

# FÓRUM EMPRESARIAL

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## Firm registration among White- and Latino-owned employer enterprises

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### ■ ABSTRACT

This study examines the scope and determinants of firm registration among employer firms of White-owned businesses (WOBs) and Latino-owned businesses (LOBs) in the US. The primary data is derived from the 2020 Stanford Latino Entrepreneurship Initiative nationally representative survey of 3,500 WOBs and 4,145 LOBs. The determinants of firm registration are derived from entrepreneur demographics and firm characteristics, utilizing a binomial logistic regression to predict the odds of group membership of (un)registered employer firms. The scope of firm registration reveals about 80% of employer firms are registered. LOBs and immigrant-owned firms outpace registration levels of WOBs and native-owned businesses. Larger employer firms by annual sales and number of employees are more likely to be registered than their smaller business counterparts.

**Keywords:** business in/formality, Anglo businesses, Hispanic businesses, Stanford Latino Entrepreneurship Initiative

### Registro de negocio entre las empresas empleadoras de propiedad blanca y latina

### ■ RESUMEN

Este estudio examina el alcance y los determinantes del registro de firmas entre las empresas de empleadores blancos y latinos en los EEUU. Los datos primarios se derivan de la encuesta representativa a nivel nacional de 7,645 empresas de la Iniciativa Empresarial Latina de Stanford de 2020. Los determinantes del registro de empresas se derivan de la demografía del empresario y las características de la mediante una regresión logística binomial para predecir las probabilidades de pertenencia a un grupo de empresas empleadoras (no) registradas. En total, 80% de las empresas empleadoras están registradas. Las empresas de

propiedad de inmigrantes y latinos superan los niveles de registro de las empresas de blancos y nativos. Las empresas de empleadores más grandes por ventas anuales y número de empleados tienen más probabilidades de estar registradas que sus contrapartes comerciales más pequeñas.

**Palabras clave:** negocios in/formalidad, negocios anglosajones, negocios hispanos, Iniciativa de Emprendimiento Latino de Stanford

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## Introduction

It is a requirement for nearly all businesses in the US to publicly display their business license or registration. For brick-and-mortar locations, walk-in customers should be able to visibly see the license. For web-based enterprises, statements of business licensure and associated links are typically required on the website. While customers may often overlook or dismiss the ubiquitous business license, businesses may not. Firm registration is a signal of regulatory compliance and operating within the legal framework sanctioned by government. Simply, firm registration is necessary and lawful. Registered firms are part and parcel of a formal economy. Indeed, the average rate of firm registration and enterprise formality is high in the US, contributing over 92% of the value of GDP (Medina & Schneider, 2018).

Yet some businesses forgo firm registration and there are distinct pockets of urban and rural enterprise informality found throughout the US (Losby et al., 2002). For example, the classic unregistered business origin pathways of Apple (in a garage), Nike (in a bedroom), and Facebook (in a dorm room) are well known. With increased size and public notoriety, each of these enterprises became formally registered business entities. But not all business enterprises formally register. Perhaps this is a result of startup ignorance, insignificant sales and presence, cultural practices, unlawful activities, or willful avoidance of government supervision and taxation. Without business registration, a firm producing and selling otherwise lawful products essentially remains hidden from government recognition and oversight. In

this hidden condition, such a firm is considered part of the informal economy. The investigation of unregistered firms and enterprise informality in the American economy has received much less attention than the regularized or lawful enterprise sector. Of the little that is known about firm registration avoidance, most has come from more focused studies of Latino-owned businesses (LOBs) (see for example, Pisani, 2012; Pisani & Morales, 2020; Richardson & Pisani, 2012; Valdez, 2011).

A more generalized approach is needed to better understand the scope and rationale for the presence of unregistered enterprises in the US. For the first time with this research, the degree and determinants of firm non-registration across White- and Latino-owned employer enterprises are examined and contrasted.<sup>1</sup> This is noteworthy because employer enterprises are the backbone of the US private sector economy. Additionally, these two groups represent the fastest business growth segment in the US economy (i.e., LOBs) and the numerical majority of business entities in the US (i.e., WOBs) (Orozco et al., 2021). Since this research is an exploratory approach and the first to compare business registration among these groups, two research questions provide a foundation for a comparative understanding of business informality through business registration. The two research questions that focus this article are: (a) What is the scope of (un)registered businesses for White- and Latino-owned employer firms in the US? and (b) What are the determinants of (un)registered businesses for White- and Latino-owned employer firms in the US? Answers to these research questions comprise a fundamental contribution to informality studies in the US economy allowing subsequent research and researchers to explore, compare, and build upon this empirical and baseline foundation.

This comparison is possible by utilizing a unique and representative 2020 data set from the Stanford Latino Entrepreneurship Initiative (SLEI) that surveyed both Latino- and White-

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<sup>1</sup> See Carter et al. (2019) for a study of Latino and non-Latino (mostly White-owned) enterprises through the comparative lens of human resource practices.

owned employer businesses. These groups have at least one paid employee beyond the owner and are distinct from own-account enterprises that are owner-operated without any paid employees. A preview of the SLEI survey from 2020 revealed that 84.3% of employer LOBs were formally registered; conversely, 15.7% of employer LOBs were unregistered. For WOBs in 2020, the SLEI survey found 78.8% were formally registered with the remaining 21.2% of White-owned businesses unregistered.<sup>2</sup>

The remainder of this article is organized and offered in the following order: a literature review encompassing related research; a description of the data, descriptive statistics, and methodology; a reporting and discussion of the results; and a conclusion proving a summary, public policy and managerial implications, and directions for future research.

## Literature Review

Studies into firm registration have considered the impact of new business registrants as an indicator of business cycle position and health (Klapper et al., 2014), the process of firm registration as an indicator of the ease of doing business (De Soto, 1989; World Bank, 2020), and the impact of the time to business registration as an indicator of subsequent business wellbeing (Williams et al., 2017). Nonetheless, the bulk of studies that focus on firm registration are part and parcel of a larger framework centered on economic informality (De Soto, 2000; Pisani & Ovando Rivarola, 2019). In this regard, firm registration is utilized as a proxy for legal presence and firm formality. Where firm registration is absent, it signals that the firm is operating outside the structure of governmental authority, hence such firms are considered informal enterprises. It is this last approach—firm registration as a proxy of firm-level informality—that guides the present research.

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<sup>2</sup> In this preview, firms unsure of their registration status were counted as unregistered. This approach resulted in slightly higher unregistered percentages as compared to omitting from the count firms unsure of their registration status.

Essentially, informal businesses do not appear in official government lists or registers so proxies are used to fill in this information gap. Firm registration is but one of a set of standard proxies to uncover informality (Pagán & Tijerina-Guajardo, 2000). Other proxies consider enrollment in social security (Portes & Schaufler, 1993), firm size (Tokman, 1992), and workforce contracts (Benería, 1989). As the literature on informality has deep roots and origins in developing and emerging markets (Hart, 1970, 1973), the proxies focused on social benefits (e.g., pensions and health care), organizational practices (e.g., firm registration, sales receipts, worker contracts), and firm size (e.g., employee count [under five or six]) all are acceptable proxy measures of informality (Perry et al., 2007). However, in contemporary developed markets with strong institutions, firm registration serves as key marker of (in)formality (Pisani & Morales, 2020).

Yet today's developed economies evolved over time whereby formality and firm registration is the current business norm. Early in the business history of the US (including the colonial and revolutionary eras), market exchanges and much economic movement of goods and services were done outside the purview of governmental institutions and oversight (Andreas, 2013). Indeed, the American Revolution was, in part, a backlash to the British implementation and enforcement of trade laws that sought to regularize business activities (e.g., the Sugar Act [1764], the Stamp Act [1765], and the Tea Act [1773]). Over the next century and a half, the US regulatory environment slowly adapted to the actual business reality. This meant often legalizing wide-spread and generally accepted extra-legal business practices; in essence, many laws followed and sanctioned practice rather than legislating such practices away through wishful legislative acts. This was especially the case for land tenure regimes as the US expanded westward (e.g., the Homestead Act [1862]) (De Soto, 2000). By the early twentieth century, US business regulation and legislation hardened and the evolution to a more formal economy had taken place, but not without occasional relapse (e.g., the Prohibition era).

Economic informality (or informality more generally) “consists of work that is in itself legal but avoids government regulation, oversight, and/or taxation” (Richardson & Pisani, 2012, p. 19). Informal work activity is done in conjunction with licit goods and services and is often performed in informal enterprises (Portes et al., 1989). The duality of informal and formal activities is not absolute, there are many areas of gray. This duality may perhaps be better represented as a continuum whereby the poles constitute either full governmental compliance (formality) or no governmental compliance (informality). In between the poles are business practices that may be quasi-(in)formal illustrating activities of non-compliance (Pisani et al., 2008).

For example, some sales may be fully recorded and reported, while others may go unrecorded and unreported to reduce tax liability or opportunistically seize sales taxes collected. In other instances, informal enterprises may pay a municipal fee for location rights, but otherwise avoid governmental oversight. Innumerable such quasi-(in)formal scenarios complicate the study of informality exponentially. The modifier “mostly” may provide the necessary nuance when considering mostly informal and mostly formal firms.

Regardless of location, the general trajectory of enterprise development is toward formality (Pisani, 2019), simplified in this article to informal or formal firms. While this is so, higher prevailing levels of informality are more tightly associated with emerging economies as compared to developed economies (Medina & Schneider, 2018). This may fuel a perception associated with immigrant and ethnic-origin business owners based in the US with roots in emerging and developing economies that their enterprises are more likely to skirt the law than White or Anglo counterparts (Richardson & Pisani, 2012). The literature has yet to address this empirically.

Pisani and Morales (2020) lay the foundational groundwork for measuring Latino-owned business (LOB) informality across the US. They found that roughly one-third of all LOBs were unregistered. Their 2018 representative sample included own-account

businesses (firms with no paid employees) as well as employer enterprises. Their key findings regarding the background of LOB owners include female-owned LOBs were more likely to be unregistered than their male-owned LOB counterparts. Married owners of LOBs were more likely to be registered than unmarried LOB owners. Within the panorama of Latino origins, Mexican-origin LOBs were more likely to be unregistered than other Latino-origin LOBs.

Pisani and Morales (2020) also found a direct relationship between education and LOB firm registration whereby higher levels of owner education resulted in higher levels of firm registration. Immigrant-owned LOBs had higher rates of firm registration than native-born Latino LOBs. Arising from this finding, they observed that more English dominate LOB owners were less likely to be registered than more dominant Spanish-speaking LOB owners. Lastly, Pisani and Morales observed a direct relationship between firm size (revenues and employee count) and LOB firm registration—larger firms by revenues and number of employees were more likely to be registered. There is no comparable work that has been undertaken with WOBs. The present study contributes and seeks, in part, to fill this research void within a comparative perspective.

## **Data, Descriptive Statistics, and Methodology**

### **Data**

The data for this research are derived from the Stanford Latino Entrepreneurship Initiative (SLEI), housed in the Stanford Graduate School of Business, in coordination with the Latino Business Action Network.<sup>3</sup> The primary survey year data source is 2020 whereby SLEI conducted a nationally representative cross-sectional survey of Latino-owned employer firms and White-owned employer firms. Employer firms are businesses with one

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<sup>3</sup> See Orozco et al. (2020) for a fuller description of the Stanford Latino Entrepreneurship Initiative and the Latino Action Business Network.

or more paid employees. The survey excluded own-account enterprises (owner-operated concerns with no paid employees) and businesses reporting less than \$10,000 in annual revenue. The inclusion of a White-owned business sample are changes from past SLEI surveys that began annually in 2015 and focused on LOBs without revenue and employee count restrictions. In early 2020, SLEI surveyed 3,500 White-owned businesses and 4,145 Latino-owned businesses.<sup>4</sup>

Survey respondents were screened to ensure majority Latino or White ownership. The 2020 survey was administered and completed online and took about 15 minutes to finish. The survey instrument covered business owner characteristics and demographics and enterprise characteristics and operations (e.g., funding, networks, strategy, performance, and Covid-19 impacts). Respondents were chosen from proprietary business panels (Qualtrics) and SLEI outreach efforts (Orozco et al., 2021). While survey respondents are generally representative of WOBS and LOBs nationally, the data is adjusted (weighted) for sample differences using U.S. Census data applying the 2018 Annual Business Survey as the base.

## **Descriptive Statistics**

### *Business Owners*

Business owner descriptive statistics for Latino-owned businesses and White-owned businesses are reported in Table 1. Demographic variables available for consideration are age, gender, birth connection to the US, education level, residence, and parental self-employment. In each case, business owner descriptive statistics are statistically different for LOBs and WOBS. Latino business owners are on average somewhat younger than their White counterparts, though both groups are middle-aged. The 2020 SLEI sample illustrates a generally even gender mix for White owners with LOBs more represented by male than female owners. As expected, there is a much higher proportion of

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<sup>4</sup> Data and sample detail is derived from Orozco et al. (2021).



immigrant business owners among LOBs than WOBs. However, the immigrant experience is not exclusive to Latino business owners.

The generation score variable is a parsimonious proxy method for understanding acculturation and has been used in a dozen or more studies of Latinos in the US (see for example Richardson & Pisani, 2012, 2017). This variable tracks the country of birth of three generations, with a higher score indicating a closer birth connection to the US. The generation score (GS) is calculated by allotting a total of four points to each generation born in the United States, from respondent to grandparent. If a respondent is born in the United States, for example, he/she is assigned four points (zero if born outside the United States). Two points are allocated for each parent born in the United States (zero otherwise), and one point for each grandparent born in the United States (zero otherwise). This produces a GS range of 0 (all foreign born) to 12 (all U.S. born) with 0-4 points possible per generation level (respondent, parents, and grandparents). The mean GS score for owners of LOBs is 4.9 and 10.1 for White business owners reflecting much closer US birth ties of WOBs than for LOBs.

As a whole, over half of the business owners have earned a four-year college degree and over 80% have some college experience. Latino business owners possess a higher proportional level of four-year and advanced college degrees than their white business owner counterparts. As expected, higher concentrations of Latino business owners are found in the western, southwestern, and southeastern regions of the US (including Puerto Rico). White business owners are represented throughout the US. Close to half of all business owners come from families where at least one parent was self-employed, a legacy effect of self-employment.

Table 1

*Business Owner Descriptive Statistics for Latino- and White-owned Employer Firms (2020)*

Variable	Latino	White
Mean Age (std. dev.)	42.8 (12.2)	45.9 (12.8)
Gender (%)		
Male	57.8	51.7
Female	42.2	48.3
Immigrant (%)	40.1	11.8
Mean Generation Score (std. dev.)	4.9 (4.2)	10.1 (2.9)
Education* (%)		
Less than High School Degree	1.6	1.0
High School Degree or Equivalent	9.5	10.8
Technical, Trade or Vocational School	4.5	5.1
Some College, No Degree	14.9	17.7
Associate's Degree	11.1	14.3
Bachelor's Degree	35.2	30.5
Master's, Doctorate or Professional Degree	23.2	20.6
Regional Residence^ (%)		
Northeast	1.8	5.2
Mid-Atlantic	11.3	14.1
East North Central	6.1	14.7
West North Central	1.9	8.0
South Atlantic	25.5	19.6
East South Central	1.3	5.0
West South Central	16.4	10.2
Mountain	8.3	8.3
Pacific	27.4	14.8
Parental Business Ownership (%)		
Mother Owns/Owned Her Own Business	8.2	6.5
Father Owns/Owned His Own Business	23.6	24.5
Both Mother/Father Owns/Owned their Own Businesses	18.3	17.0
Neither Parent Owns/Owned a Business	49.9	52.1
N	4,145	3,500

*Note 1.* Italics = the two groups are statistically different (utilizing cross-tabulations or comparison of means tests). For variables with percentages, some rounding errors may be present.

*Note 2.* \*Before the establishment of current enterprise.

*Note 3.* ^ Region definition: Northeast (Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, Vermont), Middle-Atlantic (New Jersey, New

York, Pennsylvania), East North Central (Illinois, Indiana, Michigan, Ohio, Wisconsin), West North Central (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota), South Atlantic (Delaware, Florida, Georgia, Maryland, North Carolina, Puerto Rico, South Carolina, Virginia, Washington, D.C., West Virginia), East South Central (Alabama, Kentucky, Mississippi, Tennessee), West South Central (Arkansas, Louisiana, Oklahoma, Texas), Mountain (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming), Pacific (Alaska, California, Hawaii, Oregon, Washington).

Source: Author's elaboration, SLEI Survey, 2020.

### *Businesses*

Table 2 displays the descriptive statistics for LOB and WOB firms. The following variables are described: firm age, business revenue over the past 12 months, firm profitability, number of employees, industry field (activity), and firm registration. All of these variables are significantly different between Latino-owned and White-owned enterprises. WOBs have been in operation about three years longer than LOBs with the average for both groups exceeding ten years of business operation. The size by revenues over the past 12 months for LOBs and WOBs generally follows with approximately 20% of firms with annual revenues less than \$100,000 and roughly 40% of firms in each of the remaining annual revenue categories of \$100,000 to \$499,999 and \$500,000 or above.

White-owned enterprises reported a higher incidence of profitability than Latino-owned businesses. Fewer WOBs reported losses and a break-even status in contrast to their LOB counterparts. More than three-fourths of employer firms employ between one and nine employees with WOBs reporting somewhat higher employee counts as compared to LOBs. Industry economic activity stretches across sectors with LOBs reporting higher concentrations in leisure/hospitality, other services, and trade/transportation/utilities than WOBs. In all other sectors, White-owned businesses are more heavily concentrated than their Latino-owned business peers. Known firm registration is 5.6 percentage points higher for Latino-owned businesses than White-owned businesses.

Table 2

*Enterprise Demographics for Latino- and White-owned Employer Firms (2020)*

Variable	Latino	White
Mean Age of Business (std. dev.)	<i>10.9 (9.7)</i>	<i>13.6 (12.8)</i>
Business Revenue Last 12 Months (%)		
\$10,000-\$99,999	<i>21.5</i>	<i>18.7</i>
\$100,000-\$499,999	<i>40.2</i>	<i>39.9</i>
\$500,000 or Above	<i>38.3</i>	<i>41.4</i>
Profitability (%)		
Yes	<i>54.9</i>	<i>62.1</i>
No	<i>25.9</i>	<i>22.8</i>
Breakeven	<i>19.3</i>	<i>15.1</i>
Current Number of Employees		
One to Nine	<i>77.6</i>	<i>75.2</i>
Ten or More	<i>22.4</i>	<i>24.8</i>
Industry (%)		
Construction	<i>13.3</i>	<i>14.4</i>
Education/Health Services	<i>8.9</i>	<i>11.1</i>
Financial Activities	<i>7.9</i>	<i>10.8</i>
Information	<i>1.0</i>	<i>1.4</i>
Leisure/Hospitality	<i>14.9</i>	<i>9.9</i>
Manufacturing	<i>3.5</i>	<i>4.5</i>
Natural Resources and Mining	<i>0.7</i>	<i>1.0</i>
Other Services	<i>8.7</i>	<i>7.0</i>
Professional/Business Services	<i>20.7</i>	<i>20.4</i>
Trade/Transportation/Utilities	<i>20.5</i>	<i>19.4</i>
Firm Formally Registered (%)		
Yes	<i>84.3</i>	<i>78.7</i>
No	<i>10.2</i>	<i>14.3</i>
Not Sure	<i>5.6</i>	<i>6.9</i>
N	4,145	3,500

*Note.* Italics = the two groups are statistically different.

Source: Author's elaboration, SLEI Survey, 2020.

*Firm Registration*

In the two years prior to 2020, the annual SLEI survey of own-account and employer LOBs asked if the respondent firm was registered. As stated above, the 2020 survey excluded own-account enterprises and included both LOBs and WOBs. Because the SLEI surveys asked about employee count and firm revenues, comparable information for 2018 and 2019 are available for LOBs. As reported in Table 3 across panels, own-account LOBs have a lower incidence of firm registration than employer enterprises. In 2020 LOBs, have higher rates of firm registration than their WOB counterparts.

As it is expected that business owners know if they are formally registered or not, those owners indicating that they were unsure as to their registration status were categorized as unregistered. In Table 3, Panel A folds unsure registration survey respondents in with respondents indicating that they are unregistered. For comparison, Panel B omits the unsure respondents from the analysis. The unsure group is quite small (between five and seven percent of respondents across surveys) suggesting a more conservative final count for registered businesses. In both instances between LOBs and WOBs, a differential of about five percentage points is present and the difference is statistically significant. The remainder of the analyses merge the unsure registration responses with the not registered answers. This follows the previous work of Pisani and Morales (2020), keeps more of the surveyed firms in the analyses, and follows common sense.

