consistently within the norm of acceptable work performance. The other two are respectively above average and excellent performers. Of the average employees one is in his early thirties and paid a little over a typical starting salary while the other is in his mid-forties with a salary well over twice that of his younger colleague. Among the better employees the youngest is in his late twenties, paid a basic starting salary, and has above average performance ratings. The other is in his mid to late fifties, has an excellent performance rating and receives the highest salary among the four. They range in age from 28 to 57 with salaries correlated to their ages. In summary (see Table 2), the essential differences between the four dismissal candidates are age/seniority, performance evaluation, and salary level.

Before turning to the choices of the respondents let's reflect on what criteria might be considered important to the decision of choosing someone for dismissal. Upon examining Table 2 it is clear that human sentiment is largely absent among the information provided to the respondents. No notes about non-working spouses, sick family members, or children in an expensive private university are attached. This suggests only the available information is important to the decision. This in turn is a reflection of classical economic theory. Employees represent a resource with a limited life span that generally cost more near the end of their useful working lives. Without proper maintenance some become less productive as they age. Normal market preference is for an employee that costs the least, is trainable, and performs well. If a company faces a situation where it has to reorganize its resources because of a merger, major financial loss, or simply to improve its competitiveness it may find it cost effective to get rid of some of its less productive resources. Among the four choices, which represents the least productive resource? The third manager has a higher salary while returning the same performance as the second

Table 1 Dismissal Choice Profiles

Candidate	Hiring Date	Age	Performance evaluation (notes for past 5 years) (range 1 = poor; 5 = excellent)	Annual salary (£)
1	1995	29	4,4,4,4,4	22.5 K
2	1992	32	3,3,3,3,3	25 K
3	1978	46	3,3,3,3,3	51.5 K
4	1965	57	5,5,5,5,5	57.5 K

one. Since he has lower productivity he is a good choice for dismissal. Therefore a 46-year-old manager with average performance but earning more than twice as much as a much younger and cheaper one of similar performance is the logical choice for dismissal. He is probably less trainable. Firing him offers a sizable long-term cost saving to the company despite the dismissal indemnity he will receive. Graphically the distribution of job security for employees under classical economic theory is displayed in Figure 2. In this figure salary is assumed to be closely associated with age.

In Figure 2 the relative job security of employees is ranked according to the logic of economic productivity. Stars have excellent security as they provide good value for the salary they earn. Diamonds are the next group and enjoy good security. While not stars they still provide a benefit to the company, especially if one considers the cost of their replacement and firm-specific training. The warning triangles represent the group of employees who still provide some benefit to the firm but perhaps are more marginal. It would probably be too disruptive on the recruitment, training, and social systems to dismiss them if the organization is rich enough to continue paying them. The hexagons represent the first group who will be fired if the company can no longer afford to keep them. They are not so bad as to merit outright dismissal. Their performance probably meets the minimal requirements but just barely. They tend to be drawn from the new entrants who clearly will not succeed and the older employees who have not maintained pace with their salaries.

But this economic logic does not fit with the actual age distribution of unemployed managerial and professional employees seen in Figure 1. Clearly younger employees should have the lowest levels of unemployment while the older, less-skilled managers,

should have higher unemployment. One reason this may not be the case is if social norms or personal consequences other than profit maximization are considered. An organization that discharges older employees during restructuring sends a strong signal to younger employees that organizational commitment is unappreciated. Additionally the personal consequences are often very severe. A 46-year-old employee no longer has the same options available to younger employees. Nor does he qualify for some type of early retirement scheme sponsored by his company or national social security system. He generally is offered outplacement assistance but still faces an uncertain future. Under French law for example four employee characteristics must be considered: competence, seniority, family situation, and ease of reinsertion in the labour market. In an integrated European labour market, what factors should be used? What priority should be placed on each factor? These questions have no easy answer but perhaps the classical economic model should not be the sole source of guidance.

The answer may be found in a concept called social justice. While it has become a very broad area of research it can simply be described as a set of social principles used to resolve conflict. Among psychologists this concern has evolved into the area of organizational justice defined by two concepts, procedural justice and distributive justice. Procedural justice considers what procedures should be used to resolve social conflict. For example in the dismissal problem described above some organizations have labour agreements or follow national laws respecting seniority and therefore dismiss the youngest employees. When employees believe that the procedures have been followed they tend to accept the outcomes and compromises necessary and '...cooperate in the interest of the group as a whole. When the judgement is that one's treatment has been unfair,

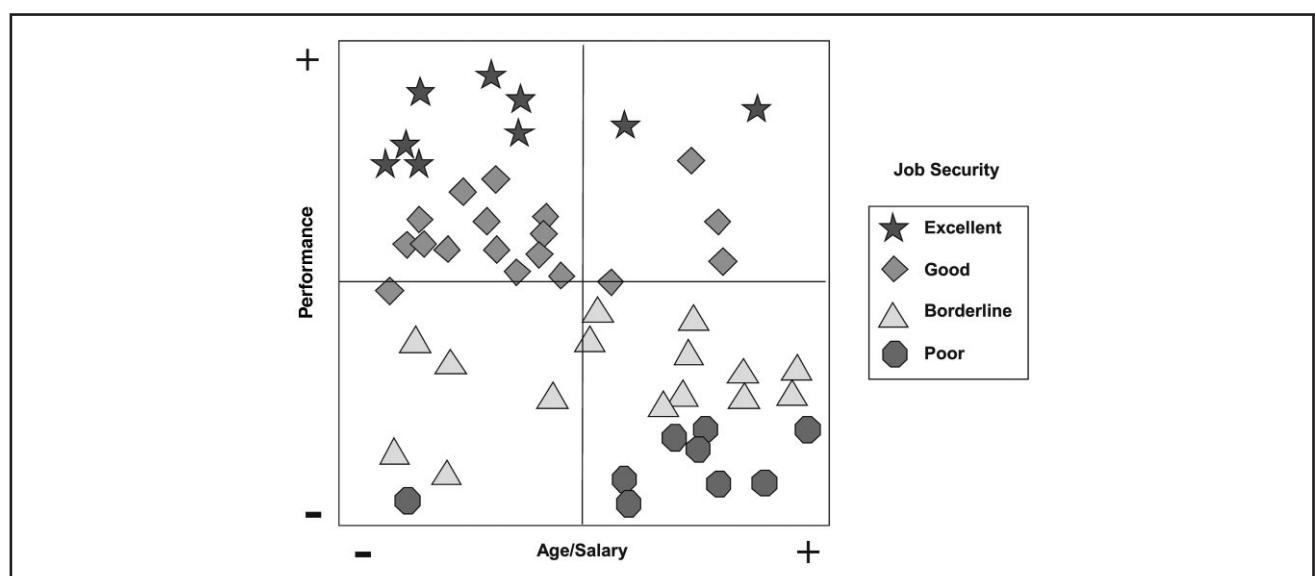


Figure 2 Dismissal Probability Under Classical Economic Theory

the scales tip toward more selfish, less socially responsible behaviour and toward more negative attitudes and beliefs.¹¹

Distributive justice examines the actual outcome of a decision. Viewed from a broad perspective, distributive justice considers the psychological, physiological, economic, and social well-being of a person (Deutsch, 1975).¹² For example who actually loses his job, the younger guy or the older guy? What were the consequences for the person? Was the decision 'fair' taking into account all the individual characteristics (e.g. age, seniority, performance, salary, social status, education, effort, ability or skill, etc.) of the two people? The question under distributive justice is not that rules are followed but that they are 'fair'. For example, is it 'fair' to fire a loyal 46-year-old employee who has always done his job, knowing that he is unlikely to find a comparable job in another company? Would it not be fairer to fire the younger employees who can easily find another job or the oldest employees who qualify for early retirement? When employees judge that 'unfair' decisions are routinely made they will be unhappy, unmotivated, and less effective. A manager's job security, if firms considered his personal well-being, is displayed in Figure 3. As in Figure 2 salary is assumed to be closely associated with age.

