

# management revue

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The International Review of Management Studies

ISSN 0935- 9915

**management revue – the International Review of Management Studies** is published four times a year. The subscription rate is € 60,- including delivery and value added tax. Subscription for students is reduced and available for € 30,-. For delivery outside Germany an additional € 8,- are added. Cancellation is only possible six weeks before the end of each year. Single issues of **management revue** may be obtained at € 19,80.

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Rainer Hampp Verlag, **management revue**,  
Meringerzeller Str. 10, D – 86415 Mering  
Phone ++ 49 8233 4783, Fax ++ 49 8233 30755  
E- Mail: Rainer\_Hampp\_Verlag@t-online.de

[www.Hampp- Verlag.de](http://www.Hampp-Verlag.de)

[www.management- revue.org](http://www.management-revue.org)

**management revue, volume 16, issue 4, 2005** mrev 16(4)

Special Issue:

**good work – poor work**

edited by Wenzel Matiaske, Susanne Royer

Wenzel Matiaske, Susanne Royer

**What Makes a Job Good or Poor? Editorial** 434

Neal Ryan, Craig Furneaux, Anthony Pink, Kerry Brown\*

**Public Sector Contracting:  
An Australian Study of Changing Work Conditions** 438

John Burgess, Lindy Henderson, Glenda Strachan

**Women Workers in Male Dominated Industrial Manufacturing  
Organisations: Contrasting Workplace Case Studies from Australia** 458

Dorothea Alewell, Katrin Bähring, Kirsten Thommes

**Institutional Structures of the Flexible Assignment of Personnel between  
Enterprises. An Economic Comparison of Temporary Agency Work,  
Interim Management and Consulting** 475

Florian Schramm, Michael Schlese

**Working Conditions under Economic Pressure:  
The Case of the German Cleaning Industry** 494

Jürgen Bruns, Rüdiger Kabst

**Interim-Management: A Paradox for Leadership Research?** 512

Nicole Torcka, Jan Kees Looise, Maarten van Riemsdijk

**Commitment and the New Employment Relationship.  
Exploring a Forgotten Perspective: Employers Commitment** 525**New Books** 540**Contents of mrev, vol 16, issues 1-4** 543



**Editors and publisher would like to thank the reviewers of the 2005 issues.**

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**Statistics:**

	issue 1	issue 2	issue 3	issue 4	all
Submitted papers	10	14	9	9	42
Papers accepted after first review		4	7	5	16
Papers accepted after second review	6	4		1	11
Papers rejected	4	6	2	3	15
Book reviews	7	0	1	0	8

Jürgen Bruns, Rüdiger Kabst\*

## **Interim-Management: A Paradox for Leadership Research? \*\***

The study focuses on Interim-Management as a so far rarely discussed phenomenon of the flexible firm. Contradicting popular leadership perception, the authors argue that Interim-Management does not constitute a leadership paradox but can be explained by established organization theory. In particular, transaction cost economics as well as resource-based view help explain the utilization of Interim-Management. Furthermore, the authors show that Interim-Management constitutes a response to reduced investments in human resources. Companies that have reduced the extent and the costs of training activities during the last years show a higher probability to utilize Interim-Managers.

Key words: **Interim-Management, Labor Flexibility, Transaction Cost, Economics, Resource-Based View, Strategic Human Resource Management**

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\*\* Article received: May 15, 2005

Revised version accepted after double blind review: October 10, 2005.

## **Introduction**

For more than two decades by now, the flexible firm or, to put it differently, non-standard forms of employment have attracted the attention of academics and practitioners as well as policy makers (Bosch 2004, Kalleberg 2000). Starting off with the work of Atkinson (1984) who suggested the emergence of an organizational model comprising of a core and peripheral workforce, different forms of flexibility, its dissemination across national borders, as well as its impact on employee quality of life, on organizational performance and on industrial relations have been studied intensively.<sup>1</sup> Past research, however, mainly focuses on flexible arrangements for blue-collar and white-collar workers, leaving out flexibility of management.