Table 3

*Firm Registration Among Latino- and White-owned Businesses*

Panel A		Not registered also includes those responding not sure			
		Own-Account Enterprises (no paid employees)	Employer Enterprises (1 or more paid employees and annual sales ≥ \$10,000)		
LOBs~	Registered (%)	Not Registered (%)	Registered (%)	Not Registered (%)	N
2018	66.2	33.8	83.8	16.2	4,024
2019	51.8	48.2	78.1	21.9	4,937
2020	N/A	N/A	84.3	15.7	4,145
WOBs^					
2020	N/A	N/A	78.8	21.2	3,499
Panel B		Not sure responses omitted			
		Own-Account Enterprises (no paid employees)	Employer Enterprises (1 or more paid employees and annual sales ≥ \$10,000)		
LOBs	Registered (%)	Not Registered (%)	Registered (%)	Not Registered (%)	N
2018	77.2	27.8	87.7	12.3	3,706
2019	58.4	41.6	86.7	13.3	4,380
2020	N/A	N/A	89.2	10.7	3,914
WOBs					
2020	N/A	N/A	84.6	15.4	3,257

Note 1. ~ Denotes Latino-owned businesses.

Note 2. ^ Denotes White-owned businesses.

Note 3. Panel A, comparing LOBs and WOBs: Pearson Chi-square = 38.843, df=1, sig = .000.

Note 4. Panel B, comparing LOBs and WOBs: Pearson Chi-square = 33.954, df=1, sig = .000.

Source: Author's elaboration, SLEI Survey, 2020.

In further addressing the scope of (un)registered businesses for LOBs and WOBs (i.e., the first research question), additional descriptive statistics for immigration and acculturation, generally, and country of origin for LOBs, more specifically, are examined. Table 4 displays firm registration for LOBs and WOBs by birthplace and generation score, the latter is a proxy for acculturation. Panel A reports firm registration for immigrant business owners. Immigrant LOBs have a significantly higher rate of firm registration than immigrant WOBs. This is also true for native born business owners (see Panel B). Panel C reports the mean generation score—one measure of acculturation. A higher score indicates closer familial birth ties to the US and a lower score reveals closer familial birth ties outside the US. Firm registration for both LOBs and WOBs is associated with lower levels of familial birth ties to the US, this result is significant for LOBs and not significant for WOBs. Conversely, higher generation scores are associated with unregistered LOBs and WOBs. Hence, immigrant businesses and respondents with lower acculturation levels have higher firm registration rates across both White and Latino groups.

Table 4

*Firm Registration Among LOBs and WOBs by Birthplace and Generation Score (2020)*

Birthplace	Employer Enterprises		
Panel A	Registered	Not Registered	N
Immigrant (not born in USA)	(%)	(%)	
LOBs	88.8	11.2	1,660
WOBs	81.4	18.6	413
Total	87.3	12.7	2,073
Pearson Chi-square = 16.523, df=1, sig = .000			
Panel B	Registered	Not Registered	N
Native (born in USA)	(%)	(%)	
LOBs	81.2	18.8	2,483
WOBs	78.4	21.6	3,088
Total	79.7	20.3	5,571
Pearson Chi-square = 6.814, df=1, sig = .009.			

Panel C	Registered	Not Registered	N
Mean Generation Score			
LOBs (std. dev.)	4.75 (4.20)	6.02 (4.13)	4,000
ANOVA: $F = 485.653$ , $df=1$ , $sig. = .000$			
WOBs (std. dev.)	10.05 (2.92)	10.21 (2.97)	3,361
ANOVA: $F = 14.311$ , $df=1$ , $sig. = .197$			

*Note.* Not sure combined with not registered.  
Source: Author's elaboration, SLEI Survey, 2020.

### *Methodology*

The descriptive analysis above answered the first research question. The second research question seeks to explore the determinants of firm registration in LOBs and WOBs and requires a multivariate statistical approach. The decision to register the business is a dichotomous one: yes (registered) or no (not registered). Binomial logistic regression handles dichotomous choices well, is a robust multivariate statistical tool with few assumption requirements (Pampel, 2000), and is useful in predicting the odds or likelihood of group membership. In other words, this statistical technique (binomial logistic regression) provides an enhanced and empirical pathway to understand what business and entrepreneur characteristics best predict firm registration.

In the following analyses, a registered firm is coded as 1 and an unregistered firm is coded as 0. In this case, firm registration is the dependent variable. A set of independent or predictor variables which may predict firm registration are drawn from entrepreneur demographics and firm characteristics found in Tables 1 and 2. Independent variables allow the use of specific business and entrepreneur characteristics—firm characteristics include business age, sales, number of employees, profitability, and industry sector and entrepreneur characteristics include owner age, gender, immigrant status, acculturation (i.e., generation score), education, location (i.e., regional residence), and parental self-employment history—to help predict (or estimate) firm registration outcomes. These independent variables were chosen, a



priori, based upon more than two decades of extensive experience researching informality and variable availability in the SLEI data set. In all, two binomial logistic regression estimations are undertaken to explore the determinants of firm registration in LOBs and WOBs for 2020.

## Results

Two binomial logistic regression estimations for Latino-owned businesses and White-owned businesses appear in Table 5. For each logistic regression, the dependent variable is firm registration (yes=1, no=0). For space considerations, only the odds ratios are presented—that is, displaying the odds of being a registered firm.<sup>5</sup> Owner and firm characteristics comprise the independent variables; those variables that are significant are identified with the following notations, \* = significant at the .10 level, † = significant at the .05 level, and ‡ = significant at the .01 level. Logistic regression diagnostics appear at the bottom of Table 5. Reported next are the significant results of each logistic regression estimation followed by a discussion.

### LOBs - Results

The results of the logistic regression estimation for LOBs appear in Table 5 (column 2). Only those statistically significant variables are explored, beginning with owner characteristics followed by firm characteristics. For each additional year of age of Latino/a business ownership, the odds of firm registration increase by 2.8%.<sup>6</sup> Closer birth ties to the US decrease the likelihood of firm registration by 5.4% per one-point increase in the

<sup>5</sup> Complete logistic regression estimations are available from the author by request. Logistic regression and binomial logistic regression are used interchangeably in this article.

<sup>6</sup> This is calculated as  $|1 - \text{Exp}(\beta)|$ . For example, the calculation for Latino/a age is  $|1 - 1.028|$  or 0.028 or 2.8 percent (see column 2, line 5 of Table 5). Since this count variable is in years, the odds of firm registration is estimated by age in years, *ceteris paribus*. Since the odds are greater than 1 (1.028 for LOB owner age), this means the odds of the event occurring is positive.

generation score. In reference to the highest level of education (graduate degree or post-graduate professional studies), Latino/a owners with a high school diploma or less, some college, or an associate degree are less likely to own a registered firm by 32.5%, 49.7%, and 39.9%, respectively. The Pacific region is the reference category for owner residence in the US. Latino/a business owners residing in the Northeast, Mid-Atlantic, West North Central, South Atlantic, East South Central, and West South-Central areas are all more likely to be registered enterprises in comparison to LOBs in the Pacific region.<sup>7</sup> Parental self-employment reduce the odds of Latino/a firm registration by 37.2% for owners where the mother was self-employed and by 29.4% where both parents were self-employed.

The longevity of a LOB is connected to firm registration. For every additional year of business operation, the LOB is 1.9% more likely to be registered. Smaller firms by both sales revenues and employee count are less likely to be registered. In reference to firms with over \$500,000 in annual sales, firms with between \$10,000 and \$99,000 in annual sales are 73.7% less likely to be registered and firms with between \$100,000 and \$499,000 in annual sales are 41.6% less likely to be registered, respectively. LOBs with 1 to 9 employees are 50.8% less likely to be registered in comparison to LOBs with 10 or more employees. With firms reporting a breakeven in profits as the base, both profitable and unprofitable firms are more likely to be registered. The odds of being registered increase by 46.0% for profitable firms and 32.1% for unprofitable firms in comparison to firms reporting breakeven profitability. Firms operating in the trade, transportation, and utilities space serve as the referent for industry or primary firm economic activity. The logistic regression reveals that in all significant comparable industry cases—construction, education and health services, financial activities, leisure and hospitality, natural

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<sup>7</sup> In reference to the Pacific region, residence in the Northeast, Mid-Atlantic, West North Central, South Atlantic, East South Central, and West South Central increases the likelihood of firm registration by 157.2%, 71.5%, 933.3%, 54.3%, 192.9%, and 41.8%, respectively.

resources and mining, and professional business services—a decrease in firm registration is likely.<sup>8</sup>

Table 5

*Binomial Logistic Regression for Firm Registration (=1) Among LOBs, WOBs, and All Firms*

Variable	LOBs Exp( $\beta$ )	WOBs Exp( $\beta$ )
Constant	20.847‡	13.431‡
Owner Characteristics		
Age (years)	1.028‡	1.006
Gender (female=1)	1.121	.972
Immigrant (yes=1)	.927	.758
Generation Score	.946‡	1.005
Education	‡	‡
High School or Less	.675*	.718†
Some College (no degree), Technical, Trade or Vocational School	.503‡	.736†
Associate’s Degree	.601‡	.946
Bachelor’s Degree	.826	1.168
Master’s, Doctorate, or Professional Degree	Reference	Reference
Regional Residence	‡	‡
Northeast	2.572†	.806
Mid-Atlantic	1.715‡	.906
East North Central	1.159	1.197
West North Central	10.333‡	1.367
South Atlantic	1.543‡	1.308*
East South Central	2.929†	1.101
West South Central	1.418†	.880
Mountain	1.380	.675†
Pacific	Reference	Reference

<sup>8</sup> In reference to firms in trade, transportation, and utilities, LOBs in construction, education and health services, financial activities, leisure and hospitality, natural resources and mining, and professional business services are 56.8%, 41.9%, 50.7%, 51.4%, 62.9%, and 26.9%, respectively less likely to be registered.

Mother was a Business Owner (yes=1)	.628†	.731
Father was a Business Owner (yes=1)	.815	.930
Both Parents were Business Owners (yes=1, neither = 0)	.706†	1.016

Firm Characteristics		
Firm Age – Years	1.019†	.994
Annual Firm Sales	‡	‡
10-99.9k	.263‡	.344‡
100-499.9k	.584‡	.705‡
500k+	Reference	Reference
Number of Employees (10 or more = 1)	.492‡	.643‡
Profitability	†	-
Yes	1.460‡	.1024
No	1.321†	1.045
Breakeven	Reference	Reference
Industry	‡	*
Construction	.432‡	.718†
Education/Health Services	.581‡	1.208
Financial Activities	.493‡	1.046
Information Technology	.646	.691
Leisure/Hospitality	.486‡	.794
Manufacturing	.916	.884
Natural Resources/Mining	.371*	.525
Other Services	.750	.698*
Professional/Business Services	.731*	.808
Trade/Transportation/Utilities	Reference	Reference
N	3,919	3,200

Diagnostics		
-2 Log Likelihood	2739.180‡	3168.912‡
Cox and Snell R <sup>2</sup>   Nagelkerke R <sup>2</sup>	.116 .207	.063 .098
Hit Ratio (% Correct): Yes  No  Overall	99.0 11.3 86.4	99.1 2.2 79.0

*Note 1.* PPC Proportional Chance Criterion (PPC) =  $a^2 + (1-a)^2$ . A good model predicts 1.25 times the PPC. LOBs:  $(.857)^2 + (1-.857)^2 = 0.754$ ; 1.25 times = 0.944; model predicts 86.4, less than 1.25 times chance. WOBs:  $(.792)^2 + (1-.792)^2 = 0.671$ ; 1.25 times = 0.838; model predicts 79.0, less than 1.25 times chance.

*Note 2.* ^ Represents significance at the \* $P \leq 0.10$ ; † $P \leq 0.05$ ; and ‡ $P \leq 0.01$  levels. Source: Author's calculation from 2020 SLEI survey.

## WOBs - Results

The results of the logistic regression estimation for WOBS also appear in Table 5 (column 3). Only those statistically significant variables are reported, opening with owner characteristics followed by firm characteristics. White business owners with a high school education or less are 28.2% less likely to operate a registered firm in relation to White business owners with graduate and post-graduate professional degrees (the reference category). In addition, White business owners with some college education are 26.4% less likely to have a registered business in reference to the highest educated White business owners. With Pacific regional residence as reference, White business owners residing in the South Atlantic and Mountain regions are 30.8% and 32.5% less likely, respectively, to operate registered firms.

Larger WOBS by annual sales and number of employees are more likely to be registered. In reference to WOBS with \$500,000 or more in annual sales, WOBS with between \$10,000 to \$99,999 in annual sales and WOBS with between \$100,000 and \$499,999 in annual sales are 65.6% and 29.5% less likely to be registered, respectively. WOBS with 1 to 9 employees are 35.7% less likely to be registered in contrast to WOBS with 10 or more employees. With respect to WOBS engaged in trade, transportation, and utilities, WOBS in construction and other services are 38.2% and 30.2%, respectively, less likely to be formally registered.

## Discussion

The discussion of results is segmented initially for LOBs and WOBS. Next, the discussion contrasts the logistic regression results for the groups together.

### *LOBs*

For Latino-owned enterprises, experience and longevity matters. Longevity earned through living (owner age) and experience earned through owning a business (business age) increases the likelihood of firm registration. In essence, personal maturity

and firm maturity are important elements in the firm registration decision. Latino business owners with a more recent tie to the US are more likely to follow the institutional rules of business registration. This business registration compliance may be the result of harsh penalties for non-citizen rule-breaking (i.e., potential deportation) or general acceptance of the new institutional rules of the game in a new country with strong institutions. On the other hand, perhaps more acculturated Latino business owners (e.g., citizens) with a fuller understanding of the institutional environment can navigate around business registration requirements, or may feel more comfortable bending institutional business registration requirements. This tendency toward non-registration may also be the case for Latino business owners who grew up in homes with parents operating businesses of their own, where tacit knowledge of business processes is passed down through generations.

Clearly, highly educated Latino business owners comply with business registration obligations. The time and investment in education mitigate against thwarting business registration requirements because of high opportunity costs associated with high educational achievement. This is less so for those LOB owners with lower levels of educational attainment, hence higher rates of business non-registration. High densities of Latino population clusters may also provide cover for non-compliance of business registration as found in the Pacific region vis-à-vis other regions in the US. Co-ethnics may be less likely to report or insist upon business formality in the form of business registration.

Firm size matters in business registration for Latino-owned enterprises. The larger the firm by sales and number of employees, the greater the likelihood of business registration. It is difficult for larger business concerns to avoid government detection if the enterprise is relatively large. Hence, Latino-owned firms with at least \$500,000 in annual sales and/or LOBs with 10 or more employees possess high levels of business registration vis-à-vis their smaller LOB counterparts. Profitable and unprofitable LOBs are more likely to be registered business concerns in rela-

tion to LOBs that report no profits (i.e., breaking even). This may be the result of tax policies where business losses may reduce tax liabilities. Profits on the other hand may be difficult to hide from the community at-large and tax authorities. Firms with a break-even status may fall in-between the incentives and disincentives stated above.

Trade, transportation, and utilities is a large category bucket for industry activity. Nonetheless, lower levels of firm registration exist in comparison for firms in the areas of construction, education and health, finance, leisure and hospitality, natural resources and mining, and professional business services. In some cases, it may be easier to disguise firm registration in these industry segments, in other it may be some combination of other factors such as firm size. More discernment in this area awaits further investigation.

### *WOBs*

As expected, those White business owners with the highest levels of education possess firms with the highest levels of firm registration. In comparison, White business owners with a high school education or less and those with some college education are much more likely to bypass firm registration requirements. This may be the result of ambivalence or arrogance toward or just ignorance of legal requirements. This lack of registration may also be a function of smallness, where detection is unlikely. Firm registration rates are lower for WOBS in the South Atlantic and Mountain regions when compared with WOBS in the Pacific US. Perhaps enforcement mechanisms are weaker in these regions.

For WOBS, enterprise size and firm registration fit together hand and glove. Firms with few employees and low sales are less likely to be registered than their larger counterparts. Economic activities of WOBS focused on construction and other services are also less likely to be registered than WOBS engaged in trade, transportation, and utilities. Firms, particularly smaller less visible businesses, in construction and other services may be better able

to operate under the government oversight and avoid official recognition as a registered enterprise. In doing so, these firms may enjoy the benefits of informality, perhaps at the cost of business growth and opportunity.

### *Comparing LOBs and WOBs*

There are four primary variables Latino-owned business and White-owned business share regarding firm registration. These are owner education level, firm size, firm location, and firm activity. Simply put, the most highly educated business owners operate firms that are registration compliant. This is in stark contrast to business owners possessing a high school education or less. It is also clear that firm size is a demonstrable indicator of firm registration. Whether measured by sales and/or number of employees, larger firms are nearly all registered whereas the registration rates of smaller firms lag behind. The compliance of firm registration clearly aligns with the highest educated business owners and the largest firms indicating the benefits of firm registration outweigh the costs. Firms located in the South Atlantic region are less likely to register their business than Pacific-based counterparts. Construction firms are also less likely to be registered in regard to firms in trade, transportation, and utilities. Perhaps these findings are a result of enforcement distortions or some other explanation that requires further investigation.

While the four variables above are of concern to both groups, there are a few more variables that concern just LOBs in contrast to WOBs. For example, maturity of the firm and the business owner increase firm registration among LOBs. Age and experience in this regard increase firm registration rates. On the other hand, parental self-employment decreases firm registration rates among LOBs. This finding is contradictory to the experience (maturity) of firms, perhaps indicating a moderating consideration familial entrepreneurship may play in the firm registration decision. Further insights as to where parental self-employment occurred (US or elsewhere) may provide a more complete answer for future researchers.



Because of the higher incidence and recency of immigration among LOBs, acculturation plays a larger role in firm registration. In the case of LOBs, the greater the acculturation of Latino business owners results in lower levels of firm registration. This finding highlights the lawfulness of immigrant business owners vis-à-vis their co-ethnic, but native-born counterparts. Lastly, firm performance and economic activity in connection with firm registration needs further assessment for LOBs. Here there are more questions than answers.

### Conclusion

Business registration or licensure is a lawful base requirement of businesses operating in the US. Firm registration indicates official compliance equating participation in the formal economy. Enterprises that forgo registration exposes an avoidance of compliance, an indicator or proxy for informal economy participation. Hence, this research set out, in part, to explore the scope of in/formality through firm registration utilizing a 2020 nationally representative sample of 7,645 US employer enterprises. A primary contribution of this article is the provision, for the first time, of a baseline for firm registration and in/formality for White-owned businesses (WOBs) and Latino-owned businesses (LOBs). Importantly, these two business groups—WOBs and LOBs—comprise the largest business owner and the fastest growing business owner segments in the US, respectively.

As far as the numbers for scope, approximately 80% or more of employer LOBs and employer WOBs are registered recognizing the strong institutional and regulatory framework present in the US. Yet nearly one-fifth of employer businesses decide not to register indicating a substantial subset of informal enterprises present in the US economy. So even in one of the most developed economies of the world with very strong institutions, informality is stubbornly persistent among employer enterprises.

Fundamentally, LOBs have a significantly higher rate of firm registration than WOBs. This result is due, in part, to the larger

proportion of foreign-born Latino business owners who are more likely to operate registered firms than their White native-born and White foreign-born counterparts. This finding may be revelatory especially within the backdrop of anti-Latino sentiment regardless of Latino birth origin (Richardson & Pisani, 2017). This last point deserves further attention and consideration as it collides with more populist rhetoric especially prominent during the Trump Administration (2017-2021). The rhetoric demonized “the other” based on bigotry and racism (Richardson & Pisani, 2017). As a matter of fact, this article illustrates empirically that informality (or extra-legality) is present with WOBs and at higher rates than minority-owned LOBs in comparison. This finding de-mystifies informality as inherently the sole domain of minority-owned businesses or immigrant business owners; rather, informality is present across the business spectrum, even more so in White-owned businesses.

A second major contribution of this research is the uncovering of the links or determinants associated with firm registration among employer WOBs and LOBs. These links are generalizable among WOBs and LOBs for the first time because of the nationally representative nature of the 7,645 sampled and studied firms. These links (determinants) find that firm registration and graduate education are tightly associated. At the personal level, Latino and White business owners with graduate degrees operate enterprises with very high levels of firm registration (roughly a 90% registration rate). Firm size and firm registration are also closely connected. About 90% of Latino and White businesses with annual sales above \$500,000 are registered. And Latino and White business with ten or more employees are registered at a rate just above 90%. Across the board in multivariate analyses, these variables of business owner education and business size are highly significant determinants of firm registration.

The present research offers public policy implications. If public officials and policymakers seek to decrease informality and increase regulatory compliance in the economy through firm registration, then enforcement resources to ensure business li-

censure may be better applied to less visible business actors in the public square. The targeting of smaller firms, regardless of race or ethnicity, may yield the greatest results toward increased firm registration. Additionally, information efforts concerning business registration should be targeted to reach high school educated entrepreneurs who have yet to register and formalize their businesses. Lastly, resources spent focused on immigrant entrepreneurs to ensure business registration may be resources wasted and misaligned with business registration reality.

The findings also offer managerial implications for employer WOBs and LOBs. Foremost among the determinants is that firm size (measured by sales and number of employees) and business registration go hand in hand. For growing unregistered firms, detection in the public square may be more likely and legally problematic; for such enterprises, firm registration would head off compliance challenges in this regard.