In Figure 3 the relative job security of employees is ranked according to the logic of social justice. Stars have excellent security not because they provide good value for their salary but rather because the personal or social cost of dismissing them is high. Knowing that someone with family responsibilities is unlikely to find another job makes many decision-makers pause and look for other solutions. Furthermore, the impact on the remaining employees may be negative as it is likely to create apprehension and a mistrustful atmosphere. Diamonds are the next

group and enjoy good security. While not so unproductive economically as stars, they provide only marginal benefit to the company. With sufficient time and retraining they could probably find another job with the help of an aggressive outplacement program. But they know the company well and for the same cost of outplacement they can probably be refurbished rather than dismissed. The warning triangles represent the group of employees who provide economic benefit to the firm but could with very little trouble also find other jobs. Although they may be missed socially no one would feel that they were disadvantaged for very long. Some of the remaining employees may believe that this group would be better off in a more financially secure company. The hexagons represent the first group who will be fired if the company has economic troubles. First they tend to be the most recent recruits and so fall under the rubric, last hired–first fired. Many may not yet have strong social ties among the other employees and therefore are little more than strangers who merit no special consideration. Finally, with their youth and high competence they probably find even better jobs in a very short time.

The difference between these two logics is based upon the conception of the relevant criteria that should be used to select whom should be terminated. The logic of economic productivity, based on classical economic theory, looks only to the benefit of the firm. Therefore it focuses on factors that can be measured quantitatively and are closely related to factors of production. The logic of social justice, based on the ideas of distributive justice, looks at a broader range of factors, many of which cannot be measured easily in quantitative or economic terms. With these two ideas in mind let's now turn to the choices of the managers participating in this study. It will be evident that they do not agree on who should be dismissed. Explaining these choices and the reasons for

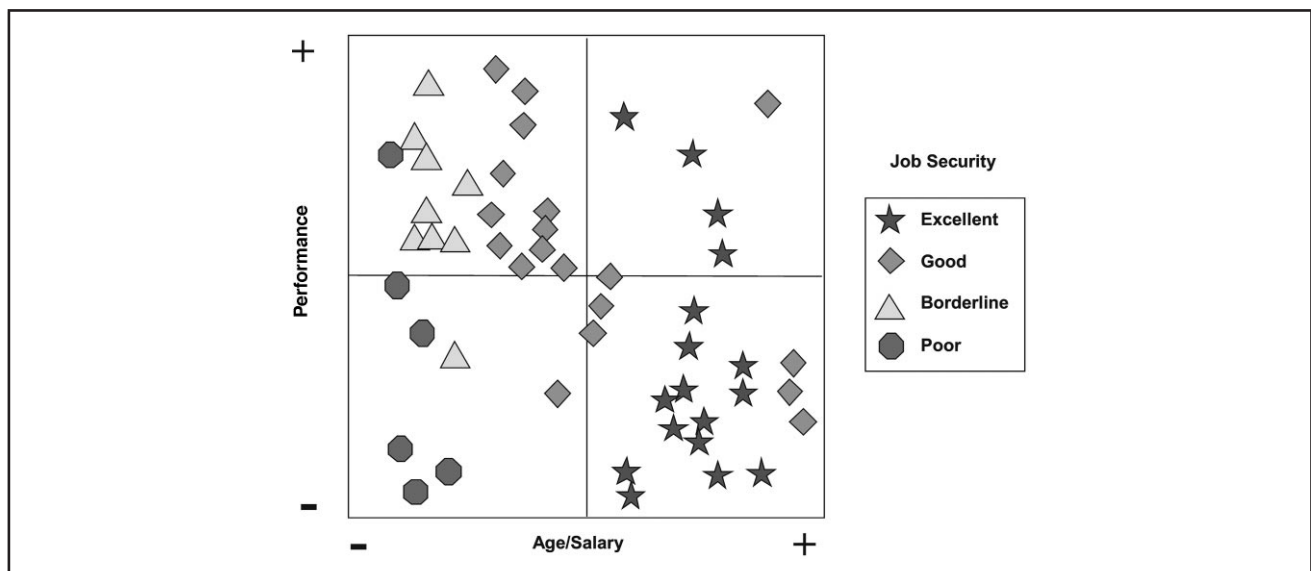


Figure 3 Dismissal Probability if the Personal Characteristics are Considered

them will help uncover some of the hidden barriers to European integration.

When Downsizing, Whom Should We Dismiss?

Among researchers focusing on international business appear three dominant streams of research, which are used as a basis for understanding and explaining the values and practices of companies. Some argue that organizations are essentially 'culture free' (Lammers and Hickson, 1979)¹³ and that technology (Child, 1981)¹⁴, strategic orientation (Miles and Snow, 1984)¹⁵ override differences in national contexts leading to a global standardization of management practices. Others rejoin that organizations are 'culture bound' (Dore 1973¹⁶ and Maurice et al., 1980¹⁷) and that management practices are, and continue to be, heavily influenced by collectively shared values and belief systems (Hofstede 1980¹⁸ and Laurent, 1986¹⁹). A third approach combines certain elements of the first two approaches. Its proponents argue that interactions between market necessity and national socio-economic institutions such as trade unions, educational systems, legislation, and patterns of industrial organization influence the way organizations are managed.

Examining the dismissal choices in Table 2 it is clear that the pure 'culture free' model is difficult to support. There is a very evident differentiation among the five countries, notably concerning the selection of the two 'average' employees. English managers most often based staff reduction decisions on productivity as measured by the performance/salary ratio. More than 70 per cent of the English respondents would discharge a middle-aged, high salary manager with average performance. In contrast less than 10 per cent of the German respondents would discharge the same manager. French respondents are evidently not concerned with productivity since they are almost equally likely to dismiss the higher paid as the lower paid average performance employee. The Italians and Spanish respondents are concerned with productivity since they more often made redundant the higher paid average quality employee. Among the higher performance employees the choices are also interesting. Almost extraordinary is that some German respondents would fire the employee with the

highest level of productivity (i.e. the youngest, above average, least well-paid employee). Also noteworthy is that the Latin countries are not especially respectful of the oldest employee. Despite his high level of performance he is often asked to leave.