Addressing this deficit, our study focuses on managerial flexibility, namely Interim-Management. Basically speaking, we analyze the determinants of Interim-Management from different theoretical lenses, testing hypotheses using a sample of German companies. In detail, we ask the question whether Interim-Management constitutes a leadership paradox, or whether Interim-Management may be explained by organization theory, decreased investments in human resources as well as short-term human resource planning.

We start off with a definition of Interim-Management, followed by its delineation from permanent managerial staff and management consultancy. Arguments from transaction cost economics, resource-based view and strategic human resource management guide us through theoretical analysis. Hypotheses generated are tested using the German sample of the Cranet data set on International Human Resource Management.

## **Interim-Management: Emergence, definition, and delineation**

Market forces, namely increasing international competition as well as decreasing half-life of knowledge, combined with the slow growth in industrialized economies put enterprises under high pressure not only as to the efficient utilization and flexible acquisition of non-managerial employees but the whole workforce, including executive employees. The temporary employment of an Interim-Manager represents a flexible option of supplementing the enterprise management – an option providing management resources just-in-time as well as for a limited period of time. Exceptional situations and tasks, which differ from management routine, seem to become more frequent and demand increasingly heterogeneous human resources for their solutions. Here the service of Interim-Managers offers a good option in balancing out criteria such as time, cost and quality. Thus, Interim-Managers allow for task performance at short notice, at comparatively low costs and with high quality and expertise (Bruns 2006).

In principle, any management task can be taken on by an Interim-Manager. The Interim-Manager is temporarily tied to an enterprise by a service contract, which either the manager himself (direct acquisition of Interim-Manager) or a mediating agency

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<sup>1</sup> See for example special issues of *Employee Relations* in 1997 (Vol. 19 No. 6) and 1998 (Vol. 20 No. 5) for an early and international comparative analysis of different forms of flexibility, or special issue of *Management Revue* in 2005 (Vol. 16 No. 3) for a discussion on atypical or precarious employment.

(indirect acquisition of Interim-Manager) concludes with the enterprise. From the features of contract the authority to give instructions needs to be stressed. The authority of an Interim-Manager to give instructions depends on the respective tasks and thus on the content of the type of service defined in the contract. Therefore, as far as the authority to give instructions is concerned, the Interim-Manager does not differ from the enterprise's internal leadership personnel (Bruns 2006).

The central difference between Interim-Management and management consultation is the nature of the task and the authorities connected with it. While the classic management consultation concentrates on the conceptual and analytical area, Interim-Management develops problem solutions and focuses on their implementation and enforcement (Clutterbuck/Dearlove 1999). A similar assessment is given by Larry Greiner and Flemming Poulfelt (2005: 30) who regard "Interim Turnaround Management" as a deviation from the traditional consultant and a part of a supplementary broad array of newly developed "non-consulting services".

The following table shows a summary of the central delineations of Interim-Managers to employed managers and management consultants:

**Table 1: Delineations of Interim-Managers to employed managers and management consultants** (see also Bloemer 2003a, Bruns 2006)

	<b>Employed leadership personnel</b>	<b>Management consultant</b>	<b>Interim-Manager</b>
<b>Nature of task</b>	Management of enterprise	Only consultation	Management tasks
<b>Contract-basis</b>	Labor contract	Service contract	Service contract
<b>Authority to instruct and being subject to instructions</b>	Extensive authority, Subject to instructions exists	None	Authority depends on the task; subject to limited instructions
<b>Period of belonging to the enterprise</b>	Permanent labor contract	Limited	Limited
<b>Compensation</b>	Monthly salary and possibly profit sharing	Generally daily rate and expenses	Generally daily rate and expenses

Building on the previous delineations the following characterization of Interim-Management builds our working definition:

Interim-Management is the temporary transfer of external leadership personnel into an enterprise with the objective to perform selected managerial tasks. Interim-Managers will be equipped with the necessary competence and authority to give instructions for task performance.