Future research may build upon the entrepreneur and business characteristics of WOBs and LOBs chartered here. For example, peering inside the firm as to its business networks and relationships (i.e., social network analysis), organizational design and behavior, and complementarity (e.g., conceptual frameworks) may provide fruitful pathways to extend the study of in/formality. Also, a focus on business non-registration as a structural endemic feature or residual of the US economy may be insightful. Future research may add a qualitative ethnographic approach as to why firms register, and why other firms do not register. This may uncover deeper motivations such as startup ignorance, insignificant sales and presence, embedded cultural practices, immigration status, unlawful activities, or willful avoidance of government supervision and taxation. Longitudinal studies may track the decision to register over time to uncover benefits and costs to the registration decision. Additional research may add other racial and/or ethnic groups for comparative study.

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## Redes interorganizacionales e interpersonales: el flujo de información estratégica entre empresas competidoras

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### RESUMEN

Las conexiones entre empresas denominadas *board interlock* permiten obtener recursos y crear relaciones. Esta práctica, sea intencionada o no, genera conexiones que involucran el núcleo estratégico de la empresa. Así, existe un canal para el flujo de información estratégica, incluso entre competidores. Estudios previos han identificado la creación de estas conexiones, pero sin explorar a nivel de los individuos. Mediante un análisis de redes sociales (n=2184), se presentan resultados que contribuyen a identificar diferentes contextos nacionales (Estados Unidos y Alemania), donde las redes interpersonales tienen estructuras similares, aunque las redes interorganizacionales son estructuralmente diferentes. Este hallazgo es fundamental para mapear el control acerca del flujo de información estratégica. Finalmente, se identifica un nuevo papel de intermediaciones en triadas a partir del análisis contextual de la figura del bróker en una relación de board interlock.

**Palabras clave:** *board interlock*, redes sociales, redes interorganizacionales, triadas, bróker

**Interorganizational and interpersonal networks:  
the flow of strategic information between competing companies**

## ■ ABSTRACT

The connections between companies called board interlock allow to obtain resources and create relationships. This practice, whether intentional or not, generates connections that involve the strategic core of the company. Thus, there is a channel for the flow of strategic information, even between competitors. Previous studies have identified the creation of these connections, but without exploring them at the level of individuals. Through an analysis of social networks (n=2184), results have been presented that help to identify different national contexts (the United States and Germany), where interpersonal networks have similar structures, although inter-organizational networks are structurally different. This finding is essential to map the control over the flow of strategic information. Finally, a new role of intermediation in triads is identified from the contextual analysis of the figure of the broker in a board interlock relationship.

**Keywords:** board interlock, social networks, interorganizational networks, triads, broker

## Introducción

La supervivencia en el escenario global ha obligado a las empresas a mejorar sus relaciones interorganizacionales. Así, una visión racional y económica abordan las necesidades de obtener recursos que presentan escasez de proveedores o incluso de los propios productos (Brass et al., 2004; Withers et al., 2012). En este contexto se presenta el fenómeno *board interlock*, que consiste en la presencia de un mismo director o consejero compartido por más de una empresa al mismo tiempo (Mizruchi, 1996), lo que contribuye al mantenimiento de una relación estrecha entre las empresas (Ding et al., 2021; Hernandez et al., 2015).

Suponiendo que este fenómeno se produzca de manera intencional y no aleatoria, se considera que la decisión de realizar un *board interlock* es una decisión estratégica. Sin embargo, las relaciones indirectas “con los competidores” pueden incurrir en pérdidas o riesgos para la empresa focal (Huijzer & Heemskerk, 2021). El estudio de Hernandez et al. (2015) analizó la relación indirecta entre empresas competidoras en el contexto del mercado



alemán, estudio que se basó en las relaciones indirectas a través de *board interlock*. Otro estudio presentó que la cantidad de las relaciones indirectas determinan la filtración de información y afectan negativamente la capacidad de innovación de la empresa (Cox Pahnke et al., 2015). Los recursos también son determinados por el tipo de red, afectando el conocimiento adquirido y el nivel de innovación de la organización (Belso-Martínez et al., 2020). Otros trabajos han planteado la relación de las redes interorganizacionales y todo el ecosistema (Shipilov & Gawer, 2020).

En este contexto, Hernandez et al. (2015) identificaron tres mecanismos adaptados por la empresa para mitigar el impacto de la filtración de información estratégica. Primero, las empresas evitarían realizar *interlocks* con empresas que ya tiene relación con sus competidores; segundo, las empresas disolverían el *interlock* en el momento en que la otra parte se vincule de alguna manera a un competidor; y tercero, la forma de mitigar el riesgo de filtración de informaciones está relacionada con el hecho de que la empresa focal busca establecer una red de *interlocks* más densa, permitiendo que la propia red monitoree la filtración de informaciones.

Así, el hecho de que la empresa esté insertada en una red de relaciones puede representar el acceso a diferentes recursos y al mismo tiempo un riesgo para el control de la información estratégica que se transfiere principalmente en las reuniones de directores (Vadasi et al., 2019). A esto se le suma la imposibilidad de controlar la red de relaciones en su conjunto. El resultado es un escenario difuso, en el que la empresa necesita gestionar el acceso a los recursos críticos mientras se defiende de los riesgos de filtración de información estratégica discutida por el directorio.

Como se destacó anteriormente, la relación indirecta entre empresas competidoras ya ha sido identificada por investigadores (Hernandez et al., 2015). Sin embargo, existen limitados estudios que profundicen el debate a nivel individual (Valeeva, 2020). Es decir, un estudio que se enfoque en identificar cómo los ejecutivos están interconectados para crear un potencial canal de filtración de información estratégica. Por lo tanto, la pregunta es ¿cuál es el papel de esta red de individuos en una red de *board interlock*?

El presente artículo propone describir la configuración de la red de individuos formada a partir de *board interlock*, identificando posibles conexiones de empresas competidoras y, también, las diferencias estructurales entre estas redes para Alemania y Estados Unidos. Por lo tanto, el objetivo de la investigación es identificar el papel de las relaciones interpersonales en las redes empresariales formadas a partir de un *board interlock*.

Para fines de este estudio, se optó por analizar las relaciones de *board interlock* entre empresas de capital abierto cotizadas en las bolsas de valores de Alemania y de Estados Unidos, identificando la relación entre los competidores y verificando diferencias estructurales entre individuos. La elección de estos mercados se debe al tamaño de sus economías y la competitividad global de sus empresas, y la importancia de la gestión de la información estratégica. Además, en el caso de Alemania, la red de *board interlock* ya viene siendo investigada (Hernandez et al., 2015), pero a nivel de actores de la empresa, a diferencia del presente estudio que propone analizar a nivel de actores individuales.

Con el fin de apoyar los objetivos propuestos anteriormente, el artículo se estructura de la siguiente manera: revisión de la literatura, presentación de métodos para recolectar y analizar los datos, presentación de los resultados de la red de empresas en estudio, presentación de los resultados de la red de individuos, discusión de los resultados y conclusión.

## Revisión de la literatura

### Board interlock

El *Board of Directors* o Junta Directiva de Administración tiene dos funciones principales en las organizaciones: (a) monitorear y asesorar al director ejecutivo, con base en los principios de la teoría de la agencia, y (b) proporcionar enlaces para la organización con el entorno externo, con base en la teoría de la dependencia de recursos (Verwaal, 2003; Withers et al., 2012). Este artículo se basa en esta segunda función, la de proporcionar links con el entorno externo a través de una red de empresas interconectadas

por *board interlock*. Por lo tanto, el *board interlock* representa un vínculo existente entre empresas a través de la presencia del mismo ejecutivo en más de una empresa al mismo tiempo. Este reparto de directores entre empresas es algo que ocurre comúnmente, formando vínculos estrechos entre distintas organizaciones (Granovetter, 2007; Mizruchi, 1996; Wu et al., 2021).

El debate entre *board interlock* se origina cuando se crea el Comité Pujo en el Congreso de los Estados Unidos para investigar el supuesto control del mercado financiero por parte de un selecto grupo de individuos (Mizruchi, 1996). Posteriormente, lejos de la idea que originó el debate, se puede constatar el fenómeno con cierta naturalidad y con fines legítimos. En lo que respecta al campo teórico, el debate sobre *board interlock* presenta diversos enfoques, por ejemplo, el social. A diferencia de la economía clásica, numerosos investigadores estudian los impactos de las relaciones sociales en las transacciones económicas, identificando la importancia del capital social originado por los vínculos entre los actores.

En este contexto, la actividad económica conlleva relaciones sociales en el mundo empresarial, siendo irracional pensar en ejecutivos aislados del contexto social existente en su entorno (Granovetter, 2007). Dado que esta relación social existente entre individuos está relacionada con la economía empresarial, podemos concluir que mantener relaciones con otras organizaciones a través del *board interlock* puede contribuir a crear y mantener los beneficios de la empresa.

En cuanto a la motivación para desarrollar *board interlock*, Mizruchi (1996) sugiere que se origina por el interés de las organizaciones. Entre sus propuestas, se destaca la posibilidad de cooptar recursos de interés para la firma. Un ejemplo es si una empresa se vincula con una institución financiera para obtener créditos y optimizar su situación financiera. Esta dependencia de los recursos es una de las posibles explicaciones para la existencia de relaciones interorganizacionales a través de *board interlock*.

Bajo la teoría de la dependencia de recursos, en el *board interlock* los vínculos que se forman entre las empresas se originan de

actos intencionados (es decir, con el objetivo de construir relaciones) dirigidos al acceso de recursos valiosos de otras organizaciones que los poseen. Esta afirmación es apoyada por Verwaal (2003) quien dirige la práctica de compartir consejos con el propósito de obtener recursos críticos para la organización.

Asimismo, un estudio comparativo entre los casos de *board interlock* en Holanda y Bélgica encuentra una relación positiva de *interlock* y la rentabilidad de las empresas en ambos países (Meeusen & Cuyvers, 1985; Mizruchi, 1996). Sin embargo, la práctica de *board interlock* pone en riesgo la información estratégica de las empresas, en especial a través de las relaciones indirectas existentes. En este escenario sería posible la filtración de información estratégica. Este sesgo negativo fue estudiado por Hernandez et al. (2015) en una investigación en las 100 mayores empresas alemanas en el periodo de 1990 a 2003. Este estudio apunta a soluciones alternativas cuando las relaciones directas colocan a la empresa focal en situaciones de riesgo, en especial cuando su relación de *board interlock* la relaciona indirectamente con la competencia.

Hoy en día, identificar los riesgos a los que está expuesta la empresa implica comprender la estructura de la red existente a través de las relaciones interorganizacionales que desarrollan las distintas empresas que operan en el mercado. Raab y Kenis (2009) introducen los conceptos de *network in itself* y *network for itself*, los cuales representan redes y se diferencian por la aleatoriedad de su origen. En el caso de *network for itself*, la red existe para un propósito, se crea intencionalmente y tiene una identidad; mientras que en el caso de *network in itself*, la red se estructura de manera casual, sin tener una identificación específica.

El fenómeno de *board interlock* se asocia con esto último, porque, aunque puede haber un acto intencional de realizar el *board interlock*, las relaciones indirectas y la estructura de la red en su conjunto provienen de actos fortuitos y en la que no hay formada una identidad de la red, aunque esto no representa un obstáculo para el análisis de la red.

## **Análisis de las redes sociales**

Si bien este estudio aborda el efecto de la red de individuos en un contexto de relaciones interorganizacionales, no hay manera de desvincularse del enfoque de las redes sociales (Lai & Fu, 2021). En el presente estudio se realizará este análisis a través de dos redes distintas. La primera está formada por empresas (actores) e individuos (vínculos), y la segunda, por individuos (actores) y vínculos (empresas). Además, los indicadores de estudios de redes de individuos son empleados en los estudios interorganizacionales, respetando sus limitaciones (Todeva, 2006). En este sentido, el enfoque estructural de la teoría de redes permite el análisis de los actores presentes en una red y los beneficios derivados de su posición estructural (Burt et al., 2013; Williams, 2005). Los investigadores han desarrollado indicadores para analizar las diferentes posiciones estructurales de un actor en una red. Entre los principales indicadores destacan para este presente artículo la centralidad geodésica, la centralidad de intermediaciones, el coeficiente de agrupación y el número de triángulo.

La centralidad geodésica estima cuán central es un actor en su red, a través de la suma de sus vínculos ponderados por sus respectivas centralidades. La centralidad de intermediación apunta a identificar en qué medida se ubica un actor como intermediario en las relaciones entre actores que no se están relacionados (Bailestrin et al., 2010; Farina et al., 2021). Esta centralidad de intermediación también se refiere a una indicación sobre los agujeros estructurales, en caso que los brókeres (actor intermediario) se beneficie de su posición principalmente por el poder de arbitraje de informaciones (Burt et al. 2013). El coeficiente de agrupamiento global es un indicador acerca del número de triángulos formados a partir de las relaciones existentes entre los actores o nodos.

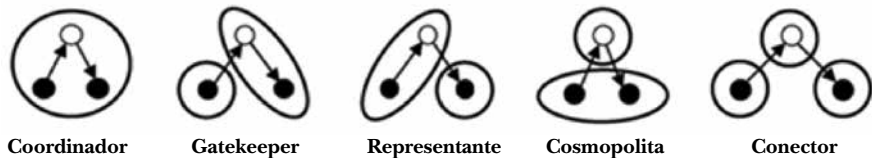
En cuanto a estas tríadas, un triángulo se puede definir como la conexión entre tres nodos que pueden estar conectadas entre sí, formando un triángulo cerrado, o tres nodos conectados a través de solo dos, formando así un triángulo abierto (Opsahl & Panzarasa, 2009). De esta manera, el coeficiente generado a partir del cálculo de agrupamiento da como resultado la probabi-

lidad de existencia de un lazo en la red (Newman, 2003; Opsahl & Panzarasa, 2009) y potenciales efectos en la eficiencia y eficacia en la conformación de estos nodos centrales por los flujos de información y conocimiento de las redes (Pacheco, 2018). Luego, la cantidad de triángulos en los que se ubica una empresa en particular puede demostrar una mayor tendencia a agruparse dentro de la red. Esta inferencia se demora por el coeficiente de agrupamiento local, una vez que el número de triángulos refuerza la idea de densidad de la red.

Aún en el caso de las tríadas, Gould y Fernández (1989) identificaron el papel de terceros en la transferencia y desarrollo del conocimiento entre actores. Posteriormente, Kirkels y Duysters (2010) estudiaron las redes de pequeñas y medianas empresas en Holanda, e hicieron uso de estos trabajos. Los cinco roles o funciones enumerados por los autores son: (a) coordinador (actúa para mejorar la interacción entre los miembros a los que pertenecen), (b) *gatekeeper* (actúa para absorber el conocimiento de un grupo y transferir este conocimiento al grupo al que pertenece), (c) representante (actúa en la difusión del conocimiento de su grupo a otro grupo), (d) cosmopolita (actúa como *outsider* en la medición entre miembros de un mismo grupo), y (e) conector (actúa como *outsider* en la conexión y mejora la interacción entre diferentes grupos). La figura 1 ilustra los roles enumerados:

Figura 1

*Roles de intermediaciones en tríadas*



Fuente: Traducido de Kirkels y Duysters (2010).

En general, los indicadores derivados del análisis de redes sociales se basan en los estudios de las redes empresariales. Gulati y

Madhavan (2011) critican los supuestos de este enfoque estructural. Entre las críticas está el hecho de que el análisis de las redes sociales ignora los atributos de los actores y se centran en las relaciones (Gulati & Madhavan, 2011; Todeva, 2006). Según Gulati y Madhavan (2011), la simple posición de un actor dado en una red no explica cómo actores con la misma posición obtienen diferentes beneficios. Dicha diferencia estaría relacionada con los aspectos de la red, y principalmente en cómo los diferentes actores aportan al actor focal; es decir, las características del actor focal y las características en relación a él son fundamentales.

Si bien esta crítica existe cuando se trata de las limitaciones del enfoque estructural, se entiende que, para propósito de esta investigación, el uso de estos indicadores es adecuado. Esto con el fin de estudiar aspectos estructurales de las redes y sin generar conflicto con la literatura mencionada. En el contexto del análisis de redes, los investigadores mencionan indicadores estructurales para analizar las redes de *board interlock*, como es el caso reciente de Aranha et al. (2016), quienes utilizaron indicadores con la centralidad geodésica y de intermediación para verificar la correlación del capital social con el desempeño organizacional. En este caso, los autores operacionalizaron el capital social tomando en cuenta la posición estructural y las relaciones del actor de la red. Por lo tanto, el carácter exploratorio y descriptivo del presente estudio está avalado por la literatura contemporánea.

## Método

Este estudio tiene como objetivo describir la configuración de la red de individuos formada a partir de *board interlock*, identificando posibles conexiones con empresas competidoras y diferencias estructurales entre estas redes en el contexto nacional. Las evidencias empíricas utilizadas se centran en las 30 mayores empresas de capital abierto de Alemania y de los Estados Unidos en el mes de abril de 2016. En ese año, el crecimiento económico fue cercano al promedio para Alemania (1.9%) y bajo 0.5% al

promedio para Estados Unidos (1.6%), considerando los últimos 10 años según cifras del Banco Mundial, pero sin efectos globales como recesión, pandemia o conflictos bélicos. La elección de estos mercados se debió a la representatividad económica en Norteamérica y Europa, respectivamente, además de las razones enumeradas en la introducción.

Para comparar los diferentes contextos, se hizo necesario seleccionar los mercados con diferencias relevantes para el estudio. En este escenario, según el *Hofstede Index* (2016), existen diferencias culturales entre los países, teniendo Estados Unidos una cultura más individualista y de mayor orientación al corto plazo, mientras que Alemania tiene características más colectivas y está más orientada al largo plazo.

En cuanto a la selección de empresas de capital abierto, se utilizaron los índices Dow Jones y DAX, que están compuestos por la mayoría de las empresas de capital abierto de sus respectivos países. A partir de la identificación de las mayores empresas, se realizaron búsquedas para identificar la composición de sus directivas para aplicar la idea de *board interlock* en conformidad con las propuestas de Hernández et al. (2015). En definitiva, la relación entre empresas nace del cruce de directorios, es decir, un individuo ocupa una posición en más de una directiva al mismo tiempo. Sin embargo, se amplió este cruce incorporando también la posibilidad de compartir y relacionar ejecutivo-directorio y ejecutivo-ejecutivo.

La recogida de datos se realizó a través de las informaciones disponibles en el portal de *The Wall Street Journal* y de forma complementaria se realizaron consultas en el portal de las empresas. Cabe señalar que la clasificación sectorial también se extrajo del *The Wall Street Journal*. Después de la recolección de datos, se encontraron 1,196 observaciones en la red norteamericana y 1,093 observaciones en la red alemana, que representan respectivamente 1,151 y 1,033 individuos. Estos últimos números representan el total de directores y ejecutivos mapeados en el estudio.



Para el estudio de la red de empresas (actores) e individuos (vínculos) se consideró una escala binaria, asignando 1 para la existencia de *interlock* y 0 para la no existencia. Es decir, si hay individuos presentes simultáneamente entre dos o más empresas existe un vínculo entre ellas. Para efectos de calcular el número de *interlocks* de cada empresa, se asigna un peso al número de *interlocks* cuando se ha identificado más de un *interlock* en la misma relación interorganizacional.

Antes de proceder con la comparación entre grupos, era necesario excluir a los miembros que no se relacionaban con el grupo de empresas, entendiéndose aquellos actores que estaban aislados (no relacionados) con la red principal. En este caso, se excluyeron siete empresas norteamericanas y dos empresas alemanas, lo que resultó en una población de veintitrés empresas norteamericanas y veintiocho empresas alemanas.

La comparación entre grupos se realizó mediante la aplicación de la Prueba T. Como elementos de comparación para la prueba estadística se seleccionaron indicadores de centralidad: (a) *degree*, (b) centralidad geodésica y (c) centralidad de intermediación. Paralelamente, en las pruebas estadísticas también se consideraron comparaciones con respecto al coeficiente de agrupamiento global de la red y su densidad. Además, para permitir la identificación de relaciones indirectas entre competidores, se presumió que la competencia ocurre entre las empresas que operan en el mismo sector según la clasificación sectorial obtenida de la base de datos del *The Wall Street Journal*.