The strong differences between the choices tabulated by nationality appear to support the idea that national culture or institutional forces play an important role in workforce reductions. To understand how, we turn to a discussion of the reasons given by the respondents to support their decisions.

The Criteria Justifying Firing an Employee

The choices made by the respondents clearly indicate that European managers do not always agree about who should be fired in the downsizing process. Although the choices are different, perhaps the reasons for them are dictated by the national socio-economic institutions as suggested above. For example are there labour laws or union contracts governing the decisions of the respondents? To study this question the written responses were examined to determine what criteria respondents used to make their decisions.²⁰ The top ten reasons aggregated at the European and country levels for dismissal are presented in Table 3.

Only two justifications are consistently cited within the top five reasons for each country. The first takes advantage of the existence of early retirement programs that are commonly implemented in many countries and industrial sectors. This is clearly an easy choice fitting very well with the organizational justice reasoning provided above. The older employee is 'given a gift' as some French respondents put it. He no longer must trudge into the office and work but happily retains a large part of his salary. No hard decision must be made which would attack the sense of self-worth of someone who was being fired because he was no longer sufficiently productive. Only a few, largely Anglo-Saxon respondents, were concerned about the organizational impact of 'throwing someone out at their peak'.

Table 2 Work Force Reduction Choices

Row %	Young, good performance, cheap	Young, average performance, cheap	Middle-aged, average performance, expensive	Older, excellent performance, expensive
England	0.0	13.2	76.3	10.5
France	0.0	42.6	44.3	13.1
Germany	3.2	74.2	9.7	12.9
Italy	0.0	36.4	43.2	20.5
Spain	0.0	26.9	65.4	7.7
Europe	0.4	38.1	46.7	14.8

Table 3 European and Country Rankings of the Top Characteristics Justifying Dismissal Choices

European ^a	England	France	Germany	Italy	Spain
+ Can leave with advantages before retirement	4	1	5	1	3
- Performance or competitiveness	1	4	2	4	2
+ Performance or competitiveness	3	2	1	9	4
- Salary	2	3	6	8	1
+ Good chance to find new job because of youth	9	6	3	6	13
- Long-term concern (long run costs or savings)	20	14	9	2	6
+ Good chance to find new job because of skills	23	16	4	3	17
- Age is the main factor	6	10	11	5	9
- Person is still trainable/adaptable	5	11	13	7	6
+ Person still has future potential or value to firm	12	9	7	12	20

^aThe plus or minus sign before the justification indicates how the respondent viewed the characteristic

The second ranked reason however is a much tougher justification. Someone should be fired if his performance longer merits his salary. This was respectively the first and second criteria used by the English, German, and Spanish respondents. This justification appears to reflect the consequences of classical economic theory more than the social justice model. If you are under-performing (relatively) you must go (when times are tough). Your commitment and years of service are not sufficiently important to your colleagues or company. One is reminded of the legends about the Eskimos of North America. When the old no longer had enough teeth to chew animals hides into soft leather, and thus were of no economic value to the tribe, they walked out into the vast snowfields to die. This logic is supported by other justifications, namely the perception that someone is costly and no longer trainable or adaptable. Clearly relatively poor performance, high salary, and little hope of improvement represents a decisive combination leading to dismissal.

After these two justifications more and surprisingly varied differentiation is found. Take for example the combination of good performance, a good chance for finding another job because of youth, and a good chance of finding another job because of skills. German respondents ranked this combination first, third, and fourth. This is used to justify firing the two youngest employees, which as is illustrated in Table 3, are the choices of nearly 77 per cent of the Germans. This suggests that the organizational justice model is indeed an important influence in firing employees during organizational downsizing. The French appear to accept nearly the same set of justifications but do not often mention that being able to find a new job because of skills is important to their choice. This implies that the French, who never recommend firing the above average performer, fire the average, lower paid worker partially due to the fact that his youth will help him find another comparable job. While not as socially generous as the German respondents some of the French appear to be sensitive to the social ramifications of their decisions. This sense of social responsibility has been noted many times by earlier researchers. The Italians are the most

likely to terminate the oldest employee. Their justifications reflect this bias since pre-retirement advantages, long-term cost savings, and age are all among the top five reasons to dismiss an employee. When this applies to dismissing the oldest employee it indicates a concern for organizational justice. When specifically used against the middle-aged employee, using long-term cost savings as a justification, it reflects more the classical economic approach. The Spanish are perhaps the most internally inconsistent in their logic for dismissal. Their choices for dismissal are more similar to the English choices than any of the other nationalities. They soften their approach a little by dismissing the younger, average performance employee. This appears to be reflected in justifying dismissal because an employee's performance is not so bad as to preclude finding another job.

The Hidden Factor — the Importance of the Reasons

As with the other scenarios distributed by the EMDM Project the coding team found that some respondents listed a large number of criteria that they or their firms typically considered but indicated that certain were more important. Therefore during the coding process the research team recorded these differences in importance. Each criterion cited by a respondent was coded as unimportant, important, or necessary according to the respondents' written remarks. These qualifications for the criteria are a rich source of additional precision that permits a finer degree of measurement. This is especially important when examining the differences among the nationalities sampled. This data is exploited to study the most important reasons given to justify firing each of the four choices. The following (Figure 4 Figure 5 Figure 6 Figure 7) present the four most important criteria for firing²¹, its overall level of importance²², and the amount of disagreement²³ among the individual respondents about importance.