In Germany, Interim-Management has been utilized since the beginning of the eighties. A first noticeable breakthrough of Interim-Management, however, took place due to the demand for Interim-Managers initiated by the German privatization agency after reunification. The restructuring of formerly state-owned companies in Eastern Germany had increased the demand for Interim-Managers considerably, in particular as necessary management and leadership competency was not available in Eastern Germany. Furthermore, the economic downturn of the so-called 'old economy' in the nineties and the very ambitious forecasts of the 'new economy' at the end of the nine-

ties gave a strong growth-stimulus to the Interim-Management. The most prominent high profile example of Interim-Management in Germany was the dismissal of Ron Sommer as chief executive of the German Telekom AG in 2001, whereby the former retired chief Helmut Sihler stepped into his old job on an interim basis, pending a new appointment (Bruns 2006).

Although the tasks of Interim-Managers are heterogeneous, three classical areas may be distinguished (Bloemer 2003a; Tiberius 2004): Shortages of executives in the daily business, crises and turnarounds, as well as project work (e.g. IPOs, novel IT-implementations, joint ventures or mergers). It is estimated that the population of executives working as Interim-Managers in Germany sums up to about 10,000 (Bloemer 2003a). Or put differently, about 20 percent of German companies have got experience with Interim-Managers (Bloemer 2003b). The UK and the Netherlands are frequently named as the stronghold countries in Europe for Interim-Management. In the Netherlands estimates account up to 40,000 Interim-Managers and about 60% of Dutch companies having at least once experienced Interim-Managers (Tiberius 2004).

Despite the growing popularity of Interim-Management, the academic literature is still in an early stage of development. Peer-reviewed journal articles and reliable empirical data on Interim-Management can be found only rarely. Publications directly dealing with Interim-Management are generally limited to the discussion of the deployment of Interim-Managers as one of many instruments in dealing with personnel (Tiberius 2004; Inkson et al. 2001; Goss et al. 1998).

The starting point of our study is rooted in conventional leadership thinking that quite often portrays Interim-Management as a paradox based on the understanding that management needs to have intensive knowledge about the company, needs to be embedded in the company network, etc., and thus needs to have longer-term employment to ensure strategic orientation. In general, managerial tasks are viewed as belonging to the core competency of the enterprise, something that would normally not be externalized on a temporal contract but recruited internally based on career planning and internal labor markets. Interim-Management, or put more generally, the externalization of managerial tasks, would then be a contradiction in itself.

Addressing the presumed contradiction of Interim-Management, we argue within our study that it is necessary to look at the type of managerial task in more detail and, from a lens based in organization theory (transaction cost economics and resource-based view) as well as strategic human resource management in order to judge Interim-Management.

### **Interim-Management from the viewpoint of organization theory**

Transactions cost theory (Williamson 1981, 1984, 1985) considers alternative organizational forms of economic activities in the light of efficiency. Three assumptions characterize the behavior of the actors: bounded rationality, opportunism and foresight (Williamson 1999). These assumptions should make allowances for human nature as we know it and represent an important step closer to reality. In addition, Williamson (1979, 1985) identifies three transaction characteristics that are influential in carrying through and organizing a transaction. These are transaction-specific assets, uncertainty in connection with the transaction, and the frequency

of a transaction. Specificity is the central determinant for the choice of governance structure. Williamson (1985: 56) argues that "asset specificity is the big locomotive to which transaction cost economics owes much of its predictive content". Specificity comes from investments that are made for certain transactions and which outside this particular transaction would mean loss of value. The degree of specificity increases with the level of the quasi-rent to be appropriated, in other words with the sum of the difference of the values in the focal transaction and its next-best utilization. Thus, specific assets cause a special dependency relationship which opens the door for opportunistic behavior. Transaction-specific assets invite the possibility to later renegotiate the conditions governing the contractual relations, explicitly or implicitly, in order to wholly or partly come into possession of the quasi-rent of the transaction partner (Williamson 1979).

In respect to human resource management, Williamson (1985: 240-272) and Williamson/Wachter/Harris (1975) differentiate between four modes of governance: internal spot market, primitive team, obligational market und relational team.