## Presentación de los resultados de la red de empresas

### Diferencias estructurales entre redes intraorganizacionales de *board interlock*

Las redes expuestas en este estudio mostraron características diferentes en cuanto a los indicadores de red y las características de los actores. En términos de la red, la red alemana presentó un coeficiente de agrupamiento ( $C=0.366$ ) superior al caso norteamericano ( $C=0.245$ ). Asimismo, la red alemana presentó una

mayor densidad (20.4%) en comparación con la norteamericana (18.4%). El análisis del conjunto de estos indicadores muestra que la empresa alemana tiene más probabilidad de agruparse formando una red más densa, es decir, los actores de la red alemana están más cerca y más agrupados en comparación con la red estadounidense. Teniendo en cuenta este objetivo, por medio del *software* SPSS v23 se realizó la prueba T con el fin de verificar la existencia de la diferencia estadística significativa entre las redes estudiadas. La Tabla 1 presenta las estadísticas descriptivas:

Tabla 1

*Análisis descriptivo de los indicadores estructurales de Alemania y Estados Unidos*

Indicadores	País	N	M	SD
Grado (número de interlock)	EUA	23	4.00	1.732
	ALE	28	5.50	2.809
Centralidad geodésica	EUA	23	0.336	0.242
	ALE	28	0.501	0.270
Centralidad de intermediación	EUA	23	0.074	0.061
	ALE	28	0.050	0.056

Las diferencias de media se identifican en los tres indicadores. Hay una diferencia significativa en las medias en el número de *interlocks* ( $t=-2.336$ ,  $p<0.05$ ) y en la centralidad geodésica ( $t=-2.283$ ,  $p<0.5$ ). No hubo significación estadística en la centralidad de la intermediación ( $t=1.485$ ,  $p>0.05$ ). Se concluyó, por tanto, que existen diferencias estructurales entre los actores presentes en la red alemana frente a la red norteamericana. Los resultados se muestran en la Tabla 2.

Tabla 2

*Resultados de la Prueba T entre empresas alemanas y estadounidenses*

Indicadores	<i>t</i>	Sig. (2-tailed)	Mean Diff.	SE Diff.	95% CI	
					LL	UL
Grado	-2.336	0.024	-1.500	0.642	-2.792	-0.208
Centralidad geodésica	-2.283	0.027	-0.166	0.073	-0.311	-0.019
Centralidad de intermediación	1.485	0.144	0.025	0.016	-0.008	0.057

*Nota.* SE = standard error; CI = confidence interval; LL = lower level; UL = upper level.

Basándonos en los resultados, es posible afirmar que las empresas alemanas realizan un mayor número de *interlock* en comparación con las empresas norteamericanas, además de estar conectadas de tal manera que la centralidad de la red se distribuye entre un mayor número de actores. También, las empresas alemanas forman grupos más cohesionados, de mayor densidad, mediante la formación de triángulos cerrados.

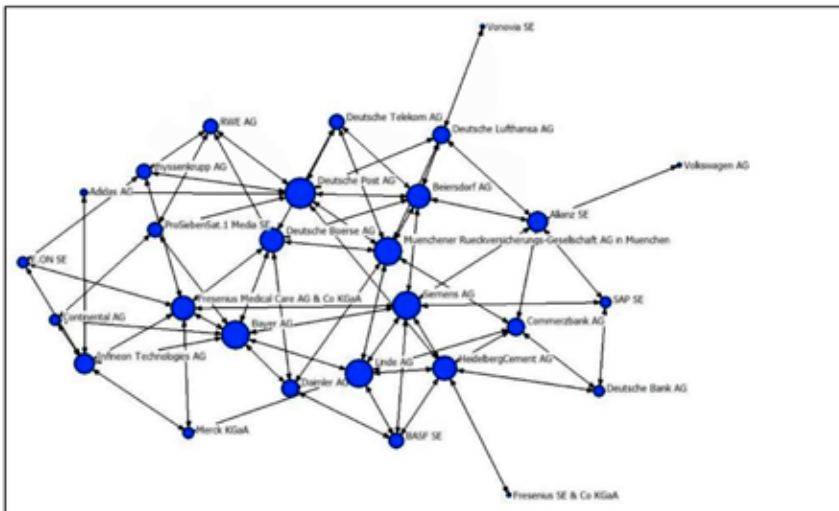
La diferencia estructural de los actores se nota al analizar los indicadores estructurales de cada actor. En el caso alemán, las empresas con mayor centralidad geodésica son, respectivamente, Linde AG (1.0), Bayer AG (0.88), Heidelberg Cement AG (0.87), Biersdorf AG (0.86) y Deutsche Post AG (0.82). En el caso norteamericano, las empresas con mayor centralidad geodésica son, respectivamente, Boeing (1.0), Caterpillar (0.87), American Express (0.67), IBM (0.47) y 3M (0.46). A partir de los resultados presentados se realiza un análisis descriptivo, identificando evidencias de relaciones indirectas con competidores. Después de este paso, se discutirán los resultados para la posterior finalización del estudio.

## Relaciones interorganizacionales indirectas con empresas competidoras

Existe una diferencia en la forma cómo se estructuran las redes de *board interlock* en Alemania y Estados Unidos como muestran los resultados estadísticos. Sin embargo, queda por verificar si incluso en diferentes configuraciones existen relaciones indirectas con los competidores. Como se presenta en el método, la clasificación sectorial sirvió como parámetro para identificar la existencia de competidores en la misma red. De esta forma, fue posible categorizar las empresas por sectores de actividad y posteriormente compararlas con sus pares. Con la ayuda del *software* Unicet (Borgatti et al., 2002) se produjeron gráficos que ayudan a comprender las redes. La Figura 2 presenta la configuración estructural de la red de empresas alemanas.

Figura 2

*Red de board interlock de las empresas alemanas*



Fuente: Elaboración de los autores.

Es posible notar un número elevado de relaciones, y consecuentemente identificar la existencia de una relación indirecta

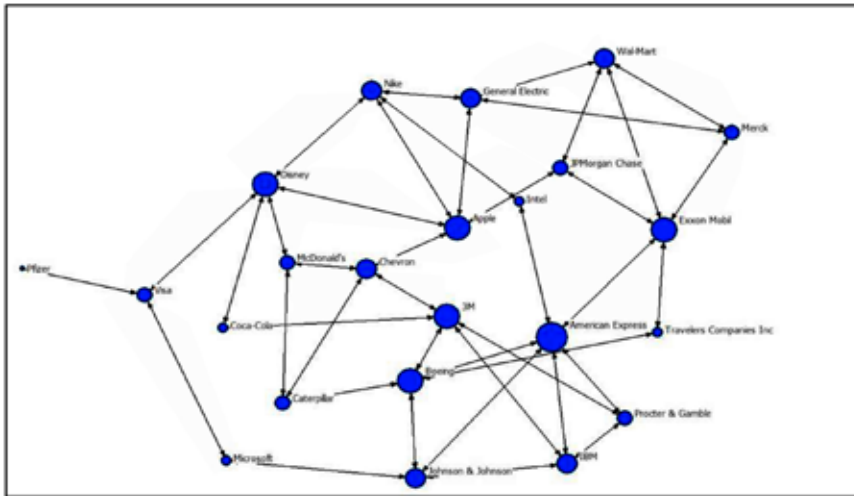
entre competidores. Entonces, queda por identificar quiénes son los actores involucrados en la configuración estructural de una relación indirecta. Al analizar las redes de *board interlock*, se identificó la ocurrencia de seis relacionamientos directos o indirectos entre los competidores: (a) en el sector automotriz, entre las empresas Volkswagen y Daimler; (b) en el sector de la medicina, entre las empresas Linde y Basf; (c) entre los *holdings* diversificados Siemens y Thyssenkrupp; (d) en el sector de la salud, entre Fresenius Medical Care AG & Co KGaA y Fresenius SE & Co KGaA; (e) entre bancos internacionales, Commerzbank AG y Deutsche Bank AG; y (f) en el sector de multiservicios entre RWE AG y E.ON SE. Destacamos las relaciones directas encontradas en la red, como la relación existente en el sector de la medicina (2) y en el sector bancario (5). Por lo tanto, se concluye que existen pruebas de un relación directa e indirecta entre los actores de la red de *board interlock* y entre las mayores empresas de capital abierto en Alemania.

En la Figura 3 se presenta la configuración estructural de las redes de empresas norteamericanas. Es posible notar un elevado número de relaciones e identificar la existencia de una relación, al menos indirecta, entre los competidores. Queda entonces por identificar quiénes son los actores involucrados en la configuración estructural que genera una relación indirecta.

Al analizar la red de *board interlock*, se identificó la ocurrencia de cuatro relaciones indirectas entre competidores: (a) en el sector de financiamiento al consumidor, entre las empresas Visa y American Express; (b) entre *holdings* diversificados, General Electric y 3M; (c) en el sector de petróleo y gas, entre Exxon Mobil y Chevron; y (d) en el sector farmacéutico, entre Johnson & Johnson, Merck y Pfizer. Por lo tanto, se concluye que existen pruebas de relacionamientos indirectos ente los actores de la red de *board interlock* y las mayores empresas de capital abierto de Estados Unidos.

Figura 3

*Red de board interlock de empresas estadounidenses*



Fuente: Elaboración de los autores.

### Presentación de los resultados de la red de individuos

Para analizar las redes interorganizacionales se calcularon los mismos indicadores utilizados, considerando solo la red de individuos. La red alemana presentó 1,033 individuos conectados a través de las empresas, mientras que la red norteamericana presentó 1,151 individuos conectados. Así, se realizó la Prueba T con el fin de verificar la existencia de diferencias estadísticamente significativas entre las redes interpersonales estudiadas. La Tabla 3 presenta las estadísticas descriptivas.

Se identifica que no existen diferencias de medias en los tres indicadores analizados, medias en el número de *interlocks* ( $t = 1.293$ ,  $p > 0.05$ ), centralidad geodésica ( $t = -1.359$ ,  $p > 0.05$ ) y centralidad de intermediación ( $t = -0.833$ ,  $p > 0.05$ ). Por lo tanto, se concluye que en la red de individuos no existen diferencias estructurales entre los actores presentes en la red alemana en comparación con la red americana. Los resultados se muestran en la Tabla 4.

Tabla 3

*Análisis descriptivo de los indicadores estructurales de la red de individuos*

Indicadores	País	N	M	SD
Grado (número de interlock)	EUA	1151	45.117	17.543
	ALE	1033	44.029	21.339
Centralidad geodésica	EUA	1151	0.007	0.028
	ALE	1033	0.009	0.029
Centralidad de intermediación	EUA	1151	776.034	4511.790
	ALE	1033	961.850	5886.684

Tabla 4

*Resultados del Test T entre individuos de empresas alemanas y estadounidenses*

Indicadores	<i>t</i>	Sig. (2-tailed)	Mean Diff.	SE Diff.	95% CI	
					LL	UL
Grado	1.293	0.196	1.088	0.842	-0.562	2.739
Centralidad geodésica	-1.359	0.174	-0.002	0.001	-0.004	0.001
Centralidad de intermediación	-0.833	0.405	-185.816	223.186	-623.496	251.864

*Nota.* SE = standard error; CI = confidence interval; LL = lower level; UL = upper level.

## Discusión de resultados

Inicialmente, en lo que respecta a las redes interorganizacionales, esta investigación presentó resultados en los que fue posible identificar diferencias estructurales entre las redes alemanas

y norteamericanas. Además, el análisis cualitativo de los atributos de los actores permitió identificar relaciones directas o indirectas en ambas redes estudiadas. Así, se demuestra que las empresas alemanas de capital abierto tienen más probabilidad de agruparse a través del *board interlock* en comparación con las empresas norteamericanas. Estas conexiones exponen de manera más nítida la información de naturaleza estratégica de las organizaciones. Los resultados son una mayor exposición al riesgo en comparación con el caso estadounidense. La formación de una red más densa, con alta centralidad distribuida entre los actores, favorece la existencia de un camino más corto de relación entre dos o más competidores.

Por el contrario, una red más densa se consideró como un mecanismo de defensa contra la filtración de información (Hernandez et al., 2015) en las redes de *board interlock*. En este sentido, al mismo tiempo en que se crean diferentes vías de filtración de información, se incrementan el control social por medio de las múltiples interconexiones entre los actores. Por lo tanto, la diferencia de densidad entre las redes puede significar que la red alemana ejerce un control social mayor debido a las múltiples conexiones combinadas con la necesidad de mantener la reputación entre los actores.

Al analizar el vínculo entre competidores, se identificó una relación indirecta entre ellos en un sector en que ocurre el flujo de información y la eventual filtración de información estratégica. Esto puede ser crítico para el éxito y supervivencia de las empresas, destacando los sectores automotriz, farmacéutico, y de petróleo y gas. En este escenario—en el que la información puede afectar drásticamente el futuro de las empresas—si bien las relaciones existentes son entre organizaciones, todavía hay detrás de ellas individuos que crean y mantienen relaciones sociales. Es decir, los vínculos se forman por relaciones sociales entre directores y ejecutivos. Cabe mencionar que este es el concepto central de los estudios de Granovetter (2007), en el que se identifica una influencia de las relaciones sociales en los temas económicos.



Bajo este paradigma, se presentó el primer aporte teórico encontrado en los resultados de la investigación. Los resultados revelan que, si bien pueden existir diferencias estructurales que distinguen a las redes interorganizacionales en términos de exposición al riesgo, la densidad de las redes interpersonales y la falta de distinción estructural entre ellas demuestran que el riesgo es el mismo o los caminos son tantos que la gestión a nivel organizacional puede ser irrelevante si no tiene la misma gestión a nivel interpersonal.

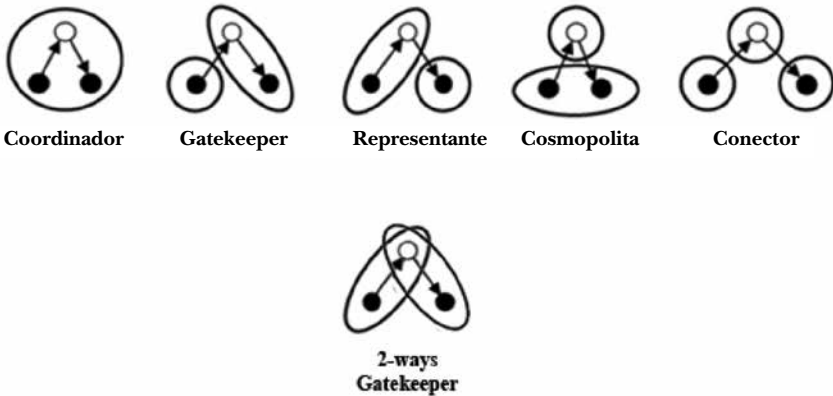
En este panorama de relaciones entre directores y ejecutivos, las ventajas que brindan posición estructural de los actores se pueden considerar a partir del análisis de las redes sociales. Este análisis hace referencia al segundo aporte teórico identificado en la investigación de Burt et al. (2013) sobre la función de *brokerage*, que se encuentra en una posición ventajosa principalmente por la posibilidad de arbitraje de información. En el caso de la red norteamericana, al analizar la relación indirecta entre Exxon Mobil y Chevron, se identifica un individuo como bróker de la relación. Este individuo es el que resulta del *board interlock* entre Apple y JP Morgan. En este caso, un único individuo puede compartir información estratégica de la competencia, lo que puede ocurrir en reuniones de directores o incluso en interacciones dentro o fuera de las empresas.

El ejemplo citado introduce el papel de *brokerage*. Gould y Fernández (1989) señalan cinco roles distintos de *brokerage*. Tales roles explican las relaciones de la tríada. Cuando visualizamos la red de individuos, la situación encontrada en el caso de *board interlock* se diferencia de las circunstancias presentadas por el desempeño de diferentes roles del bróker. Los autores presentaron los posibles roles de *brokerage*, teniendo en cuenta que el intermediario podría estar dentro de un grupo u otro. Sin embargo, no se sabe nada acerca de estar en ambos grupos al mismo tiempo. El escenario encontrado al analizar las redes de *board interlock* en esta investigación se basan en la idea de que un mismo individuo pertenece a dos o más empresas, es decir, pertenece a dos o más grupos al mismo tiempo. La Figura 4 agrega una nueva circunstancia en la

que el intermediario puede ejercer la función de representante en la función de *gatekeeper*, pero sin desvincularse de sus grupos.

Figura 4

*Roles desempeñados por el bróker*



Fuente: Elaborado por los autores.

La función o circunstancia agregada a la posición inicial, *2-ways gatekeeper*, representa el papel del individuo que absorbe el conocimiento de los grupos en los que se inserta y arbitra la transferencia de este conocimiento a uno u otro. Esta función se diferencia de las demás ya que el individuo está vinculado a ambos grupos al mismo tiempo y decide sobre la difusión de los conocimientos adquiridos. En el caso del *board interlock*, el consejo de directorio o ejecutivo puede brindar acceso a información estratégica de otra organización, actuando al mismo tiempo como representante en relación a la empresa emisora y como *gatekeeper* en relación a la empresa receptora. En el caso estudiado, el individuo puede ser responsable por el acceso a recursos escasos y, al mismo tiempo, por la filtración de información estratégica.

En este contexto, el individuo puede desempeñar roles que pongan en riesgo la información empresarial. Ya se conocen los mecanismos adoptados por las empresas para mitigar el riesgo de filtración de informaciones a la competencia (Hernández et al.,

2015). Se sabe que la relación de la empresa focal con sus directores y ejecutivos puede regirse por el mecanismo contractual y relacional. Cabe señalar, entonces, que las explicaciones obtenidas hasta el momento se refieren a la relación entre empresas e individuos. Queda por ver cómo ocurre la relación entre individuos y cómo esta puede afectar a las organizaciones en los que se insertan.

Los resultados demuestran que el núcleo de la discusión sobre el control acerca de la filtración de información debe ocurrir a nivel individual. La elección de un individuo podría representar tanto la creación de un vínculo para la cooperación entre empresas como un vínculo para la filtración de informaciones estratégicas, y sus conexiones preexistentes deben ser mapeadas previamente, así como sus conexiones futuras deben ser monitoreadas.

### Conclusiones

Este estudio tuvo como objetivo identificar el papel de las relaciones interpersonales en las redes empresariales formadas a partir de *board interlock*. Para lograr este objetivo, se utilizó un enfoque cuantitativo y cualitativo. Al mapear la red de *board interlock* existente entre las mayores empresas de capital abierto de Alemania y de los Estados Unidos fue posible realizar la comparación entre los diferentes contextos nacionales y mapear la evidencia de una relación indirecta entre competidores. De esta manera fue viable identificar evidencias de relacionamiento indirecto entre competidores en las redes con diferentes características estructurales.

El presente estudio mostró como resultado la identificación de diferentes configuraciones estructurales entre las redes de *board interlock* existentes, entre las mayores empresas dentro de sus respectivos países. Además, se identificaron evidencias sobre relaciones indirectas entre competidores en diferentes sectores y contextos nacionales. Se asumió que, si bien las relaciones directas pueden generar ventajas estratégicas para la empresa focal, el relacionamiento indirecto entre competidores la exponen al riesgo de filtración de información estratégica.

A partir de la discusión de los resultados, se articularon los aportes teóricos. En primer lugar, se identificó que la red interpersonal ejerce un mayor impacto en la formación de canales y en la exposición al riesgo de la información estratégicas al analizar las redes de *board interlock*. En segundo lugar, los individuos en *interlock* con otras empresas poseen una función específica que complementa los roles de intermediarios propuestos e identificados por la literatura.

Aún cuando se logró el objetivo de la investigación, se destaca la existencia de limitaciones en el presente estudio. En primer lugar, la muestra de las redes interorganizacionales no es representativa en el mercado norteamericano o alemán, lo que imposibilita hacer cualquier generalización sobre las características estructurales de las redes de *board interlock*. En segundo lugar, también debido al bajo número de empresas estudiadas, el poder para detectar las relaciones indirectas se vio afectado. En tercer lugar, de acuerdo con las críticas existentes en la literatura sobre indicadores estructurales, el presente estudio no fue capaz de analizar con profundidad el rol de cada actor dentro de sus redes, dejando para estudios futuros este análisis. En este sentido, se sugiere que estudios futuros busquen comprender la red a nivel de individuo, es decir, qué funciones son desempeñadas por los diferentes actores de la red y, además, si la posición estructural de los individuos en la red resulta en ganancias para ellos mismos (ej. compensación) o para sus organizaciones (ej. innovaciones).

A pesar de las limitaciones, el estudio tiene implicaciones teóricas y de gestión. La implicación teórica consiste en dirigir la discusión sobre la filtración de informaciones estratégicas al nivel del individuo y complementar la literatura actual. El presente trabajo identificó una situación que complementa los estudios previos sobre los posibles roles de intermediación en relación de tríadas. Se identificó la circunstancia en la que un mismo individuo puede actuar como *gatekeeper* o representante para ambos grupos a los que pertenecen, incluso si dichos grupos no están vinculados. En los casos estudiados, esta circunstancia se refiere al director o ejecutivo presente en las dos empresas

distintas (diferentes grupos), en relación con otros directores o ejecutivos.

En términos de gestión, se demostró la importancia de describir la red de *board interlock* existente entre las empresas a partir del mapeo y monitoreo de las conexiones interpersonales. En términos prácticos, para el proceso de selección de directores o ejecutivos, las relaciones pueden representar el acceso a información estratégica directa (filtración de información) o indirecta (a través del ejercicio de los conocimientos adquiridos). La segunda implicación gerencial también se refiere al mapeo de las redes de *board interlock* para identificar los riesgos potenciales de filtración de información estratégicas de la empresa focal.