In the least chosen option, firing the young, good per-

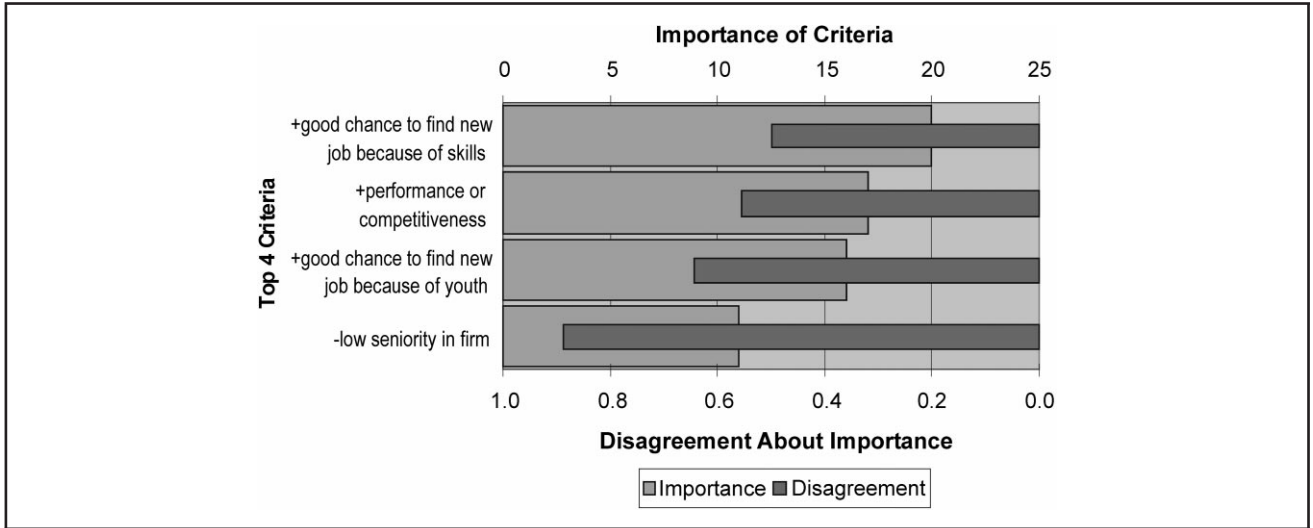


Figure 4 Criteria Cited When the Young, Good, Cheap Employee Was Fired

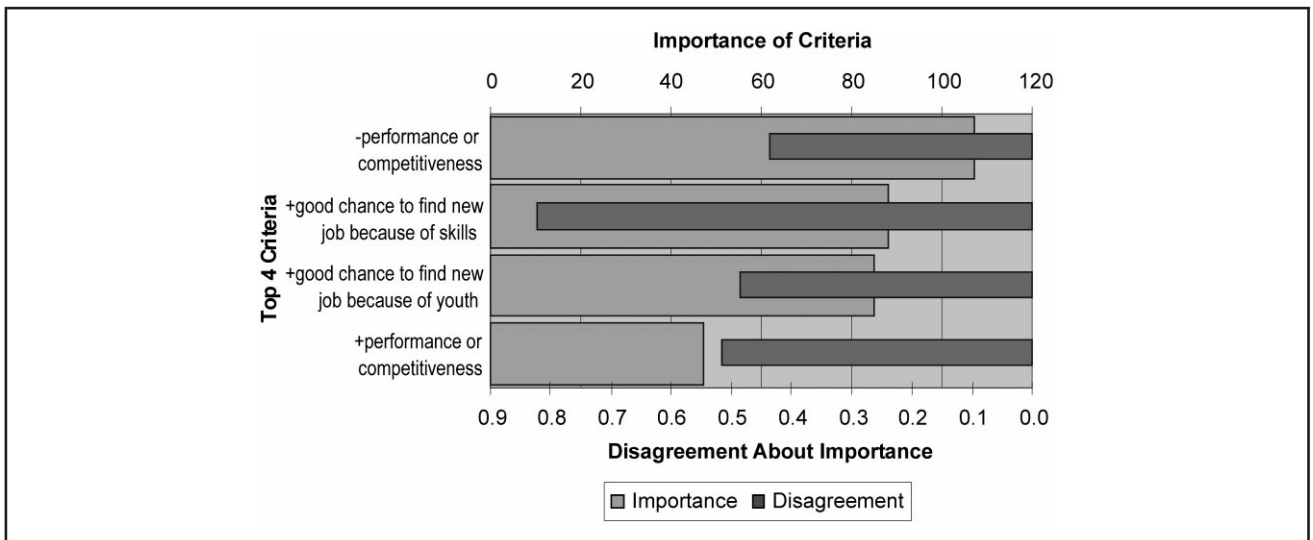


Figure 5 Criteria Cited when the Young, Average, Cheap Employee was Fired

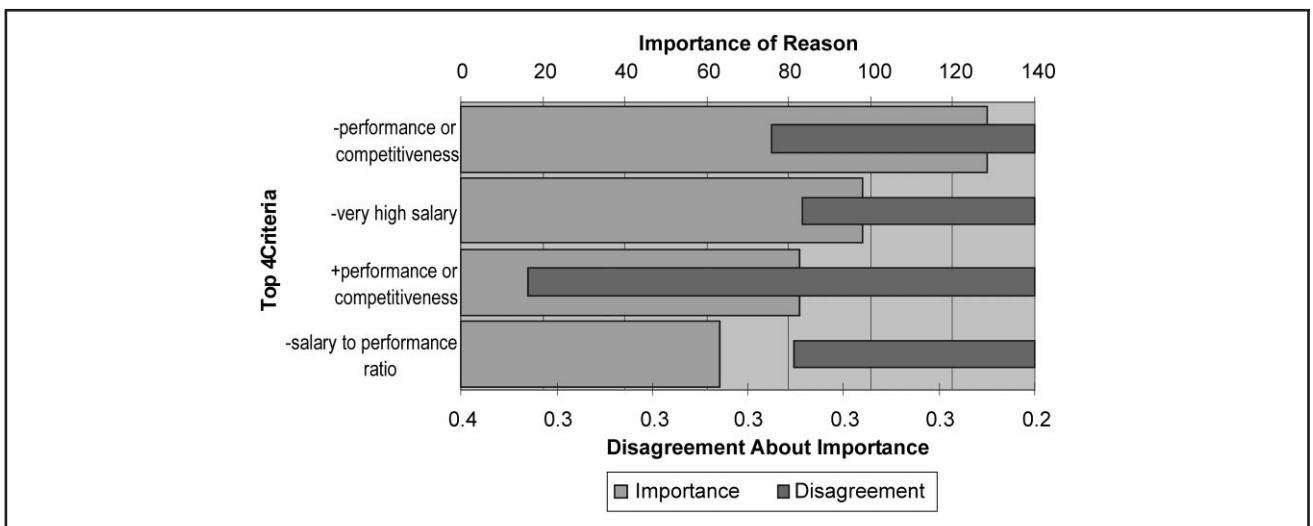


Figure 6 Criteria Cited when the Middle-Aged, Average, Expensive Employee was Fired