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## Factors impacting volunteers' organizational commitment in a Puerto Rican non-profit organization: a psychological contract perspective

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### ■ ABSTRACT

There is an interest from scholars and practitioners in understanding how non-profit organizations (NPOs) can design and implement practices to enhance desirable volunteer attitudes and behaviors (Alfes et al., 2017). One important attitude is volunteers' organizational commitment (OC). This research aims to identify factors that diminish volunteers' OC and suggest effective ways to deal with them, which lead to NPOs performance improvement. This is achieved through a single case study in a Puerto Rican non-profit organization, which consists of in-depth interviews and self-administered questionnaires on psychological contract violation. Five categories of factors that negatively affect volunteers' OC were identified and analyzed: organizational structure, communication, recognition, strategic planning, and conflict management. General actions were provided to help NPOs deal with similar issues.

**Keywords:** psychological contract violation, conflict management, organizational structure, strategic planning, recognition

### **Factores que afectan el compromiso organizacional de voluntarios en una organización sin fines de lucro en Puerto Rico: una perspectiva de contrato psicológico**

### ■ RESUMEN

Existe un interés por parte de académicos y profesionales en comprender cómo las organizaciones sin fines de lucro (OSFL) pueden diseñar e implementar prácticas para mejorar los comportamientos deseables en los voluntarios (Alfes

et al., 2017). Una cualidad en los voluntarios es el compromiso organizacional (CO). Esta investigación tiene como objetivo identificar los factores que disminuyen el CO de los voluntarios y sugiere formas efectivas de lidiar con ellos, lo que lleva a la mejora del desempeño de las OSFL. Esto se logra a través de un estudio de caso en una organización sin fines de lucro puertorriqueña, que consiste en entrevistas a profundidad y cuestionarios autoadministrados sobre la violación del contrato psicológico. Se identificaron y analizaron cinco categorías de factores que inciden negativamente en el CO de los voluntarios: estructura organizacional, comunicación, reconocimiento, planificación estratégica y manejo de conflictos. Por último, se proporcionaron acciones generales para ayudar a las OSFL a lidiar con problemas similares.

**Palabras clave:** violación del contrato psicológico, manejo de conflictos, estructura organizacional, planificación estratégica, reconocimiento

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## Introduction

Non-profit organizations (NPOs) represent a significant societal actor—along with the Government and for-profit organizations—in the development of the socio-economic scenario due to the contribution they provide to alleviate social problems (Zollo et al., 2019). Since Human Resource Management (HRM) plays an increasingly significant role in enhancing the effectiveness of NPOs (Ridder et al., 2012; Tsai & Lin, 2014), there is an interest from scholars and practitioners in understanding how non-profit organizations can design and implement human resources (HR) practices to enhance desirable volunteer attitudes and behaviors (Alfes et al., 2017). Finding ways to ensure positive workplace outcomes, such as employee commitment and performance, is especially critical for the overall functioning of non-profit organizations (Brimhall, 2018). Due to the demand required by diverse stakeholders to improve performance, it is necessary to understand how to raise NPO volunteer employees' commitment toward the organization and understand the factors that may undermine that commitment from the perspective of psychological contract theory.

This work aims to identify factors that diminish volunteers' OC and suggest general effective ways to deal with them, which lead to NPOs performance improvement. This article is organized in four parts. First, it shares the theoretical framework with the literature review of the psychological contract, organizational commitment, and volunteers; second, it presents the data and methods. Third, the finding of the case study is presented, followed by the general suggested actions for NPOs. Finally, future research and concluding remarks are included.

### **Theoretical Framework: Psychological Contract and Organizational Commitment**

Individuals are increasingly turning to work to find meaningfulness in their lives (Kim et al., 2018). This trend deserves a further understanding of the psychological aspects of contractual labor relations. Psychological contract theory (PCT) is a conceptual perspective applied to explain employees' workplace attitudes and behavior (Quiñones-González, 2016). According to Kappelides et al. (2019), PCT focuses on the social exchange relationship between volunteers and organizations and has demonstrated the potential to better understand the factors influencing volunteer connections to their organization. McDermott et al. (2013) stated that the content of psychological contracts impacts many employment outcomes, in conjunction with the degree to which they are fulfilled, including organizational commitment (OC) (Quiñones-González, 2016; Zhao et al., 2007). Psychological contract theory has only recently been applied to the study of volunteers (Kappelides et al., 2019; Stirling et al., 2011). There is a scarcity of research dealing with factors that cause perceived psychological contract breach or violation on NPOs volunteer employees, affecting their OC. Only a handful of papers with related yet not identical variables have been identified in the literature (i.e., Tsai & Lin, 2014). The main concern of literature regarding PC is given to employees' reactions to different organizational changes. Hence, further understanding of the factors

that undermine NPOs volunteers' commitment to the organization is needed. Accordingly, this study found five main categories of factors that diminish volunteers' OC: organizational structure, communication, recognition, strategic planning, and conflict management, which are supported by literature and application of psychological contract theory.

Rousseau (1989) defined a psychological contract as "an individual belief, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization" (p. 9). This belief arises from the perception that a promise has been made, such as employment or career opportunities, and consideration offered in exchange for it, such as accepting a position or previous other job offers (Rousseau & Tijoriwala, 1998). Psychological contracts exist on an individual level (idiosyncratic), are based solely upon an employee's perceptions (Morrison & Robinson, 1997), and begin to form very early in the employee-employer relationship (Baker, 1985; Kappelides et al., 2019).

The application of psychological contract theory to volunteers and NPOs is feasible and even necessary since, as explained by Vantiborgh et al., "while volunteers do not expect financial gains and volunteer organizations lack the incentives available to for-profit organizations, volunteers do expect certain inducements in return for their effort, implying an exchange relationship between both parties" (2011, p. 642). A contract breach (PCB) is the perception of a discrepancy between what was promised and what was experienced, while a contract violation (PCV) is the intense affective experience that frequently follows that perception and describes the affective and emotional experience of disappointment, frustration, anger, and resentment that could result from the employee's perception of contract breach and the perceived reasons for that breach (Morrison & Robinson, 1997). Employees perceive a violation of psychological contract when the organization changes to adapt to environmental challenges or due to internal factors. When employees perceive that their PC has been altered, they may experience a breach or a violation of that contract. This occurs in paid and non-paid employees.

I introduce a construct that might represent a better fit for describing volunteers' PC. PC is viewed either as transactional or relational (Rousseau, 1989, 1995). Transactional terms are exemplified by a fair day's work for a fair day's pay, focusing on short-term monetizable exchanges. Relational contracts focus on open-ended relationships involving considerable investments by both employees (company-specific skills, long-term career development) and employers (extensive training), with a long-term, highly subjective, and dynamic nature of the relationship between both parties. Based on observation and experience working with and studying volunteer service, there are elements of the transactional contract since their service contract establishes the participants' length of service and wage.

On the other hand, identifying with the organization's cause, mission, and vision is fertile soil for developing a relational contract. Many volunteer motivations fit the relational contract concept because they are linked to social identity and emotions such as group belonging and doing something worthwhile (Stirling et al., 2011). A new perspective to study this convergence of volunteers' contract nature is introduced here as transcendental contract. Although it is beyond the scope of this study, this construct deserves further research and understanding.

Bang et al. (2013) stated that committed and enthusiastic volunteers are valuable to non-profit organizations, but perceived breach of their psychological contract decreases the organizational commitment (OC). OC refers to a psychological link between an employee and the organization that makes it less likely that the employee will voluntarily leave the organization (Allen & Meyer, 1996). OC comprises three factors: the desire to remain an employee, the willingness to exert effort on behalf of the organization, and the acceptance of the organization's values (Allen & Meyer, 1990), and is tied to the concept of psychological contract (Rousseau, 1989). Meyer and Allen (1997) further stated that OC reflects three broad themes: an affective orientation to the organization (affective commitment), a recognition of costs associated with leaving the organization (continuance commitment),

and a moral obligation to remain with the organization (normative commitment). Each is influenced by different factors, including PCB and PCV. The recent literature on psychological contract has attempted to apply the theoretical framework to non-profit organizations and volunteer employees (Stirling et al., 2011; Tsai & Lin, 2014; Vantilborgh, 2015; Vantilborgh et al., 2011). Other researchers combine some variables with organizational commitment (i.e., McDermott et al., 2013, mention opportunity, information, support, resources, and empowerment). Others share new perspectives of how to address the concept of psychological contract in a way that best fits the work and nature of volunteers (i.e., Nichols, 2013). This knowledge brings NPOs a better understanding of the relevance of maintaining high levels of OC among their workforce, either paid or volunteer.

### **Volunteers and Organizational Commitment: the Case of “Rescue, Inc.”**

Volunteers are an enormous resource for non-profit organizations operating in different fields, such as health, education, community services, churches, and sports (Almas et al., 2020). This study refers to volunteers funded by federal agencies as stipend-paid volunteers or stipend volunteers.

The analyzed NPO, identified hereafter as Rescue, Inc., provides services to children, youth, and families of surrounding municipalities, specifically, youth at risk, prisoners’ families, and prevention aids, such as tutoring. Its mission is “to encourage, develop, and create quality of life for convicts, ex-convicts, addicts and their families, relatives, and the community in general.” One of its main objectives is to facilitate their productive integration into their family and community through socialization skills development, coordination of vocational training or academic preparation, and job placement.

AmeriCorps, a Corporation for National and Community Service program, focuses on addressing communities’ educational, environmental, public safety, and disaster relief needs, among

other services (Brennan & Upshaw, 2012). Rescue, Inc. holds a 501(c)(3) tax-exempt status, qualifies for USA federal funds, and is sponsored by AmeriCorps. This tax-exempt status impacts NPOs in two contrasting ways. First, they make federal funds accessible for qualified organizations, and second, their strict requirements may constrain the freedom of service providers linked to organizations' missions. The cost of being granted federal funds is the limitation of volunteers' time and talents and their availability to fulfill urgent community needs as they arise. This represents a dilemma for NPOs' service impact.

Rescue, Inc. lacks specialized personnel to implement good HR practices and to perform administrative works, direct service, volunteer's management, and compliance with local, state, and federal law requirements. It needs a strategic vision and resources to overcome its financial hardship. Those challenges represent a learning opportunity for the organization's leaders to improve its efficiency and performance.

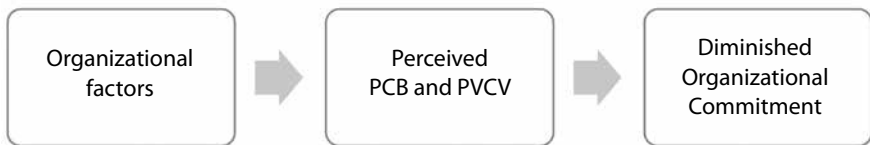
### **Data and Methods**

A mixed-method of quantitative and qualitative data collection was utilized. A single case study design was selected to analyze the factors that affect volunteers' organizational commitment in an NPO in western Puerto Rico, which faced challenges in administering the services and managing the volunteers. Relevant documents were also read to understand the organizational structure and operational policies. With some demographic questions, the self-administered questionnaire measured volunteers' OC and their perception of psychological contract breach (PCB) and violation (PCV). After IRB approval, in-depth interviews with narrative questions were conducted with six participants of Rescue, Inc. after IRB approval. The sample was small, as the total amount of administrative employees and direct-service volunteers in the NPO is very small. Sample selection in a qualitative study looks for a better approximation and understanding of a specific reality, not on causal and generalizable explanations since it is based on

intentional, not probabilistic criteria. Participants were chosen by availability, and the organization provided their email addresses. The researcher contacted them personally. After consenting to participate, they were provided with the interviews' contact information and locations address. Each received the informed consent form and the questionnaire, which included socio-demographic questions. In-person interviews were conducted in April 2016. Each interview lasted forty-five minutes to one and a half hours, in a private setting outside the workplace and after working hours. This method helped gather insight into factors that cause perceived PCB or PCV and diminish OC. Figure 1 summarizes the connection between organizational factors, perceived PCB and PCV, and their impact on OC, according to the analyzed responses of participants.

Figure 1

*Conceptual Model of Factors Impacting Volunteers' OC at Rescue, Inc.*



Source: Elaborated by the autor.

SPSS 20 software was used for the basic descriptive analysis and bivariable analysis to examine the correlation between OC, PCB, and PCV. Instruments were previously authorized by their authors: PCB, Robinson and Morrison's (2000) 5-item instrument; PCV, Robinson and Morrison's (2000) 4-item instrument; and OC, Meyer et al. (1993) 18-item scale (revised version). All used a 7-point Likert scale. NVivo 12 software was used for the comprehensive qualitative analysis of the collected data. It allowed finding, recognizing, and categorizing common topics and recurring patterns more effectively (Braun & Clarke, 2006). Answers were cross-validated by analyzing organization factors, recent events, and internal documents about its mission,



vision, services, and stakeholders. No statistical generalization was drawn based on such a small sample.

Participants represented board members, top management, and stipend volunteers. Four were female. Ages ranged from 21 years old to 61 years old or older. Three respondents have a bachelor's degree, and the others have at least an associate's degree. All stipend volunteers were working in the organization between one and two-year appointments.

Table 1 depicts the means of the variables that facilitate understanding organizational commitment and psychological contract theory applied to this case study.

Table 1

*Means of Analyzed Variables*

Variable	N	Mean	SD
Organizational commitment	6	5.42	0.67
Psychological contract breach	5	2.49	1.39
Psychological contract violation	6	1.25	0.32

Respondents' OC is high in all three components, implying that they agree or strongly agree with the questionnaire's premises. The highest value is on the affective commitment, with a mean of 6.17, followed by normative commitment, with a mean of 5.47. The type of temporary appointment, which is associated with a transactional psychological contract and factors such as problems in communication, ill-management of conflict, and centralized power, might explain a slightly less commitment in the continuance component (mean = 4.59).

As shown in Table 2, there are low levels of perceived psychological contract breach (PCB) and perceived psychological contract violation (PCV); PCB is slightly higher than PCV. Using Spearman for statistical dependences between two variables, there are negative correlation coefficients between perceived PCB (-0.800) or PCV (-0.638) and OC. No statistical generalization

was drawn from such a small sample, but the results are similar to other research that demonstrate this inverse correlation (i.e., Conway et al., 2011; Quiñones-González, 2016; Quratulain et al., 2018; Robinson & Morrison, 1995; Rodwell et al., 2015).

Table 2

*Spearman Correlation Coefficients Between Variables of the Quantitative Measurement Instrument*

	Psychological Contract Breach	Psychological Contract Violation
Organizational Commitment	-0.800	-0.638

*Note.* Significant levels: \**p-value* < 0.05, two-tailed. \*\**p-value* < 0.01, two-tailed. N.S. = No statistical significance.

The statistical analysis of Table 3 shows a direct relationship ( $\rho = .894$ ) between PCB and PCV, which is a significant correlation at the 0.05 level (2-tailed.) and is consistent with other research. However, these quantitative results are not statistically generalizable. In-depth interviews led to a distinct interpretation of the reality experienced by the respondents, which reveals other factors that diminish their OC.

Table 3

*Positive Correlation Between PCB and PCV*

		PCB Mean	PCV Mean
Spearman's rho	PCB Mean	1.000	.894*
	Correlation Coefficient		.041
	Sig. (2-tailed)		
	N	5	5
	PCV Mean	.894*	1.000
	Correlation Coefficient	.041	
	Sig. (2-tailed)		
	N	5	6

*Note.* \* Correlation is significant at the 0.05 level (2-tailed).

## Findings

Rescue, Inc. has a noble mission and has positively impacted many members of the communities they serve. On the bright side of the organization, as perceived by the interviewees, they provide a pleasant and comfortable working place; “It’s a healthy environment... People paid attention to whatever need one could have/ we could have” (Interview 1); “The trust granted in me is very meaningful” (Interview 4). Everyone treats others with respect and fellowship. Some describe as “a very friendly environment, just like a family” (Interview 2). Shared values are core elements for this NPO. Schein defines values as “individual’s own assumptions about what is right or wrong, what will work or not work” (2004, p. 28). Helmig et al. (2015) cited a variety of management research concerning the relevance of values as a prerequisite for the survival of organizations. As a faith-based organization, Rescue, Inc. puts its values into action when interacting with every person, and they are a strong invisible essence of the organization. People feel welcome and glad to be part of them. In general, employees feel identified with the organizational mission and are aware of their contribution to society through their varied services. Their answers reveal a well-accepted, positive, and friendly organizational climate, a much-appreciated factor that stimulates volunteers’ organizational commitment.

NVivo 12 was used to codify, classify, and organize the data to find the common words that describe the organization and the relevant issues according to respondents. Figure 2 presents the results of a word frequency query. It displays the relevance assigned to the organization, commitment, volunteers, service, resources, situations, supervision, community, and environment, among other words.

Figure 2

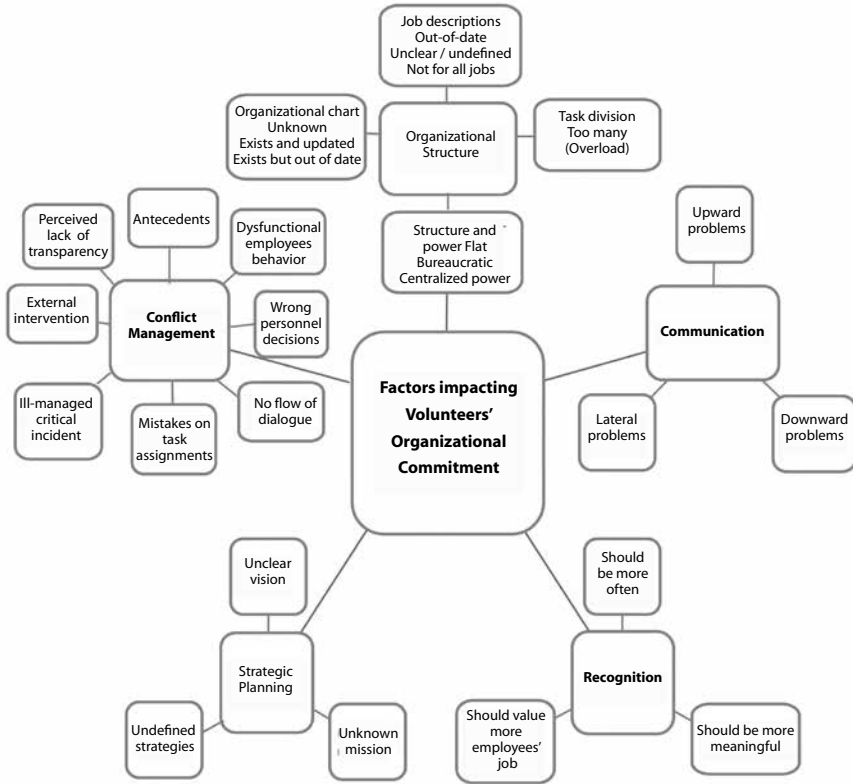
*Word Frequency Query in the Interviews*

Source: Elaborated by the author based of NVivo 12 software (2021).

The most frequent words were codified by NVivo 12 and analyzed by the author. Data were categorized to identify factors that negatively impact stipend volunteers' OC. Those factors were clustered in five main categories: organizational structure, communication, recognition, strategic planning, and conflict management. Figure 3 shows the five categories and their respective subcategories, as found in the data analysis.

Figure 3

Diagram of Found Organizational Factors Impacting Volunteers' OC



Source: Elaborated by the author (2021).

Empirical research focuses on each of the five categories of organizational factors which are identified in this study, as well as in the context of NPOs associated to OC. They are summarized in Table 4 with a brief concept description, and research found on each category in the non-profit context, also related to OC.

Table 4

*Summary of Categories of Factors Impacting Volunteers' OC*

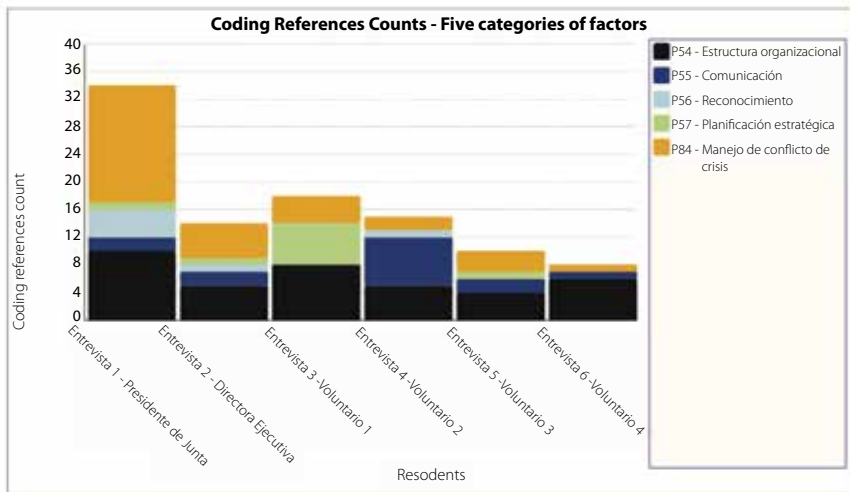
Analyzed category	Category description	Research on each category in NPOs	Research on each category and OC
Organizational Structure	Formal arrangement that links the various parts of an organization to one another and establishes the decision-making hierarchy (Schermerhorn, 2012).	Klüver, 2012; Wong, 2012, in Muñoz-Marquez, 2016	Peng et al., 2020
Communication	The transference and the understanding of meaning (Robbins & Judge, 2011).	Bennett & Barkensjo, 2005, in Studer & von Schnurbein, 2013; Boezeman & Ellemers, 2008, in Studer & von Schnurbein, 2013	Mac & Shirley, 2015; McAllum, 2018
Recognition	Personal attention expressing interest, approval, and appreciation for a job well done (Robbins, 2003).	Gerstein et al., 2004; Hurst et al., 2017; Walk et al., 2019	Brudney, 2016; Miller-Stevens & Ward, 2019
Strategic Planning	The process of helping an organization maintains an effective alignment with its environment (Ebert & Griffin, 2015). The formulation, implementation, and evaluations of cross-functional decisions that enable achieve organizational objectives (David, 2013).	Hu et al., 2014; León et al. 2020; Miller, 2018	Averin, 2020 Cronley & Kim, 2014; Sana & Tarcza, 2016
Conflict Management	The use of resolution and stimulation techniques to achieve the desired level of conflict (Robbins, 2003).	Rimes et al., 2017	Gallicano, 2013; Rohrlack, 2019

Source: Elaborated by the author (updated 2021).