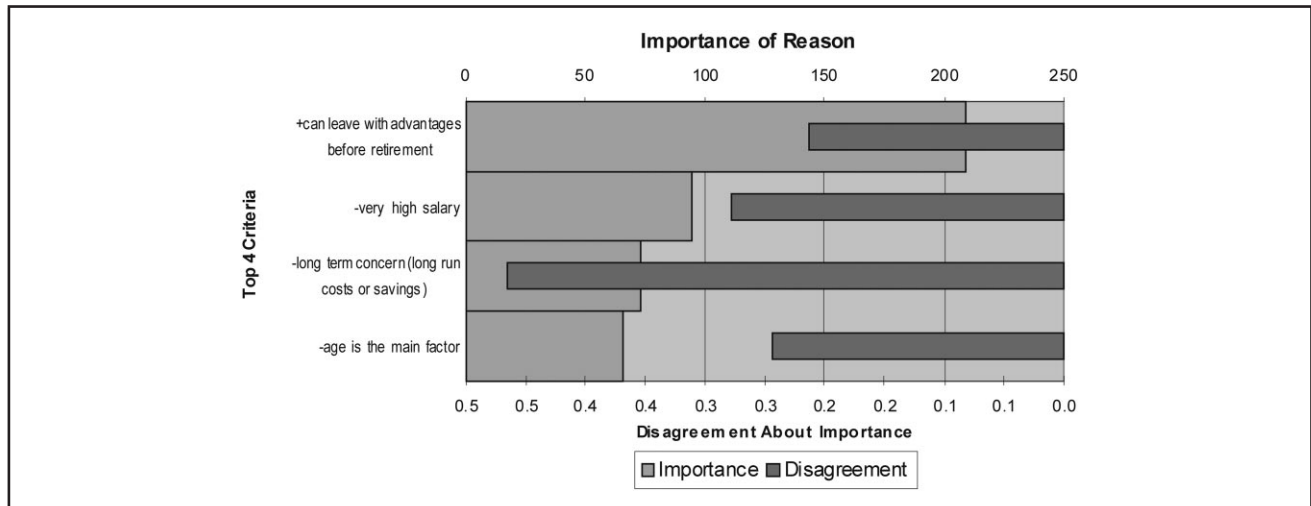


Figure 7 Criteria Cited when the Older, Excellent, Expensive Employee was Fired

formance, low paid employee (hereafter YGC), four criteria were found to be the most important reasons for the selection. As suspected, after examining Table 3 it appears that the YGC employee is fired simply because he will be able to find another job easily.²⁴ The importance of the YGC employee’s skill and competency is reinforced by the fact that the importance of these criteria is the least disputed among the four. Seniority is considered, but only after the first three. Using his low level of seniority as a criterion is the most contentious with nearly as many respondents citing it as not citing it. If in fact this criterion is evidence of some type of procedural equity or socio-economic institutional rule it is not universally accepted.

In the second most often chosen option, firing the young, average performance, low paid employee (hereafter YAC), one finds an overlap of the criteria used to justify the dismissal. Having competence, youth, and marketable skills remain important considerations but come only after the critique for not excelling. The most important criterion is that the YAC employee is not competitive or performing well. This fact is also reinforced since there is not very much contention about this assessment. However, the chance for the YAC employee to find another job because of his skills is highly disputed by the respondents. It seems his best hope is to sell his relative youth. This point is echoed by the comments of several of the respondents, who essentially stated, ‘he should be made redundant now to give him a chance to find another job before it is too late’. Another point that perhaps criticises the current trends of even profitable companies in downsizing is that a significant number of respondents noted that his average performance rating was acceptable performance. Indeed, statistically, fully sixty seven percent of all workers fall within one standard deviation of the mathematical average. If one were to discharge all average workers there would be few left in a company.

In the most frequently chosen option, firing the middle-aged, average performance, highly paid employee (hereafter MAAE), the respondents focus on two themes, performance and salary. This employee is criticised for having poor performance, especially in relationship to his salary. In fact his salary level, either by itself or in the productivity equation outweighs the performance concerns. It is almost as if the respondents believed that there is a certain injustice to being highly paid for only average performance. This theme is interesting because it is exactly what is predicted by equity theory. As introduced earlier equity theory suggests that all people constantly compare their own contribution to reward ratio to other employees. If this comparison is not more or less equal people will become unhappy. They will attempt to restore the balance in several ways. They might ask for a salary increase or some other tangible benefit. Failing to achieve this might lead them to change jobs. If this is difficult they may decrease their contribution, that is, work less or with less care. In the end, if none of these attempts to rebalance the comparison is successful they may attack the person they have compared themselves with. Common methods may be to sabotage the person’s reputation, transfer more work to him, or maybe, recommend that he be fired in a corporate restructuring. While this is difficult to verify with the project data it certainly fits both equity theory and project data. A final note is that like those that recommended firing the YAC employee a significant number of the respondents believed that average performance was acceptable performance. However this was the criterion whose importance was the most debated since it has the highest disagreement level among the four.

In the last option, firing the older, excellent performance, highly paid employee (hereafter OEE), one finds an entirely new set of criteria used to justify the dismissal. Here the key factors are almost exclusively the person’s age and, because of his age, access to

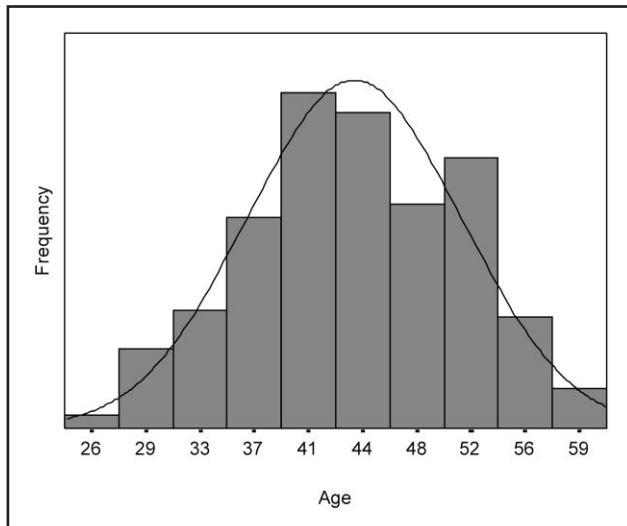


Figure 8 Distribution of the Respondent's Ages

early retirement benefits. The pre-retirement package and his age collectively account for nearly sixty percent of the importance score of the criteria. The respondents may have been looking for a quick resolution to the company's problem since they also focus on the OEE employee's high salary and as specifically noted by the third criteria, that firing him was not a long-term solution for the company. Some respondents wrote, 'firing him helps save two other jobs'. This argument appears to support the organizational justice model in that the relatively light personal consequences to a highly paid employee of pre-retirement are offset by benefits received by other employees.

Leaving No Stone Unturned

The previous analysis offers relatively convincing evidence that there is indeed a strong element of social justice with respect to job loss among Europe-

ans. It is not universal, certainly the English respondents were particularly harsh by their apparent concentration on criteria strongly associated with classical economic theory. But the majority of the respondents, especially the Germans, were indeed sensitive to the ideas associated with the social justice model. An interesting question remains. Why is this the case? Are continental Europeans simply charitable people more willing to look after the needs of others? This would certainly flatter egos while simultaneously creating uproar among the English. It is tempting to look behind the face of charity to search for hidden benefits. Perhaps a similar examination is useful in the present case before we apply the labels charitable and uncharitable.

One place to look for the hidden benefits of charity is the age distribution of the respondents. Was the sample biased with respect to age? This might account for some of the choices tabulated in Table 3. Examining Figure 8 provides some reassurance that the sample is unbiased with respect to age. When a normal curve is superimposed over the histogram of age frequency one can see that the sample appears almost entirely normal. Both the average and median age is 44. The normality of the distribution however does not signify that the ages of the respondents do not bias their responses.