Participants' responses reveal five categories of factors that diminish organizational commitment in Rescue, Inc. Figures 4 and 5 show the factors emphasized by the six responders. Figure 4 presents the coding references counts of the five categories.

Figure 4

*Coding References Counts of Five Categories of Factors That Diminish Volunteers' OC*

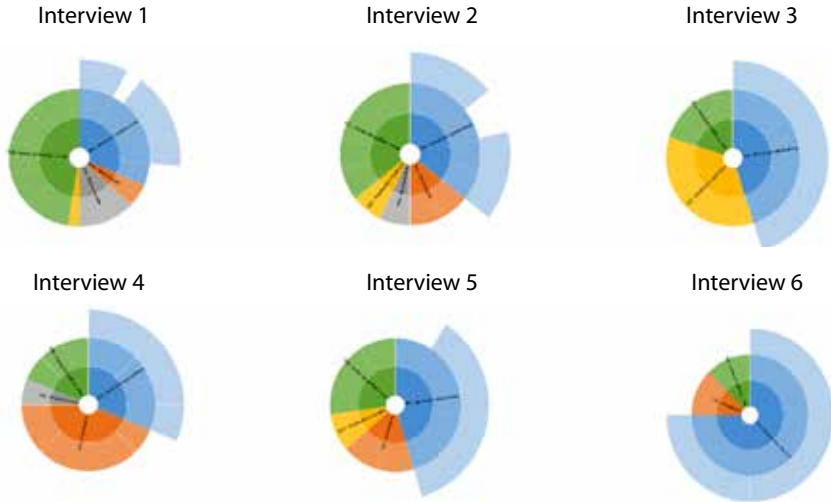


Source: Elaborated by the author based of NVivo 12 software (2021).

Figure 5 is a color-coded pie chart that shows the individual emphasis given to each category of factors. Interestingly, all respondents shared more comments on the issue of organizational structure, revealing a significant factor that diminishes their commitment toward the organization, followed by the way the organization manages conflict. Five out of six emphasized communication problems as a factor that reduces their commitment. Four mentioned the strategic planning, which includes their knowledge or lack of knowledge of the organization's mission, vision, and strategies. Recognition was mentioned by three of the six respondents.

Figure 5

*Pie Chart of Five Categories of Factors Affecting OC by Respondent*



*Note.* Blue = Organizational structure; Green = Conflict management; Orange = Communication; Yellow = Strategic planning; Grey = Recognition. Source: Elaborated by the author based of NVivo 12 software (2021).

### ***Organizational Structure***

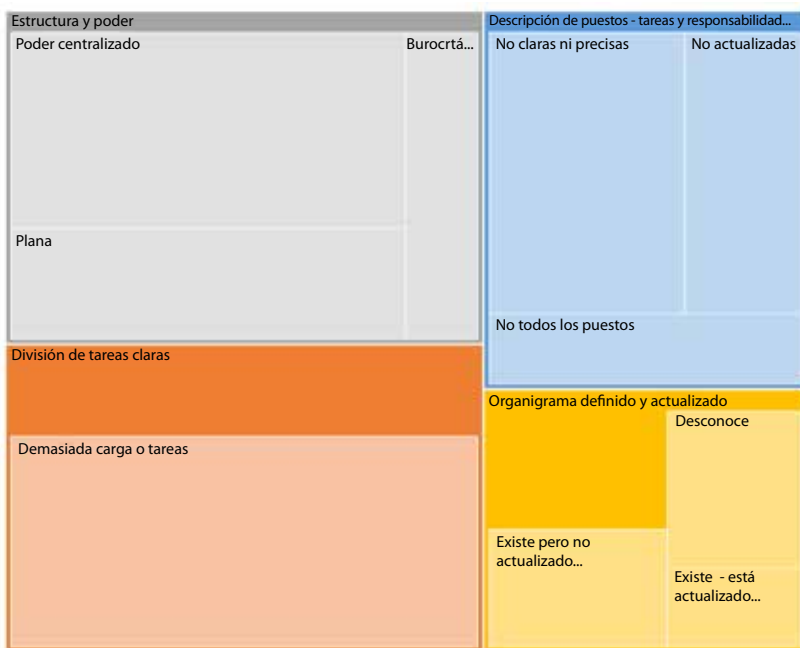
The organizational structure is an important issue among respondents. Organizational structure refers to a formal arrangement that links the various parts of an organization to one another (Schermerhorn, 2012) and establishes the decision-making hierarchy. The visual image in Figure 6 shows the subcategories of organizational structure and its relevance for the respondents, based on the sizes of the squares. Those links are depicted in an organizational chart that encompasses division of work (specialization), supervisory relationships, span of control, communication channels, and managerial levels. The relevance of organizational structure has been an object of study in the NPO sector (Muñoz-Marquez, 2016; Peng et al., 2020). As proposed by Peng et al. (2020), centralized decision-making authority at higher levels of an organization can thwart the efforts of a top-level transformational leader to instill a sense of work impact in employees. It



will also hinder the efforts of a top-level transformational leader to foster employees' affective commitment. The organizational structure category conveys the following subcategories, according to answers and confirmed by NVivo 12: job descriptions (which were unclear, unprecise, and out-of-date); task division (which was unclear or not adequately defined); structure and power (which was the most relevant issue in this category due to the centralized power in decision making); and organizational chart (which was either unknown or out-of-date).

Figure 6

*Hierarchical Chart of Codes' Distribution of Organizational Structure Subcategories*



Source: Elaborated by the author based of NVivo 12 software (2021).

When asked how they describe the organizational structure, responses were consistent with the official documents, which describe the organizational chart as flat, with a few hierarchical lev-

els. Concerning the decision-making, all respondents indicated that the organization is bureaucratic, with centralized decision-making power. As studies reveal (i.e., Studer & Von Schnurbein, 2013), bureaucracy negatively influences commitment and affects volunteers' intention to remain. On this aspect, responses include: "It is not working properly and, basically, all the decision-making is centralized on one person" (Interview 3); "It is flat. The power is centralized in one or two persons... it is bureaucratic" (Interview 6); "I understand that the power is centralized" (Interview 4); and "I must admit that it is somewhat bureaucratic, in terms of centralization of power" (Interview 1).

Community-based organizations and other NPOs operate in alliances with their internal and external stakeholders to respond and serve assertively. Centralized power and bureaucratic structures hinder their effectiveness. A significant cause of discomfort was that the decision-making power is centralized in one person, who is already overloaded with too many tasks, roles, and responsibilities.

Control narrative questions were asked to connect participants' responses. All except the newcomers are aware about the existence of the organizational chart, and almost all agreed that it needs to be revised and updated. Respondents received a job description when hired and have some understanding of their duties. Regarding the employee manual, responses were unclear and inconsistent, which signaled that the organization does not have a complete employee manual. Stipend volunteers consider that their 'employee manual' is the standards and tasks specified in the agency grant documents. Internal documents reveal a broader set of responsibilities for those positions with written descriptions. After analyzing official documents and top management responses, the organization seems not to have a complete employee manual.

Despite the vivid debate between the advocates and retractors of the design and implementation of organizational structure in NPOs, it is a necessary tool in organizations. Considering the basic definition of organization as groups of two or more people

who share common goals and meet at regular times (Vandever & Menefee, 2010), NPOs also have group norms and some degree of structure to help them function and reach their goals; not only on public policy and advocacy (Muñoz-Marquez, 2016), but also in the pursue of their service provision. As discussed, some organizational structures and decision-making styles diminish employees' OC. NPOs need some degree of structure to help them serve their communities agilely.

### ***Communication***

Communication is the transference and the understanding of meaning (Robbins & Judge, 2011). This process of sending and receiving messages is inherent to all living organisms. Formal communication within organizations includes communication with superiors (upward), subordinates (downward), peers (lateral), and with clients, suppliers, government representatives, community members, and other external stakeholders. This study focused on internal communication. Research on how communication strategies affect volunteers (Studer & Schnurbein, 2013) provide evidence that they enable volunteers to be optimally matched with the organization. Moreover, as Mac & Shirley (2015) stated, customer orientation and internal communication are the key explanations of how commitment can be achieved.

The three subcategories associated with the factor communication are problems with upward communication, downward communication, and lateral communication. The organization's most remarkable issue is downward communication since the centralization in decision-making causes performance problems.

Upward communication is filtered and presented in a highly concise way that it misses crucial details that the Board or others in the top management should know. This lack of detail may cause uninformed decision-making, accompanied by undesirable consequences. Additionally, the work overload of people in authority "makes difficult for employees to access them when looking for help or clarification of instructions, and that causes frustration and demotivation" (Interview 5). Downward communication is

described as unclear by some of the respondents. Communication gaps cause unclear orders that employees misunderstand. As expressed by one participant: “Young recruited volunteers need clearer, more specific, and formal directives. We all need more precise instructions in terms of the expectations, and an explanation of why they perhaps ask us to do things apparently beyond our job description... but I understand it will contribute to the desired outcomes of the project” (Interview 4). Another issue mentioned by a respondent is how top manager sometimes approaches employees “it must be the way that they talk to us. The director is a little bit hectic and sometimes tactless. We already have a lot of work and if we perceive such treatment, and if they talk to us like that, it lowers our morale” (Interview 5).

Regarding lateral communication, respondents did not show many issues with coworkers, apart from the ‘critical incident’ explained in the conflict management section. Since this study focused on organizational factors that impact volunteers’ commitment, it did not address issues related to external communication. As stated, communication barriers are another source of discouragement and reduction of organizational commitment.

### ***Recognition***

Whether intrinsic or extrinsic, compensation is inherent in volunteerism (Gerstein et al., 2004). Recognition is a well-known extrinsic compensation and a powerful way to motivate people. Robbins (2003) defines employee recognition programs as personal attention expressing interest, approval, and appreciation for a well-done job. Monetary incentive is not motivating for stipend volunteers’ OC due to their low pay. They expect other factors such as recognition for their contribution.

A Volunteer Management Capacity Study (cited in Eisner et al. 2009) presents the five main reasons volunteers are not returning. These are not matching volunteers’ skills with assignments, failing to recognize volunteers’ contributions, not measuring the value of volunteers, failing to train and invest in volunteers and staff, and failing to provide strong leadership. Eisner et al. (2009)

stated that non-profits need to recognize volunteers through an organizational culture that values them and through specific appreciation ceremonies and events. The latter, encouraged by the funding agency, is a practice of the organization, but the organizational culture that should value volunteers needs to be strengthened. Some related answers given by respondents are:

1. Not matching volunteers' skills with assignments: "One factor that affects my commitment is that when the organization assigns tasks to me that are not aligned with my original job description, or beyond my knowledge... or to do a task that is not consistent with my profession or, to my understanding, is not the type of world I should do" (Interview 3).
2. Failing to recognize volunteers' contributions, specifically through the organizational culture: "We have the Ameri-Corps week... I thought it was a special week for people that have worked there, but it wasn't, or maybe the special events they gave were not a recognition. Instead, it was more work. That may discourage people rather than motivating them" (Interview 4). "What I've heard is that who used to work here didn't feel appreciated. They left hurt; they were not considered for other job openings... Their professional knowledge and preparation was undervalued" (Interview 1).
3. Failing to provide strong leadership: "I would like a person that is firmer, that challenges me and tells me 'you can do this'" (Interview 5). "I think that the supervision should improve, there should be more people on supervising positions" (Interview 1).

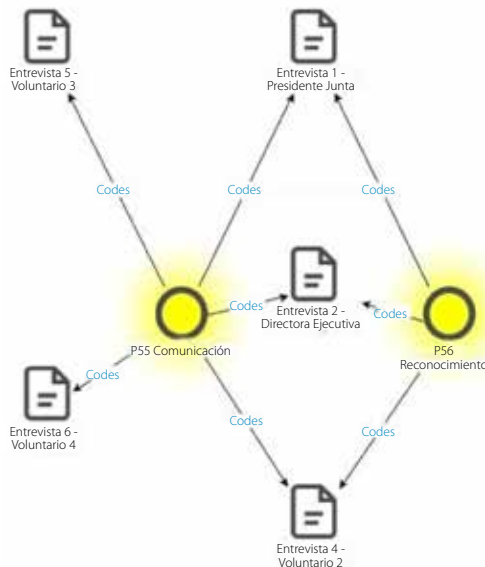
The issue of inadequate recognition was interpreted as a factor that diminishes their OC. Responses imply that recognition should be more meaningful and frequent for volunteers. Stipend volunteers' effort and work should be more appreciated and valued. There is a desire to have more expectations to remain with

the organization if future, more stable job openings, are available. Volunteers are willing to contribute more with their academic background, experience, and talents, if they are allowed to do so. While an unexpected change of task assignments beyond those specified when volunteers were hired is a factor that reduces their OC and adversely affects their psychological contract.

Recognition in Rescue, Inc. has some opportunities for improvement. Additionally, lack of effective communication was linked to recognition issues, and it diminishes volunteers' commitment, as shown in Figure 7. This relationship was generated by NVivo software and showed the connection of communication and recognition issues as a negative factor, according to the responses of four out of six participants. Most comments in their answers were related to the effect of ineffective communication and lack of appropriate and more frequent recognition.

Figure 7

*Respondents' Comparison of Importance of Communication and Recognition*



Source: Elaborated by the author based of NVivo 12 software (2021).

### *Strategic Planning*

Strategic planning is the process of helping an organization maintain an effective alignment with its environment (Ebert & Griffin, 2015). It deals with formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its objectives (David, 2013). Every organization has a vision or what it wants to become. Similarly, every organization has a mission or its reason for existence. In the context of the analyzed NPO, since its very beginning, as shown in its statutes and certification of incorporation, Rescue, Inc. has a clear mission statement. However, respondents offered their incomplete version of it. All agreed that they feel identified with it. Some paraphrased it or mentioned the services offered by either the organization or the project they are working on; others talked about their target service population or the served geographical area. Three subcategories of the factor Strategic Planning were found in the comments: undefined strategies, unclear vision, and unknown mission.

As David (2013) summarized, an organization's mission statement is an enduring statement of purpose that distinguishes one business from the others and identifies the scope of operations. Given the relevance of a clear mission statement, it is interesting that the assessed NPO has not consistently encouraged their staff to learn it by heart and to internalize its meaning.

Strategies are the courses of action to achieve organizational goals. A strategic vision provides an idea of where the organization wants to be in the future. According to respondents, the organization lacks a sense of direction for the future. Comments include: "The personnel are doing the tasks they have to do ... there are things that are more strategic that we need to do, but we are not accomplishing them" (Interview 1). And "sometimes I feel that they are improvising, week by week. I think they should establish a long-term work plan. They give the impression of doing the bare minimum of the requirements for the federal agencies" (Interview 3).

Uncertainty and frustration were expressed in the interviews, caused by the lack of strategic planning, both for the organi-

zation and for the participants in a personal level, as they approach the end of their temporary appointment. Those issues and the economic and human resources shortage affect volunteers' OC.

### *Conflict Management*

Conflict management is an essential competence every person should cultivate. It encompasses the use of resolution and stimulation techniques to achieve the desired level of conflict (Robbins, 2003). If handled properly, conflict is not always bad and can sometimes lead to more creativity and better ideas (Vandever & Meneffe, 2010). An unpleasant event marked Rescue, Inc. A couple of months before the interviews took place and will be referred to as the "critical incident." All participants mentioned the incident, and all showed concern, worry, and a perception that many things went wrong in the whole process. The incident damaged the organizational climate and provoked discouragement in other coworkers through a misleading and ill-intentioned grapevine. Due to the confidentiality agreement, the details are not revealed, but participants' reactions are shared in general terms. The critical incident is twofold: first, the organization's actions are unwelcomed by the volunteers, and second, employees' misconduct that damages the organization.

Nearly all respondents agreed that the situation was mishandled, and the lack of clear and more open communication aggravated the consequences. Regarding how they would have managed the conflict, responses varied, depending on whether they referred to the organization's actions as unwelcome by the volunteers or employees' misconduct. Response referred to the former include:

The use of honest and open individual dialogue with the persons involved ... the establishment of clear line of trust between supervisors and employees. In that way, employees (volunteers) would feel more comfortable to express their



opinion or unwillingness to follow any directive that they consider to be out of their responsibility, without being perceived as insubordinate. (Interview 1)

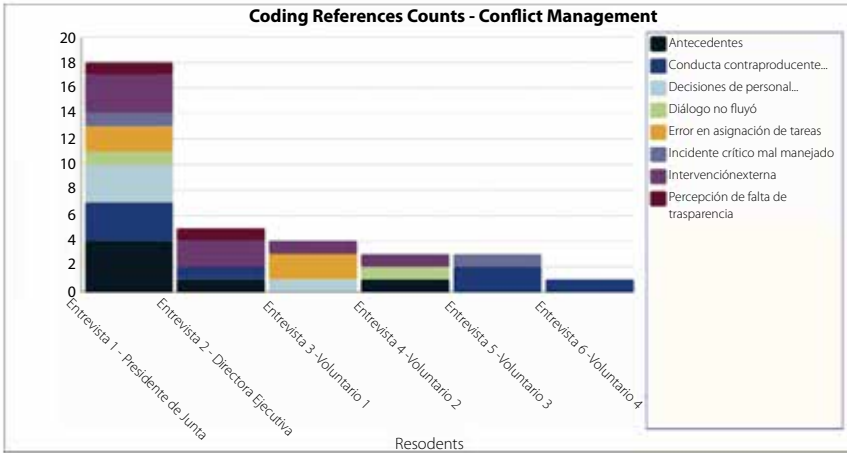
Another participant stated: "The situation was managed wrong, administratively, and it brought consequences. I would have used clearer communication, explained specific tasks deadlines, considering other factors before assigning tasks and special working days" (Interview 3). A third participant said: "I would have listened to the complaints of volunteers and taken time to explain the reasons why they were asked to do tasks out of their job description" (Interview 4).

Responses referred to employees' misconduct include: "The way the situation was managed was negative and unexpected, but I understand that it was the right way to deal with it. I would have acted with more direct supervision" (Interview 5); "Trust toward those employees was broken ... I think the organization acted in a right way. I would have handled the situation in the same way" (Interview 6). Most of the respondents emphasized the organization's actions over employees' misconduct as the leading cause of the damaged organizational climate they experienced, loaded with tension and discomfort. As noticed, inadequate conflict management affects OC.

According to responses, there are eight subcategories of the factor conflict management that were identified, which affect volunteers' commitment toward the organization. They are critical incident antecedents, employees' misconduct, personnel decisions made by management, lack of dialogue, mistakes in assigning tasks, mishandled incident, external intervention, and perception of lack of transparency. They are shown in Figure 8.

Figure 8

*Coding Counts for the Eight Subcategories of the Factor Conflict Management*



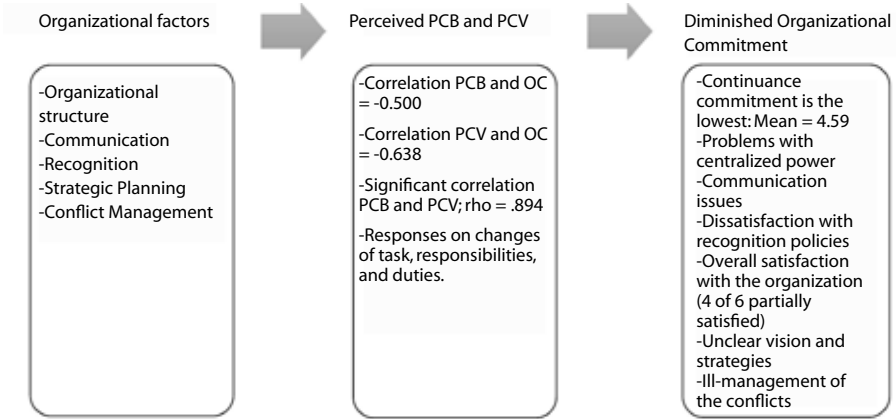
Source: Elaborated by the author based of NVivo 12 software (2021).