In Figure 9 the choices for dismissal made are graphed with the ages of the respondents. The curves have been smoothed out with a polynomial regression procedure to make the picture clearer.²⁵ The very few data points representing those, always older, respondents who discharged the YGC employee have been deleted. Careful examination of the three remaining curves reveals interesting information hidden until now. There appears to be self-interest in the choices of the respondents. Notice that the younger respondents are much more likely to dismiss the MAAE employee. Their self-interest is also evident as they approach the early to mid thirties and

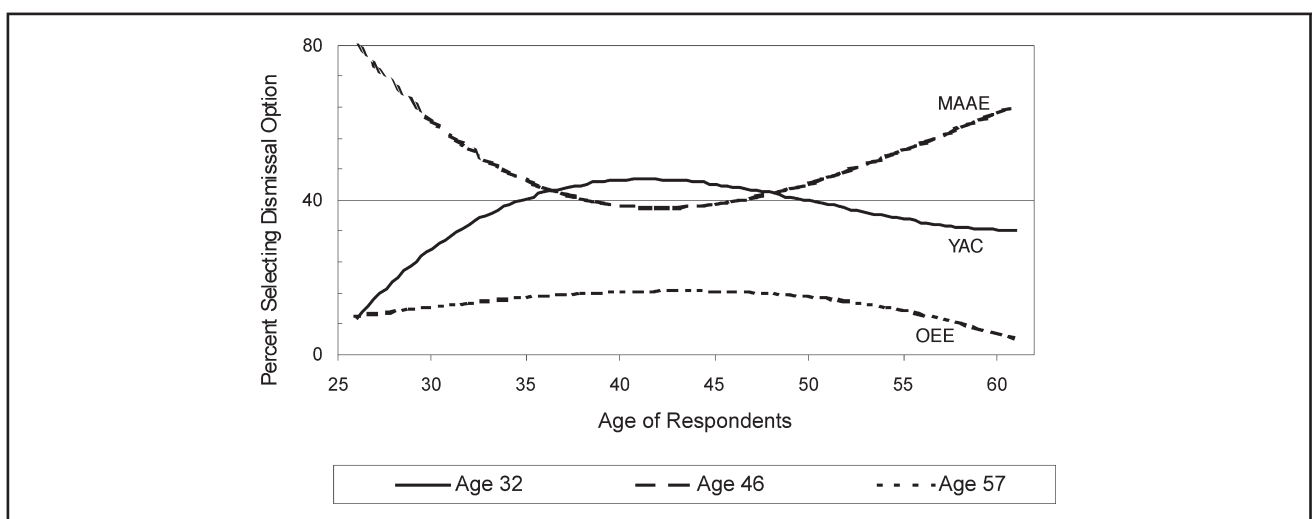


Figure 9 Dismissal Choice Corresponding to Respondent's Age

their dismissal choice of the 32-year-old YAC employee tapers off. At the same time the firing of the MAAE employee begins to decline and does not start to increase again until the respondents enter their mid fifties. Respondents between the ages of 36 and 49 are more likely to layoff the YAC manager. The respondents in their late fifties and early sixties are less willing to fire someone fitting their own age profile. They prefer to dismiss the two younger managers with a distinct preference for the MAAE one. Therefore there is evidence that individual self-interest is guiding the choice of dismissal choice. No age group appears to be especially concerned about the social justice as, except for the mid-range ages, the 46-year-old employee is more often dismissed. In the mid-range it is unclear whether respondents are socially just or simply sympathetic to the problems of someone in their age range.

What Happened to the Cultural Differences?

The starting point of the EMDM study was a concern that differences related to the predominant nationality of a company's managers are barriers to the effective integration of Europe's organizations. Indeed as is evidenced in Table 3 the respondent's nationality is a strong determinant on the choice of who to dismiss. In a study using the Euronet-Cranfield data collected during 1995–1996 Gooderham, Nordhaug and Ringdal (1999)²⁶ also found that distinct Anglo-Saxon, Germanic, and Latin groups helped to explain human resource management practices and values in Europe. But perhaps the age of the respondent is more important than his nationality in determining whom he is likely to fire. To test this possibility a statistical procedure is used to measure the relative importance of age and nationality on the choice of whom to fire. This test, a multinomial logistic regression, estimates that when all ages are taken together, the age of the respondent is not significant ($P = 0.404$) in comparison to his nationality ($P = 0.000$).

This is strong evidence that nationality or cultural grouping is the best single explanation of the termination choices.

One can graphically see the results of this analysis in Figure 10, which indicates that Germany and England have very important differences in the average age of the dismissed employee. On the other hand, France, Italy, and Spain, all Latin countries, have similar average ages for the dismissed employees. Further examination of the social justice motivations of the respondents however reveals that perhaps the social justice arguments are pretexts for selfish motives. This leads to a deeper examination of the relationship between the age of the respondent and that of the employee chosen for dismissal. In Figure 9 there appears to be a correlation between certain respondent age ranges and the dismissal choice that does not show up in the multinomial logistic regression results.

Perhaps there is a relationship between the respondent's nationality, age, and dismissal choice. To test this possibility the sample was divided into three groups, English, German, and Latin each of which were separately examined for a relationship between respondent age and dismissal choice. In the English and German samples there was absolutely no relationship between these variables. The age of the respondent simply has no discernible influence on the choice of whom to fire. But in the Latin sample there is a weak relationship between these variables. A graphical analysis of this relationship is displayed in Figure 11. In general as with Figure 9, each age group more or less fires one or both of the other age groups. The younger respondents fire the middle-aged choice. The middle-age respondents fire the younger and older. The older fire the middle-aged and younger employees. The older Latin respondents are especially harsh with the MAAE employee. He is by far their first choice for dismissal.

What explains this pattern is of course a very difficult question requiring additional research. It may be