Analyzed data reinforced the conceptual model. Organizational factors that affect volunteer’s OC where identified; a negative correlation between PCB/PCV and OC were obtained; and continuance OC was the lowest. Responses on factors affecting participants’ OC include problems with centralized power, communication issues, dissatisfaction with recognition policies, unclear vision and strategies, ill-management of conflicts, and general dissatisfaction with the organization (4 of 6 were only partially satisfied). PCB and PCV have a positive correlation. Findings are consonant with empirical studies on the positive relation between these two variables. Based on the findings, general recommendations were provided.

As anticipated, some factors affect volunteers’ psychological contract as well as volunteers’ organizational commitment. Figure 9 confirmed the conceptual model.

Figure 9

*Relation Between Organizational Factors, PCB, PCV and OC*



Source: Elaborated by the author (2021).

### **General Suggested Actions for NPOs to Deal with Diminishing Volunteers' OC**

Organizational commitment is an essential attitude of employees and volunteers of NPOs, which positively impacts the organization. According to recent research (Li & Xie, 2020), NPO employees' organizational commitment as a kind of commitment, obligation, and responsibility to the organization can promote them to safeguard the organizational rights and interests. The organizational commitment of volunteers is affected by several factors. According to the findings of this study, those factors are organizational structure, communication, recognition, strategic planning, and conflict management. Recommendations are shared to provide insight for a more effective NPOs administration and volunteers management.

#### ***Organizational Structure***

Decentralization of decision-making power is an issue that requires immediate action by top management. In today's dynamic

and unstable world, a decentralized structure helps organizations to be more agile to adapt to the environment and stakeholders' demands. Small organizations usually have a flat structure and should have the decision-making power distributed to other people apart from top management, especially the supervisors of direct service programs. This practice allows a more agile organization, empowered to respond much better to the demands of the environment and their stakeholders.

The organizational chart should be clear, showing the authority channels, division of work, supervisory levels, and span of control, among other components. The alliance with external institutions and government agencies does not constitute an internal organizational relationship. The organization could illustrate those relationships differently than part of the organizational chart.

The structure should be chosen according to the organization's purpose and should effectively integrate all activities. If functions choose a departmentalization, it will provide an easier way to run the organization, especially if it is small. Otherwise, if the departmentalization is chosen by services provided (programs/projects), it will need more specialized managerial staff, which will duplicate efforts since it requires supervisors and support staff for each program. Their current financial situation makes such a structure unfeasible. Thus, it is not recommended a departmentalization by services.

An organizational analysis is recommended to evaluate which organizational structure is suitable for Rescue, Inc. A job analysis is also recommended to clarify job titles, duties, and responsibilities that comply with the sponsors' standards and the organization's needs. There should be uniformity in job titles in all official documents to avoid misunderstanding and confusion. It will allow updated and more precise job descriptions and job specifications.

### ***Communication***

Communication is a crucial element for organizational effectiveness. In every direction (upward, downward, and lateral), for-

mal communication should improve with intentional actions that promote trust and openness among all stakeholders. According to Almas et al. (2020), as part of the training, group meetings are helpful where leaders can play their role while introducing volunteers and explaining the organization's mission to them. Moreover, introductory and skills enhancement workshops are ideal for joining newly recruited and experienced volunteers to foster effective communication and teamwork.

When management shares information on potential or planned changes that might affect employees or their working conditions, it reduces the perceived psychological contract breach or violation because it is viewed as the organization cares for them (i.e., Quiñones-González, 2016).

### ***Recognition***

Recognition is positive reinforcement. When remuneration is limited, perceiving support from the organization in recognition, being valued, and feeling the organization cares about one's well-being becomes even more important (Stirling et al., 2011). Recognition should be awarded in more frequent intervals, meaningful, and in various forms. A combination of intrinsic and extrinsic motivation might be significant enough to encourage volunteers to be more involved with the organization.

An external consultant could assist with the implementation of recognition programs. Apart from the annual award ceremony, it is recommended to combine a gamma of recognition activities that promote greater motivation and organizational commitment. Examples include a sincere "thank you" or "thank you" note, a letter from the supervisor or the manager in appreciation for a well-done assignment, "volunteer of the month," and a combination of individual and group recognition according to the achieved goal.

### ***Strategic Planning***

Strategic planning must be a tool to guide the organization to a brighter and more stable future. It is shown in a clear mission,

and vision understood and known by all internal stakeholders. The mission should be accessible and visible. As an inspiring practice, it is recommended that all employees memorize the mission statement. If it needs to be revised, a positive yet more time-consuming practice is to allow all stakeholders to brainstorm and participate in redefining the mission and vision. Employee involvement in organizational processes and decision-making promote engagement. It has proved to deliver positive outcomes, provide a sense of belonging, and foster stronger OC.

Every NPOs, Rescue, Inc. included, need an effective strategic plan and act accordingly. It should include an in-depth evaluation of internal strengths and weaknesses as well as external opportunities and threats. As a working tool, it should be periodically revised and updated to adapt to changes in the internal and external environments. A consultant can assist in formulating, implementing, and evaluating a strategic plan.

### ***Conflict Management***

Conflicts are natural in any kind of human interaction, including in the workplace. They could be related to interpersonal relationships, labor (employer-employee) relations, disciplinary actions, and even legal issues faced by organizations. The way to handle them is both an art and a science. Conflict management requires strong interpersonal skills and effective communication skills and should be done with assertiveness and cooperativeness. Those issues associated with interpersonal relationships and employer-employee relations can be lessened by developing and implementing clear procedures and employee manuals. Written statements of employees' behaviors that are encouraged as acceptable and specific disciplinary actions to be fairly applied to those who behave in unacceptable ways to detriment the organization's values and policies are a powerful tool to promote the desired organizational environment. Other skills are needed in some more delicate issues associated with conflict management, such as negotiation processes and third-party interventions. In external auditing or legal action, every step should be taken with transparency and openness.

Accountability toward every stakeholder is determinant for the survival of organizations. Organizational analysis and training needs assessment are recommended to establish and implement a pertinent and strategic Human Resources Training and Development Plan. Training on topics like effective organizational communication, conflict management, change management, interpersonal relationships, teamwork, managerial competencies, strategic planning, and emotional intelligence should be provided to the staff according to their needs. Furthermore, effective talent acquisition and management, individual and group performance appraisal, and implementation of meaningful recognition programs should be performed by HR specialists. Those are key factors to enhance organizational performance.

### **Future Research**

This research enhances the understanding of volunteers' attitudes, specifically their commitment and the factors that negatively affect it. However, its qualitative results are by no means representative of a wider population. Those factors are worthy of being compared in future research or meta-analyses in other NPOs and their effects on OC and other variables, such as intention to leave, decentralized decision-making, participative leadership, effective downward communication, relevant recognition system, proactive conflict, and crisis management. That sort of study will provide insights to NPOs in pursuing better performance. Furthermore, this research might be replicated and applied to larger NPOs to compare the results and identify other factors that diminish volunteers' OC. It will help to predict volunteers' behavior based on the organizational factors affecting their commitment.

Researchers on PC have focused on the ends of a contractual continuum: transactional and relational (Rousseau, 1989, 1995). Transactional terms focus on short-term monetizable exchanges. Relational contracts focus on open-ended relationships involving considerable investments by both employees and employers, with

a long-term, highly subjective, and dynamic nature in the relationship between both parties (Rousseau, 1995). The unique hybrid nature of volunteers' psychological contract, which is neither fully transactional nor relational, identified in this study as transcendental contract, requires further exploration, conceptualization, and understanding. The notion of a transcendental nature of the psychological contract might explain volunteers' motivations and altruistic behavior due to the satisfaction and happiness generated in serving others. Since volunteering is one of the most important pro-social activities due to its ability to impact others' lives positively (Hayball et al, 2019; Meier & Stutzer, 2008), some studies suggest that people who are teaching or learning volunteering work should focus on a shift from self-centered values to pro-social values (i.e., Petrovskaya, 2019). This perspective can be addressed in new studies to further understand volunteers' transcendental psychological contract.

Similar studies could be done in different types of non-profit organizations, governmental agencies, larger NPOs, international NPOs, and with a combination of different factors that might affect volunteers, public servants, or culturally diverse volunteers' organizational commitment, and in larger organizations as well. This could provide a common ground of comparison that guides leaders to improve performance by providing better workplace conditions. The limitation of a small sample of this study can be addressed in future research by choosing larger NPOs with more volunteers, which might enhance the finding's implications on volunteers' management. Also, the larger size of NPO might include an HR specialist capable of effectively dealing with the issues presented in this study and might help increase volunteers' OC once the potential diminishing factors are identified. Based on this study, future research can focus on external factors that affect volunteers' OC, how to investigate them, and ways NPOs should be equipped to face them and reduce their impact.



## Conclusion

This study shed light to NPOs of some organizational factors that diminish volunteers' commitment. Five categories of factors that negatively affect volunteers' OC were identified and analyzed: organizational structure, communication, recognition, strategic planning, and conflict management. General actions were delineated to help NPOs deal with similar challenges. This study provides analytic generalization to previously developed PC theory. Analytic generalization is distinct from statistical generalization. It does not draw inferences from data to a population; instead, it compares the results of a case study to a previously developed theory (Yin (1994)). It also contributes to the application of PCT in other organizational contexts and a distinct type of employees.

Understanding volunteers' psychological contract is an essential skill for every NPO manager. Being aware of the effects of perceived PC breach or violation on volunteers' OC will guide management to find ways to minimize them. Committed employees will serve with a positive attitude and better comprehension of organizational mission and vision, translating into improved organizational performance on services provision. The Third Sector is the power of people working for people in support of an empowered society. HRM possesses the knowledge and tools to help NPOs effectively lead their paid and volunteer workforce to higher job satisfaction and enhanced commitment. Those key factors contribute to the improvement of organizational performance.

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## Adaptive leadership as a method to overcome organizational crisis: a Puerto Rican study

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### ABSTRACT

In a world that is constantly changing, organizational success is not guaranteed. This study explored how organizations pertaining to the food industry in Puerto Rico adapted to change and overcame the most recent events on the island, such as hurricanes Irma and María, the chain of tremors in January 2020, and the COVID-19 pandemic. After performing several in-depth interviews, findings show that four out of the five characteristics of adaptive leadership were present in at least 50% of the participating companies, which resulted in a successful adaptation. Differences within company sizes were found, and a profile of adaptive leadership in the context of Puerto Rico was developed.

**Keywords:** adaptive leadership, organizations, change, crisis management, success

### El liderazgo adaptativo como método para sobrellevar la crisis organizacional: un estudio en Puerto Rico

### RESUMEN

En un mundo en constante cambio, el éxito organizacional no se puede garantizar. Este estudio exploró cómo las organizaciones pertenecientes a la industria de alimentos en Puerto Rico se adaptaron al cambio para superar los eventos más recientes en la isla, como los huracanes Irma y María, la cadena de temblores en enero de 2020 y la pandemia COVID-19. Luego de realizar varias entrevistas profundas, los resultados muestran que cuatro de las cinco

características de liderazgo adaptativo estaban presentes en al menos el 50% de las empresas participantes, lo que resultó en una adaptación exitosa. Se encontraron diferencias según el tamaño de las empresas y se desarrolló un perfil de liderazgo adaptativo en el contexto de Puerto Rico.

**Palabras clave:** liderazgo adaptativo, organizaciones, cambio, manejo de crisis, éxito

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## Introduction

After remarkable events such as hurricanes, earthquakes, and even a global pandemic, this study aims to understand how leaders of different organizations in the food industry in Puerto Rico continue to manage change to keep their businesses operating successfully. It focused on exploring the concepts of adaptive leadership and successful organizations and whether organizational size plays an essential role in adapting to change. The main goal was to develop a profile of adaptive leadership that will contribute to organizational change. Studying this topic is very important because what we have taken as “normality” has been transformed by these events, and the production of scientific knowledge to guide us in this transformation is imminent. Focusing on the food industry in Puerto Rico, a qualitative approach consisting of eight in-depth virtual interviews with organizational leaders was used. This way, an analysis based on company size and leader’s profile was reached to determine which characteristics help impulse adaptive leadership and organizational change.

## Literature Review

Heifetz et al. (2009) define adaptive leadership as “the practice of mobilizing people to tackle tough challenges and thrive” (p. 14). This concept emerged from evolutionary biology. It consists of three characteristics that constitute a successful adaptation: (a) preserve DNA for survival, (b) discard any DNA that does not serve the current need of the species, and (c) create ar-

rangements that will allow the species to flourish in challenging environments. Therefore, the concept of adaptive leadership aims to find new ways to ensure growth amidst challenges and discard old methods and techniques that do not correlate with the present reality. This way, “successful adaptations enable a living system to take the best from its history into the future” (Heifetz et al., 2009, p. 14). However, according to their research, it is essential to differentiate technical and adaptive challenges and consider human, cultural, and political necessities.

Additionally, Cardona Madariaga (2016) states that adaptive challenges imply experimentation and require a learning process. He also points out that adaptive leadership is not about converging expectations but defying them and pushing individuals to their limits. Heifetz et al. (2009) would agree to this since they say that adaptive challenges cannot be solved by emitting orders or receiving expert advice. These challenges must be faced with new attitudes, competencies, and the coordination of the people involved. They emphasize that the capacity to overcome the situation relies solely on the person undergoing it. Accordingly, Corazzini & Anderson (2014) point out that “only the person facing the adaptive challenge can address this challenge” (p. 353).

Finally, Cardona Madariaga (2016) sums it up by stating that adaptive leadership proposes several changes to flourish. It is built by taking advantage of the past without disregarding it entirely and depends hugely on values and diversity.

### **Characteristics of Adaptive Leaders**

Having understood the concept of adaptive leadership, it is now essential to understand the characteristics that distinguish adaptive leaders. Over time, there have been different characteristics that have been associated with leadership. For example, Bennis & Thomas (2002) identified four critical elements: (a) engaging others in shared meaning, (b) having a distinctive and compelling voice, also, (c) having a sense of integrity, and lastly, (d) having adaptive capacity. This last characteristic is identi-

fied as the most critical skill needed to transcend adversity and emerge stronger. Even though these are not implicitly characteristics of adaptive leadership, it is essential to recognize that adapting always appears as a common factor when talking about leadership.

Reeves et al. (2011) identified four dimensions of adaptive leadership: navigating a new environment, leading with empathy, learning through self-correction, and creating win-win solutions. Regarding the first dimension, Reeves et al. stated that even though traditional models of leadership emphasize compliance, adaptive leadership styles lose their focus on hierarchy and make dissenting opinion compulsory. They also emphasized the importance of allowing leadership to be shared and to emerge from the given context. This consideration understands that no leader can lead through all circumstances and situations, no matter how good of a leader. Therefore, leadership should be assumed by the person more equipped to lead the particular case the organization faces.

The second dimension is leading with empathy, characterized by managing with influence and purpose rather than demand and control. This dimension consists of three considerations: seeing the world through the eyes of others, creating a shared sense of purpose, and rewarding accomplishment with autonomy. These considerations imply understanding different perspectives, identifying patterns, empowering employees, changing their mindset to attend to new realities, and motivating employees.

The third and fourth dimensions presented by Reeves et al. (2011) are learning through self-correction (which encourages change) and creating win-win solutions throughout five considerations. The first one is enabling individuals and teams to learn through experimentation, including embracing failure. The second; developing the organization's "signal advantage" to anticipate what is coming next. The third consideration is increasing agility for self-correction, followed by the fourth consideration of building platforms for collaboration, which technology can facilitate in more complex circumstances.

Moreover, deploying leadership influence helps put soft skills into aligning interests.

The skillset of adaptive leadership is a bit more specific than most leadership definitions, mainly because it requires learning to attend every scenario, according to Heifetz et al. (2009). Like Bennis & Thomas (2002), other authors say that adaptive capacity is composed of two main characteristics: the ability to grasp context and hardiness. Grasping context puts several factors in perspective, while hardiness consists of persevering amidst devastating circumstances. Thus, while there are different perspectives and definitions, being able to endure challenges is a common factor for this type of leadership.

### **Characteristics of Successful Organizations**

There are as many different types of leaders as there are organizations. Therefore, it is crucial to define what it means to be a successful organization to identify the main characteristics leaders should develop to guarantee organizational success. Salanova et al. (2016) approach this topic from the positive organizational psychology perspective. They state that to survive, organizations need to change their mindset and develop a positive organizational mechanism, making sure they are characterized by health and resilience. On the other hand, Amador Cruz (2020) defines successful organizations utilizing a tripartite rubric, which encompasses communication, willingness to contribute to actions or forces, and having a common purpose. These elements ensure that the organization is significant, meaning that it fulfills its purpose, and at the same time sustains organizational efficiency, which consists of making sure that the costs of meeting the organizational purpose do not exceed the benefits acquired by doing so. In contrast, Pfeffer (2016) identified that one successful practice is eliminating hierarchy levels and promoting self-managed teams, which can also imply putting the decisions in the hands of individuals who may be closer to relevant and necessary information.

Even though all the characteristics listed above define successful and efficient organizations, Heifetz et al. (2009) identi-

fied five adaptive organizations' practices. The first one is addressing the elephants in the room. If no issue is too sensitive not to be discussed, no questions are off-limits. Therefore, "hidden perspectives get put on the table fairly early" (Heifetz et al., 2009, p. 102). Secondly, there is shared responsibility towards the organization's future, where titles and role boundaries are transcended to create a shared sense of responsibility and accountability. Thus, everyone is committed to the organization's future and purpose, so there is a higher capability to adapt to any situation. Third of all, independent judgment is expected, which they explain that "this helps push decision making and idea generation down deep into the organization" (Heifetz et al., 2009, p. 104). They argue that an organization will not be able to identify and tackle adaptive challenges if they always expect the leader or CEO to have all the answers. Therefore, it is expected that every member of the organization will judge a situation independently before awaiting directions from their leaders. The fourth characteristic is developing leadership capacity, ensuring a healthy pipeline of leaders prepared to face adaptive organizational challenges. More than sending people to workshops, seminars, and training, there is a commitment to professionally develop those who have a long-term perspective and have the organizational future at stake. Finally, the last characteristic is that reflection and continuous learning are institutionalized since "adaptation requires learning new ways to interpret what goes on around you and new ways to carry out work" (Heifetz et al., 2009, p. 105). This continuous learning mindset is critical to interpreting what goes on around the organization and finally adapt.

Heifetz et al. (2009) indicate that this mindset is developed by ensuring that people who make mistakes are open to experimentation and not marginalized. They also stress considering the frontline worker's perspective in the decision-making process. When something terrible happens, the situation is addressed to debrief the lessons learned. Senior people are encouraged to use their sabbatical or leave absences to gain new perspectives, and



communication and interaction are nurtured. Besides, executives encourage reflection and dynamic situations, while coaching for top positions is also encouraged. Lastly, strategic plans are not viewed as a sacred text but rather as a good guess.

A whole skill set is needed to ensure success in organizations, and they may vary according to different authors and perspectives. However, managing change and ensuring adaptive capacity always appear as a diverging point. We used Heifetz et al. (2009) perspective in this particular study as a conceptual framework.

### **The Importance of Adaptive Leadership and How It Drives Organizational Success**

Heifetz et al. (2009) identified the importance of instigating adaptive leadership. They indicated that “fostering an adaptive culture will enable your organization and community to meet an ongoing series of adaptive challenges into the future, a future that is almost guaranteed in our day to keep pitching new challenges towards us” (p. 165). Therefore, they invite leaders to see themselves as a system. This way, they can analyze their personality, life experiences, skills, and much more details and combine them with the external situational insights to assess how suited they are to take on an adaptive challenge affecting the organization. They emphasize that “new environments and new dreams demand new strategies and abilities, as well as the leadership to mobilize them” (Heifetz et al., 2009, p. 2). That is why having adaptive capacity as a leader results in a very relevant skill. Also, it calls for a re-evaluation of strategies since past success will not guarantee future success, and therefore, new competencies should be developed, according to Cardona Madariaga (2016).

Puerto Rico has faced many challenges recently that have impacted the food industry and the economy. The events that stand out the most since 2017 have been hurricanes Irma and María in September 2017, the chain of tremors and earthquakes in January 2020, and the global pandemic impacting the island since March 2020. All of these events, and more, have shaped the

way businesses in Puerto Rico operate and have called leaders to adapt to different situations to guarantee success.

Hurricanes Irma and María “have been the most damaging events that have affected our island in recent times” (Amador Cruz, 2020, p. 6). The main problem, Amador Cruz emphasized, is that they both were hurricanes of more major categories than hurricane George, and they struck Puerto Rico in the same month, thus affecting food exportations for the long term. Irma struck as a category five hurricane on September 6, 2017, while María struck two weeks later on September 20 as category 4 (Amador Cruz, 2020). However, since the trajectory of Irma headed north of Puerto Rico, in comparison to María, which directly made landfall on the island, the latter had more aggressive repercussions. It is crucial to consider the emotional charge of living in a zone prone to storms and hurricanes since this causes a collective hysteria when awaiting any natural event. This may result in long lines at supermarkets as a prevention mechanism and thus, the Food Industry must take a proactive and anticipative approach in order to attend to customers’ necessities. In addition, employee absenteeism in the industry may arise since people can be fearful and cautious when awaiting these natural disasters and, therefore, supermarkets, restaurants, and distributors can all be affected.