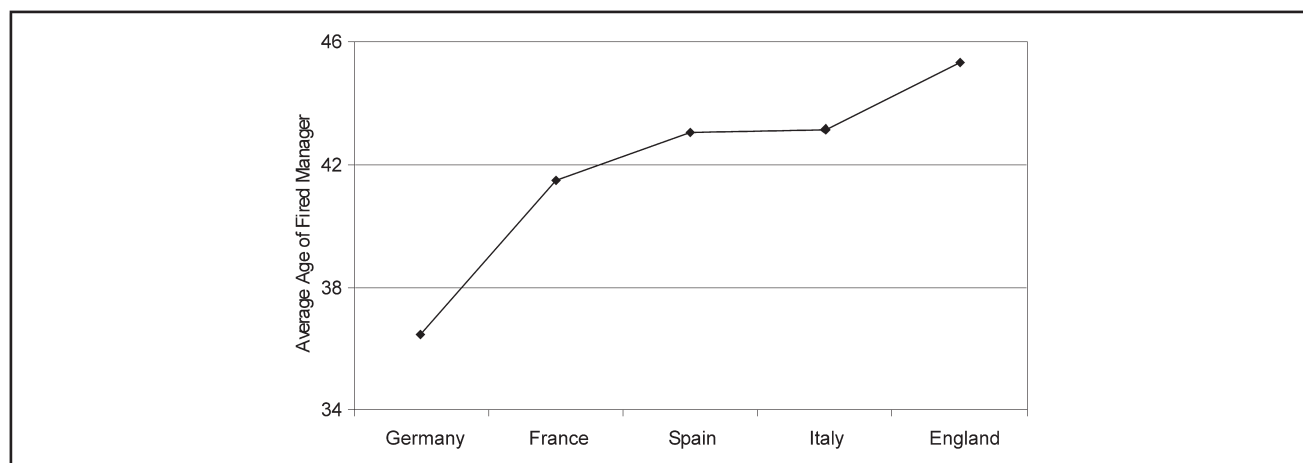


Figure 10 Average Age of Dismissed Employee by Country

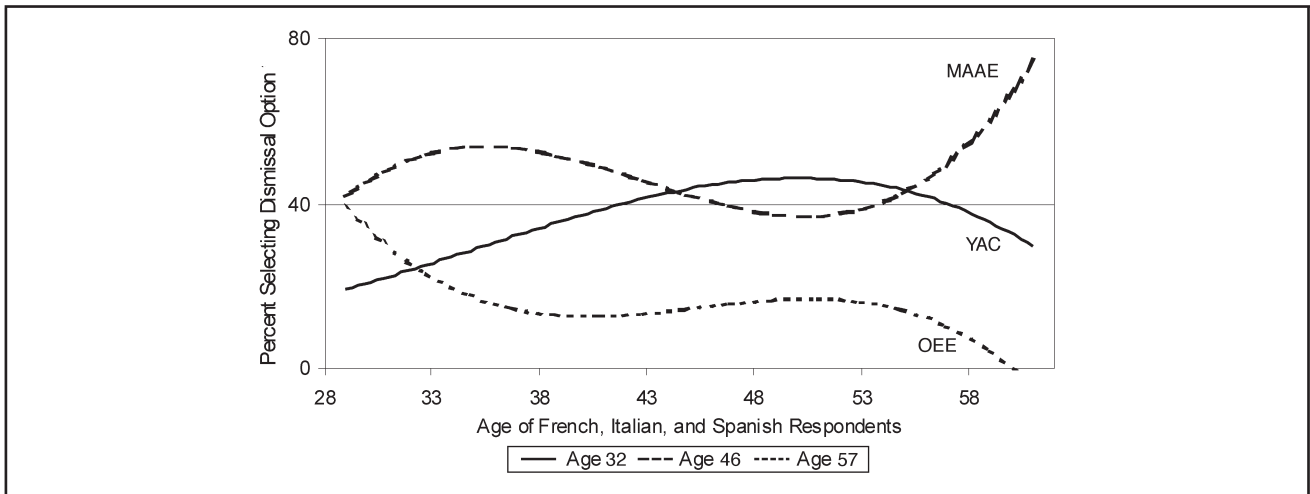


Figure 11 Dismissal Choice of Latin Respondents

related to other shared values associated with each nation. But in the spirit of exploration and debate let's assume that in the Latin culture there is a stronger concern for personal self interest than for the interest of the organization. This has already been suggested by a careful analysis of the history of French employee dismissal laws (Rojot, 1992) who suggests that once supreme employer's rights are eroding.²⁷ Furthermore, although anecdotal, there are expressions in the French language such as, '*chacun pour sa peau*' (*everyone for his skin*) and '*défendre son bifteck*' (*defend his beef steak*) which implies that everyone defends their personal benefits. How often does one hear something equivalent to 'above all, let's protect the company'? Are Latin managers, or at least French ones, less willing to set aside their immediate self-interest for the benefit of the company? Are the English more concerned with the health of their companies than with the social impacts of redundancy at age 46? These are not only interesting questions but also useful ones for any top executive with a significant workforce in Europe.

Again one can turn to the Eurobar study of over 17,000 people for more information. Extracting English, formerly employed, managerial employees between the ages of 26 and 62 finds very few of them actually unemployed. Their current economic status is displayed in Figure 12. In the middle age range of roughly 40–54 the few not working are retired. Those who are unemployed are in their mid-thirties or late fifties. It seems the vast majority of middle-aged, average workers in England are relatively safe despite the poor regard they receive from their colleagues. Either they are not being fired in the numbers suggested by the EMDM respondents or, they quickly find new jobs in the more open English labour market.²⁸ As for the French, there is further anecdotal evidence that the good of their companies is listed far after other more personal concerns. In the summer of 2000 French employee(s) of a company that was closing an industrial facility discharged the firm's excess stocks of sulphuric acid into the local river in protest. Employees of another firm threatened to explode the reserves of gas and chemicals at

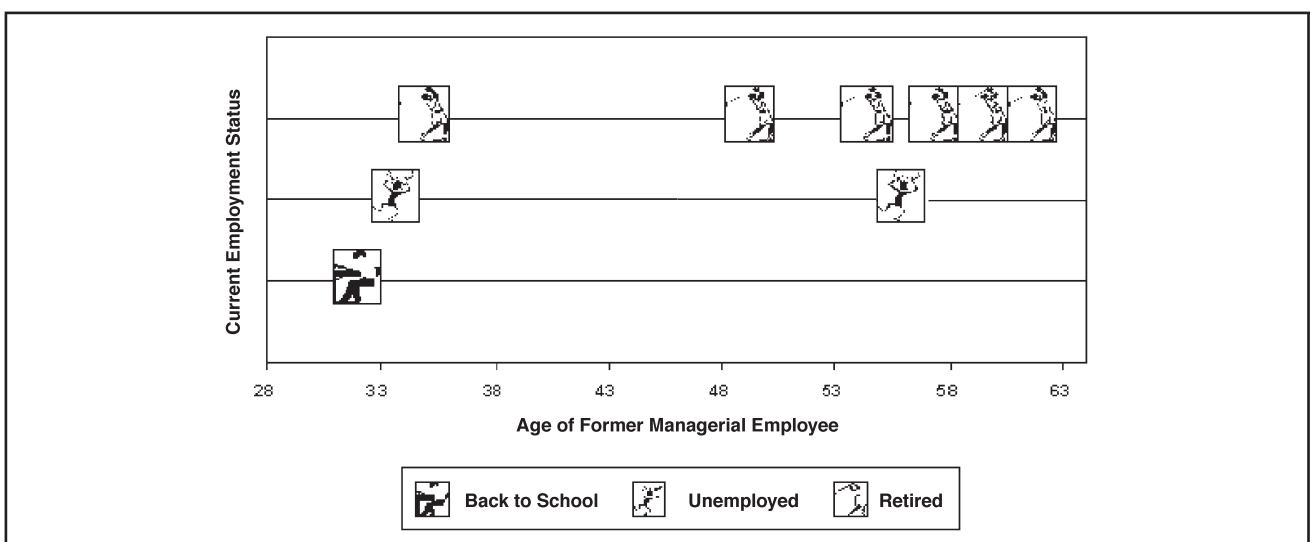


Figure 12 Employment Status of English 'Ex' Managerial Employees

their factory if the downsizing plans were not modified (Le Monde, 2000).²⁹ Isolated incidents certainly, yet they speak of the nature of employees who think about themselves first. If one is willing to pollute one's own town by toxic discharges or gas explosions what chance does a company have of its future being considered a priority?

Implications and Conclusions

This study establishes that the choice of whom to fire is first and foremost driven by the nationality of the respondents. Secondly it finds a weak relationship between certain age groups of the Latin respondents and their termination choices. There also appear to be three distinct clusters of dismissal choices, English, German, and Latin. Differing rationales for these choices are identified. The first, based on classical economic theory, is used primarily by the English and to a lesser extent the Spanish to dismiss employees with the least productive worth to a company. The second, based on the humanistic principles of social justice, examines the impact of dismissal on the fired person and other colleagues by looking at other personal criteria. Based on their justifications and choices, respondents from continental Europe appear to be more influenced by social justice considerations than classical economic rationality. This is especially true for Germans and slightly less for the Latin countries.