More recently, in January 2020, a chain of tremors that started on January 6 with an earthquake of 6.4 magnitude kept individuals and organizations, specifically in the southwest area of Puerto Rico, in an uncertain situation. This event paralyzed everything in this area, especially the economy, as families and businesses were affected, and houses and buildings were devastated, according to Telemundo (January 13, 2020). This study addressed how the food industry was affected by this particular event.

Two months later, in March 2020, the coronavirus pandemic had started to affect the island, which has impacted individuals and organizations in Puerto Rico. There have been many adverse effects due to the governor’s restrictions regarding the schedule and capacity restaurants can operate. However, the supermarket

sector has been strengthened since the social distancing regulations limited individuals to eat out (Vélez, 2020). These events have made many think the food industry will emerge from the pandemic stronger than before (Garver, 2020). This study aimed to explore said effects and what procedures and policies that arose from the pandemic will prevail once it is over.

## Methodology

The purpose of this study was to demonstrate how leaders with adaptive capacity can lead their organizations toward success even during challenging circumstances. This research aimed to develop an adaptive leader profile that will help transform organizations after remarkable events such as hurricanes, tremors, and even a global pandemic. Therefore, it was crucial to analyze what constitutes an adaptive leader and how those qualities help organizations persist amidst adversity. A qualitative methodology was adopted, defined as the data collection and analysis to refine the research questions or reveal by new ones throughout the research process (Hernández-Sampieri et al., 2014). This research focused on the food industry in Puerto Rico for various main reasons. The first one is because this industry is directly impacted by the events studied, such as hurricanes, tremors, and the pandemic since food supply is affected by said events. Secondly, this industry is also impacted by Law 75 of Puerto Rico: Law of Distribution Contracts of 1964 and the Cabotage Laws. For example, as of 2017, 85% of all the goods consumed in Puerto Rico were imported and, as a result, Puerto Ricans ended up paying between 20% and 60% more for the goods imported from the mainland since the United States maritime flag is the most expensive in the world (Nina, 2016). This is due to the fact that the Merchant Maritime Act of 1920 or Cabotage Laws states that “all maritime transportation between the U.S. mainland and the island of P.R. would be conducted exclusively with vessels operating under the U.S. flag” (Nina, 2016, p. 60). This is particularly problematic when facing a crisis such as a hurricane since the island is left at

the mercy of the United States imports and thus is more prone to food shortage.

Furthermore, it is one of the most critical industries since it attends to a primary need in human beings. Consequently, these companies must develop an adaptive capacity to surpass external challenges like the ones studied. Therefore, adopting a qualitative approach allowed an exploratory reach that considered the leader's perspectives. Originally, frontline employees were intended to participate in a survey regarding this topic to compare their experience to the experience of the executives. However, most participating organizations did not consent to their frontline employees participating. Thus, the results presented will only reflect the leader's perspective.

### **Participants**

This study focused on leaders of the food industry in Puerto Rico. However, it had a quota sampling approach where a small industry sample voluntarily participated in the study. Eight in-depth virtual interviews were performed with executives of different companies of said industry. The participants belonged to two company sizes: (a) small & medium enterprises (SMEs) consisting of less than 250 employees and (b) large organizations consisting of more than 250 employees. It is important to clarify that the SMEs category was broken down into three categories, micro organizations consisting of 2-10 employees, small organizations from 11-50 employees, and medium organizations from 51-250 employees.

Four executives from SMEs and four from large companies were interviewed, and eight interviewees were achieved. These were scheduled by convenience and availability. All executives must have held a leadership position in their organization since January 2017. They also needed to be at least 21 years of age, Spanish proficient, and be employed in the food industry in Puerto Rico. The summary of the participants is presented in Table 1.

Table 1

*Demographics of the Participating Organizations*

Company	Number of employees	Category	Type	Tenure of leader interviewed
1	5	SME - micro	food manufacturing	5 years
2	6	SME - micro	food retail	6 years
3	19	SME - small	restaurant	4 years
4	75+	SME - medium	restaurant chain	34 years
5	475	large	distributor	31 years
6	520+	large	distributor	30 years
7	530+	large	distributor	24 years
8	1,000+	large	supermarket chain	12 years

*Note.* SME stands for small and medium-sized enterprises.

### Research Instruments

This study required one instrument for the in-depth interviews. A questionnaire published by Heifetz et al. (2009), which consists of a Likert scale to evaluate organizational leaders' adaptive characteristics, was used to guide the interview questions. However, additional questions were added according to this study's particular demands to understand the adaptation process, specifically after hurricanes Irma and María, the chains of tremors in January 2020, and the global COVID-19 pandemic.

### Research Procedure

The research proponent abided by the requirements proposed by the Institutional Review Board of the University of Puerto Rico, Río Piedras Campus. Once the approval to conduct the study was obtained, the research procedure began inviting organizational leaders to participate in the study, which was done through phone, email, Facebook, and direct invitation, ensuring the par-

ticipation requirements were met. After the eight leaders had been identified, each interview was performed individually and scheduled based on the participants and the interviewer's availability. Every participation was voluntary, and participants were presented with a document of informed consent that they had to agree with before their interview took place. This informed consent explained the risks and benefits of taking part in the study and emphasized that they could withdraw their participation at any time. Additionally, it stated that the leaders' identity and the organization they represent would remain anonymous once the data were collected.

Having gathered all the data, a content analysis was performed. The goal of the analysis was to identify which adaptive characteristics were predominantly present among the food industry leaders in Puerto Rico. It also focused on finding possible associations between specific characteristics and company size and its leaders' and employees' profiles.

The data was organized in tables that compared both organizational sizes in terms of the characteristics of successful organizations that were present in the adaptation process, other topics that helped in the said process, and the challenges presented to overcome adversity. The differences in distribution shown in these tables helped draw the study's concluding remarks.

## Results

The study aimed to identify which of the characteristics of successful organizations proposed by Heifetz et al. (2009) were present in the participating organizations in the context of January 2017 up until March 2021. The content analysis results are summarized in Table 2. The first column corresponds to the five characteristics of successful organizations discussed in the literature. Columns two and three compare the frequency within the two company sizes; column number two refers to the four (N=4) small and medium enterprises, and column three alludes to the four (N=4) large companies. In the last column, the total of each

characteristic among the eight participating organizations can be observed.

Table 2

*Distribution of Successful Organizations Characteristics Present in Participating Organizations*

Characteristics	Total among SMEs (N=4)	Total among large companies (N=4)	Total among all organizations (N=8)
Addressing elephants in the room	1	2	3
Shared responsibility towards the organization's future	4	3	7
Independent judgment is expected	4	0	4
Leadership capacity is developed	2	4	6
Reflection and continuous learning are institutionalized	4	4	8

It can be observed that the least frequent characteristic was Addressing elephants in the room, which shows the difficulty in having tough conversations and asking hard questions as a way to guarantee organizational growth. Shared responsibility toward the organization's future was widespread, especially among SMEs ( $\frac{4}{4}$ ). This refers to when employees engage in the organization's future and take matters into their own hands. Even though it was present in almost every organization ( $\frac{7}{8}$ ), it was more present in SMEs. This could be due to the closeness within members of the organization and how the repercussions of every individual's actions are more tangible than in larger organizations. The characteristic Independent judgment is expected was present in all ( $\frac{4}{4}$ ) SMEs but was missing ( $\frac{0}{4}$ ) in large companies. This refers to not waiting for the leader's instructions or expecting them to

have all the answers but rather being able to think critically and act according to what they believe best responds to the present situation. The drastic difference found regarding this particular characteristic raises many questions that could drive new research topics, for example, the role of bureaucratic leadership in large organizations, the pros and cons of having a clear organizational structure, the advantages of autonomy in SMEs, and many more. Also, regarding the characteristic Independent judgment is expected, one of the leaders mentioned that they promote creativity within their employees since they consider it beneficial for the organization's innovation. The characteristic Leadership capacity is developed alludes to a commitment to employee's development in order for them to help make the changes needed to keep developing the organization. For this particular study, this characteristic predominated in large organizations ( $\frac{4}{4}$ ) compared to SMEs ( $\frac{2}{4}$ ), which could be a matter of access to resources and a desire to guarantee succession plans. Thus, it could be inferred that the larger the company size, the larger the capability to develop leadership for this sample. Lastly, the most frequent characteristic ( $\frac{8}{8}$ ) was Reflection and continuous learning are institutionalized, which probably points to the ability to learn from adversity and external situations, specifically after these particular events. This way, every organization maintains openness and commitment to learning since their reality has been continuously changing and thus, challenging them.

Alongside the five characteristics of successful organizations suggested by Heifetz et al. (2009), additional characteristics manifested in the adaptation process in the participating organizations, which are summarized in Table 3. This table is organized in the same way as Table 2; however, the first column refers to new topics that arose from the content analysis of the interviews. Therefore, these topics are added to those presented in the literature.



Table 3

*Distribution of Additional Topics That Contributed to A Successful Adaptation in Organizations*

Topic	Total among SMEs (N=4)	Total among large companies (N=4)	Total among all organizations (N=8)
Adapting to change	4	3	7
Crisis Management Procedures and Policies	3	3	6
Flexibility	3	2	5
Fast decision making	3	1	4
Leading by example	3	1	4
Constant communication	3	1	4
Training and Development	2	1	3
Market Study and Analysis	2	1	3
Recognition and Bonding	1	1	2
Initiatives to increase motivation	0	1	1

The most remarkable finding in this table is that Adapting to change was the most frequent characteristic among organizations, especially among SMEs ( $\frac{1}{4}$ ). Also, Crisis management procedures and policies was a persistent characteristic ( $\frac{6}{8}$ ) and referred to the way leaders institutionalized the procedures used to overcome these situations. Additionally, Flexibility was one of the predominant characteristics that helped organizations adopt new ways of performing daily tasks. Some examples include adopting the telework modality during the COVID-19 pandemic and new services implemented, such as the curbside pickup. As shown in the table, Fast decision making, Leading by example, and Constant communication were present in half of the participating organi-

zations. Fast decision-making accounts for the numerous ‘on-the-spot’ decisions leaders had to make to attend these unplanned events. For example, a tremor is very unpredictable, and the pandemic was not expected. In this case, the hurricanes were the events with the most time to prepare. However, the aftermath still required making many fast decisions to continue operating during unusual circumstances. Leading by example refers to when leaders are not an exception to the rule; instead, they live and model the changes and policies implemented in organizations. One of the leaders expressed: “We live the changes and the policies, there are no exceptions” (P5). Leaders can model the behavior expected by employees, and it helps employees achieve said behaviors as they find coherence between expectations and the behavior modeled.

Lastly, Constant communication made employees feel secure amidst these times of change and uncertainty. Other characteristics present with less frequency contributed to a successful adaptation in these companies. These were: Training and development ( $\frac{3}{8}$ ), Market study analysis ( $\frac{3}{8}$ ), Recognition and bonding ( $\frac{2}{8}$ ), and Initiatives to increase motivation ( $\frac{1}{8}$ ). One example of Training and development consisted of one company that gave a First Aid workshop after the natural disasters mentioned in this study. These activities show how priorities shifted, and the organizational objectives were adapted to attend to new situations. The events invited organizations to analyze their products and services to adjust to the current context and implement strategies to help motivate and recognize employees for their work during these complicated scenarios. All the initiatives mentioned above helped the participating organizations maintain afloat in a continuously changing environment.

Even though all these characteristics and initiatives helped organizations thrive, some challenges were presented in the process. These are listed in Table 4.

Table 4

*Challenges Presented by Organizations in the Adaptation Process*

Challenge	Total among SMEs (N=4)	Total among large companies (N=4)	Total among all organizations (N=8)
Human Resource Management	2	3	5
Puerto Rico's geography	2	3	5
Decreasing market	1	2	3
Customer's preferences	2	1	3
Laws and economy in Puerto Rico	1	1	2
Bureaucracy and Organizational Structure	0	2	2
Work-life balance	2	0	2
New investments	2	0	2
Use of technology	0	1	1

Leaders' most challenging aspects were Human Resource Management and Puerto Rico's geography. Regarding Human Resource Management, they mentioned generational differences, reorganization of employees, and changes in the organizational chart; they also recognized how difficult it was to maintain their employee's trust during these uncertain times. In addition, they struggled to attend to their different realities in these particular crises regarding mental and physical health and how they were affected by the hurricanes, tremors, and the pandemic. Lastly, specifically during the COVID-19 pandemic, even when some employees could adapt and perform their tasks remotely, the job of some frontline employees could not be done from a distance since it required working with machinery or attending to customers in person, for example.

Regarding Puerto Rico's geography, agriculture was directly impacted by the hurricanes and our dependence on imports put us at risk during these uncertain circumstances. Considering that Puerto Rico is an island, if the agriculture is devastated and the imports are delayed, the food inventory will be affected, as one of the participants highlighted: "There were also no boats arriving at the dock, and this is all a food chain, and here the agriculture fell completely" (P4).

Other challenges presented were the Decreasing market and Customer's preferences which obligated organizations to create new products and find new ways to market them in order to survive. In addition, the Laws and economy in Puerto Rico played a challenging role in the adaptation process because organizations were already vulnerable when they had to face these three events. Therefore, inventory tax, Distribution Contract Laws, and the Cabotage Laws impacted the way organizations could reinvent their strategies since, as mentioned earlier, these laws place Puerto Rico under the mercy of the U.S. since there is an exclusivity agreement in terms of imports and they also cannot store a large inventory since the larger the inventory, the larger the taxes to be paid. Also, large companies faced a particular challenge regarding Bureaucracy and Organizational Structure. Leaders expressed how their bureaucratic structure limited the individual control over situations. This structure affected the adaptation process since individuals rely on their leader's directions, and thus, they cannot act independently when needed.

On the other hand, SMEs faced different challenges. The leaders of the two smallest companies reported a lack of work-life balance due to having to undertake the responsibilities of an organization during uncertain circumstances, with a small team and limited resources. Another challenge SMEs faced was incurring in new investments. For example, with the hurricanes and tremors, they had to invest in generators (which large companies mostly already had) and, during the pandemic, "we had to invest in a temperature measurement and sanitation system, train employees, do more rigorous cleaning, and invest in signage" (P4).

Lastly, one of the prominent organizations reported technology as a challenge that arose from the COVID-19 pandemic, which forced an abrupt adoption of different programs to keep performing successfully. Some differences can be observed in terms of the challenges presented in each organizational size. However, both organizational sizes found ways to overcome them.

The three events studied, the 2017 hurricanes, the January 2020 tremors, and the COVID-19 pandemic, definitely impacted organizations in Puerto Rico. Each brought different challenges that led leaders to rethink their organization's strategies to adapt to each situation. Most of them expressed that the COVID-19 pandemic has been the hardest to overcome out of the three events due to the fear of potential exposure experienced by employees and clients. In addition, this crisis has lasted longer, and the sense of unity has been affected by the social distancing restrictions. Additionally, the executive orders presented by the government limited the operations of this industry.

During Hurricane María, some became aware of the impact they had over their community as they became an essential source of food to people. They even gave away much free food and experienced solidarity within employees. Therefore, even though the situation presented many challenges, organizations could survive and learn. Similarly, during the tremors in January 2020, the participating organizations were able to experience a sense of unity within employees. However, we must consider that most of the participating companies operated in the metropolitan area of Puerto Rico, which was not as affected by the tremors as the south area of Puerto Rico.

It can be said that these experiences evidenced the sense of urgency in the industry, given that food is a basic human necessity. Therefore, the organizations and their leaders understood the importance of having the adaptive capacity to respond as soon as possible to these unusual circumstances. The following quote from one of the participants helps show the limited time frame in which they had to rethink their strategies and continue offering their services as they are essential to their clientele: "The hurri-

cane, if I am not mistaken, hit from Wednesday to Thursday ... on Friday we were already operating” (P6).

Thus, they experienced many learnings that are now being implemented in their current organizational plans. Some of the learnings include: understanding the importance of having back-up plans, mitigating expenses, measuring risks, knowing what to prioritize, and adapting to every situation. At the same time, these experiences allowed them to step out of their comfort zones and change their strategies. For example: “Deliveries improved a lot from the crises because they were analyzed a lot and new strategies were defined” (P7).

## Discussion

This study had three objectives: (a) explore the concepts of adaptive leadership and successful organizations, (b) develop a profile of adaptive leadership that will contribute to organizational change, and (c) compare the process of adaptation within different company sizes. Regarding the first one, Heifetz et al. (2009) definitions and characteristics of adaptive leadership and successful organizations were used as a conceptual framework. It was found that four out of the five characteristics of successful organizations were present in at least 50% of the participating companies, which resulted in a successful adaptation after the events studied. However, it would be interesting to see how this percentage would compare within other industries and a larger sample.

Regarding the second objective, a profile of adaptive leadership for Puerto Rico’s context can be drawn. In addition to the five characteristics of successful organizations proposed by Heifetz et al. (2009), the following eight characteristics could be considered when recruiting and selecting influential leaders: (a) ability to lead tough conversations, (b) ability to adapt to change, (c) ability to admit and learn from mistakes, (d) ability to make fast decisions, (e) ability to serve as an example, (f) being a good communicator, (g) being flexible, and (h) being able to manage crises.

The process of interviews and assessments should consider these eight characteristics as a way to attend to our changing reality and take a proactive position on managing change. As stated by one of the executives, “the crises that we have had in the last three years are bigger than those I have seen in my career since I started in 1990, especially the hurricane and the pandemic” (P5).

Even though these characteristics would promote a more straightforward adaptation to change, it is also essential to understand that no leader can manage all circumstances, as the literature stated. Thus, leadership should be assumed by the person more equipped to attend the present scenario (Reeves et al., 2011). This statement challenges the idea of leadership most organizations have. Yet, having this open mindset can help organizations make smarter decisions and better approaches to new situations in a continuously changing world. Adaptive leadership is crucial to managing a complex and changing context; though, other leadership styles may be more beneficial to attend periods of stability.

Lastly, regarding the third objective, some differences in the adaptation process were evidenced for the participating organizations. Still, given that the sample size was relatively small, conclusions regarding the entire population cannot be drawn. Nevertheless, for this sample size, it can be observed that large organizations faced more challenges in the adaptation process. In addition to the ones presented by the authors, SMEs had more characteristics that helped them overcome adversity. Even though both organizational sizes could adapt to the situations, their adaptation processes were different, as demonstrated in Tables 2, 3, and 4. These tables also answer the research question: How has the food industry in Puerto Rico maintained afloat?

### **Concluding Remarks**

It was demonstrated that adaptive capacity for the participating companies could help organizations maintain afloat amidst these unusual circumstances. However, organizational success cannot be guaranteed, not even fostering the characteristics pre-

sented in this study. Anyhow, success can be promoted through an open mindset that understands the malleability of leadership and considers the necessities of the current situation. It is essential to understand that leaders are constantly learning and finding new ways to operate regardless of external factors that may affect them. This study also helped show these particular organizations' positive outcomes out of this devastating situation. Some of these can be highlighted without disregarding the repercussions and adverse effects these events had on Puerto Rico's reality. Most of them had to do with our culture of solidarity and sense of community. These events helped the participating organizations gain awareness of the sense of unity present within their employees and their organizations' impact on their communities. Also, it helped them welcome new strategies such as work flexibility and the telework modality and implementing new services. In the future, it will be evident that, what are now known as backup plans, will later be institutionalized as company policies.

This study faced some time and availability limitations due to the COVID-19 restrictions and the time frame of the academic year. In addition, the sample size was limited since several invited organizations did not consent to participate in the study. Therefore, some recommendations include repeating the study with a larger sample size when time is not a limitation. This way, organizational sizes can be broken down into four categories instead of two (micro, small, medium, and large organizations). This categorization will allow a better understanding of the effects of organizational size over each variable since, right now, concluding will not represent the whole population. Another recommendation would be to replicate the study with frontline workers instead of executives. This way, a new point of view could be considered, where the perspectives of executives and frontline employees can be compared and contrasted. Lastly, the study could also be replicated with other industries in Puerto Rico and other countries where a different context could help identify new adaptive characteristics.

For the sample analyzed, it was demonstrated that adaptive leadership helps manage change and overcome adversity. Other



studies have also visibilized the benefits of adaptive leadership. For example, a study in Colombia demonstrated that 98.23% of the participants were convinced that their leader successfully adapted to the telework modality as a response to the COVID-19 pandemic (Torner, 2020). Therefore, it can be said that viewing organizations as complex adaptive systems helps respond to emergency and evolutionary environments rather than focusing on linear and balanced contexts that reduce innovation and creativity. However, while adaptive leadership may be ideal for moments of crisis, it may not be the best approach for managing periods of stability in organizations since it requires rethinking strategies which often leads to changing the current organizational policies and procedures. Consequently, other leadership styles, instead of adaptive leadership, may be ideal to face different scenarios once adaptation is reached. Thus, future studies can focus on the benefits of bureaucratic, transformational, or transactional leadership and many other leadership styles. The most important aspect to remember is that the way individuals and organizations react will also constantly change in a continuously changing reality. Therefore, every new scenario will likely challenge organizations to adapt and act according to the present situation, just like the participating organizations did to successfully survive hurricanes, tremors, and the ongoing global pandemic.

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