The implications of these findings are evident and of immediate concern for Europeans. In many companies, labour costs represent a very large part of their budget. Managers therefore face the constant temptation to resolve short-term profit problems or panic attacks about not being competitive enough by a round of workforce reductions. If a mistake is made, well the company can always hire a new employee. Like in a game of draw poker, you can give back a card that does not quite fit with your hopes that the next one will. The wisdom of this strategy is not the focus of this research or this paper. Whatever strategy a company adopts must be consistently implemented. Failure to maintain consistent policies is a recipe for certain failure. The principle focus of the EMDM Project is to uncover the differing values related to national values so that European managers have the facts necessary to develop human resource strategies. Toward this goal several implications arise from this research concerning workforce reduction choices.

The most obvious implication is the existence of different social values incorporated in workforce reduction decisions. Merely sending out directives to foreign business units requiring a 5% cut in employees are insufficient. Without further precision one may find the German unit firing many of their younger workers keeping older, more expensive, and

less productive employees. Perhaps your French and Italian units will start an internal feud between generations of managers eventually won by whichever held the keys to power. Your English unit may fire the older expensive employees and post spectacular annual results. However this may be followed with increasing employee turnover as discouraged and fearful employees leave for better environments. The unit may then develop problems vying to recruit the best in Europe's tight labour market for young skilled employees. Who wants to work for a company with no commitment to its own employees? Your workforce begins to fracture into inconsistent, perhaps incompatible groups that will have a harder time working together in other areas of endeavour. The other papers of this series on recruitment, promotion, and compensation have all established the tendency by foreign business units of developing local policies to global problems. A little adaptation is probably good, too much and you rapidly lose focus. In the end what are you really controlling?

A second implication is that even similar outcomes can have extremely different underlying reasons. Your company needs not only consistent decision outcomes but also well-defined rationales for decisions. For example, you are responsible for organizing an international salesforce for your European operations. You select the top country managers and they select their subordinate managers and their salespeople. Since you are starting to write all sales contracts in Euro you reorganize your sales territories around your production facilities rather than national borders (Segalla and Dumont, 1997).² You now have a large international team who are likely to have close contact and will start, as is natural for humans, to compare their local working conditions with each other. Are the salaries the same? Who gets promoted? What, they fired Charles who handled Southampton when they reduced the English Channel sales territory and the young French sales team thought that someone in his forties would not integrate well with them! We would never do that over here. Humans are always comparing their job conditions with each other. When the comparisons are good, in that they are equivalent, employees are generally happy. But when the comparisons are not good, the cancer of unhappiness and fear starts in eat through the spirit of your employees. This is something to avoid.

So what can you do to avoid or fix this problem? First of course you need to know that it exists. Huge amounts of money are spent to identify every aspect of customer psychology. What motivates them to buy, to return to the same website, to choose expensive living room furnishing but cheap bedroom furniture? Devoting corporate resources to finding these answers is rarely questioned. This should also be done for your workforce. This information can be used in a broader programme of building effective integrated workforces. Uncovering the important employment-related values of your workforce is con-

siderably easier and less expensive than losing your best employees to poachers and head-hunters. Without better information you will not know what the consequences of firing your middle-aged, average, expensive Germans or retaining your young, good, cheap English will be on your company's future.

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Notes

1. A line-smoothing algorithm is applied to French, English, German, Italian, and Spanish data from Eurobarometer 42 (4.12.96) Zentralarchiv für Empirische Sozialforschung an der Universität Köln. An age range matching the EMDM is displayed in this figure.
2. Segalla, M. and Dumont, A. (eds) (1997) Euro: The move to a Global Europe. Report on the organisational impact of the adoption of the Euro on European companies. Groupe HEC working paper, Groupe HEC, Jouy-en-Josas, France.
3. Additional support came from individual researchers, research institutes, and universities participating in the project. These include: Professor Marja Flory, Erasmus Universiteit, Rotterdam (Netherlands), Professor Alfonso Sauquet, Esade — Barcelona (Spain), Mr Rod Scarth, London School of Economics (United Kingdom), Dr Professor Lorenz Fischer and Dr Gabriele Jacobs-Belschak, Universität zu Köln (Germany) and Erasmus Universiteit — Rotterdam (Netherlands), Dr Professor Karl Sandner and Dr Christiane Müller, Wirtschaftsuniversität — Wien (Austria), Professor Carlo Turati, Università Luigi Bocconi — Milan (Italy), and Mr Pierre Lemaitre, CFPB - La Défense (France).
4. Justifications are based on the entire database of responses since not all cases have been fully coded.
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6. Roberts, K.H. (1970) On looking at an elephant: an evaluation of cross-cultural research related to organizations. *Psychological Bulletin* 74, 327–350. Also in Weinshall, T.D. (ed.) (1979) *Culture and Management*. Penguin, Middlesex, UK.
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8. See for example; Hofstede, G. (1980) *Culture's Consequences: International Differences in Work-Related Values*. Sage, Beverly Hills, CA. Trompenaars, F. and Hampden-Turner, C. (1998) *Riding the Waves of Culture*, 2nd edn. McGraw-Hill, New York. Maurice, M., Sellier, F. and Silvestre, J.J. (1982) *Politique D'Éducation et Organisation Industrielle en France et en Allemagne*. PUF, Paris, pg. 186f.
9. The work of French researcher Philippe d'Iribarne is a notable exception. See, Iribarne(d') P. (1989) *La Logique de l'Honneur, Gestion des Entreprises en Traditions Nationales*. Le Seuil, Paris.
10. The choice of terminology engendered some discussion among the research team. What term should be used? In American English the word *fired* carries a negative connotation similar to the British usage of the word *dismissed* of having done something wrong. The American English word *layoff* has generally been used only for blue-collar workers who may go through several layoffs without ever losing their jobs. The preferred British expression seems to be *made redundant* and does not imply a sense of fault. In this paper we use all of these words interchangeably.
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18. Hofstede, G. (1980) *Culture's Consequences: International Differences in Work-related Values*. Sage, Beverly Hills.
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20. The questionnaire did not present a list of reasons from which to select. The nearly 40 reasons in the justifications provided by the respondents were identified during the coding process.
21. Only the first four are shown because across most of the selections there is a strong drop off starting with the fifth reason.
22. The level of importance was measured using a formula which gave a higher score for mentioning the criteria and higher scores related to it level of importance. The scale is not uniform across the four choices. Since it is related to the frequency of a reported criteria, which is a function of the number of times each dismissal choice was selected.
23. The importance differences were calculated taking the sum of the absolute difference in the importance level of the criteria across all countries divided by the frequency of the criteria. This method results in a more accurate measurement of the differences between two countries when for example one places no importance on a specific criteria while another places a great deal of importance on the criteria. This scale is comparable across the four dismissal choices.
24. Few respondents made mention of institutional rules of labour contracts, which might specify that seniority be considered for example.
25. For this reason it appears that the choices total more or less than one hundred percent. This is simply a result of the projections made by the procedure, which are especially evident at either end of the scale.
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