**Table 2: Efficient labor arrangements** (Williamson, 1984, 1985)

		Human asset specificity	
		low	high
Behavioral uncertainty	low	Internal Spot Market	Obligational Market
	high	Primitive Team	Relational Team

If human asset specificity and behavioral uncertainty are high, a relational team, that is, the permanent employment and internal career development of managers constitutes the most efficient governance mode. If, however, human asset specificity and behavioral uncertainty are low, a spot market contract, that is, a market or service-oriented contract in order to gain external managers on demand and for a limited period of time constitutes the most efficient governance mode. Interim-Management constitutes such an example of spot market contracting for managerial tasks.

**Table 3: Interim-Management vs. Permanent Management Personnel**

		Human asset specificity	
		Low	high
Behavioral uncertainty	low	Interim-Management	
	High		Permanent Management Personnel

Adding the third transactions cost criteria, namely the frequency of transaction, underlines these arguments. Interim-Managers are recruited for a specific single task, e.g. an IPO, an M&A, an implementation of a new software package, or for restructuring in general. These tasks are not permanent in nature, but constitute unique (not recurrent)

tasks. Thus, Interim-Management tasks in general reduce the risk of post-contract hazards and dependencies due to the spot market nature of the task and the contract.

Summarizing the argument, Interim-Management does not present a leadership paradox per se, but can be explained by transaction cost economics. In cases of low human asset specificity as well as low behavioural uncertainty, Interim-Management constitutes the efficient governance mode.

Proposition 1a: The higher human asset specificity, the less Interim-Management is utilized

Proposition 1b: The higher behavioral uncertainty, the less Interim-Management is utilized

Applying resource-based view (Penrose 1959, Wernerfelt 1984, Barney 1991), internal resources which gain and sustain competitive advantage are at the centre of analysis. In contrast to transaction cost economics, not only asset exploitation but in particular asset generation comes to the forefront when utilizing a resource-oriented framework. According to Wernerfelt (1984: 172) a resource is „anything which could be thought of as a strength or weakness of a given firm.“ According to Barney (1991: 101) “all assets, capabilities, organizational processes, firm attributes, information knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness” may be defined as strategic resources. In detail, Barney differentiates between physical capital resources, financial capital resources, organizational capital resources, and human capital resources. The resource-based view is based on two assumptions: resource heterogeneity and resource immobility (Barney 1991; Barney/Arikan 2001; Peteraf 1993). To qualify as a strategic resource, these resources need to be rare and valuable as well as hard to imitate and substitute. But it is not only the possession of critical resources that is crucial; a firm may achieve rents not because it has better resources, but rather the firm’s distinctive competence involves making better use of its resources (Mahoney/Pandian 1992). The goal is to generate sustainable strategic resources which are positively correlated with a firm’s success.

Interim-Management judged by resource-based arguments leads us to conclude that only those tasks should be given to Interim-Managers that do not belong to the core competency of the firm and do not imply a sustained commitment of resources to the company. In contrast, tasks that facilitate the generation of sustainable resources should be dealt with by internal permanent managers. Only permanent management personnel are in a position to bundle resources in order to generate unique competencies that stay within the company for a long period of time and are hard to imitate and substitute. Or put differently, only non-strategic resources and tasks may be given to Interim-Managers in order to avoid dissemination to competitors. Through Interim-Management of non-critical resources, capacities may be freed which again can be utilized in the generation of strategic resources (Gilley/Rasheed 2000). Thus, in contrast to transaction cost economics, the major goal of the resource-based view is not concerned with cost efficiencies but with the concentration on the core business.

Proposition 1c: If human resources constitute a strategic resource, Interim-Management is utilized to a lesser extent.

### **Interim-Management as a consequence of short-term-planning and reduced investments in human resources**

Besides referring to organizational theory, it is well known that strategic human resource management has considerable impact on human resource practice and organizational performance (Wright/Haggerty 2005; Delery/Doty, 1996; Huselid, 1995; MacDuffie, 1995). Strategic human resource management represents a long-term, systematic pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals (Mintzberg 1987, Weber 1989; Wright/McMahan 1992). Strategic human resource management allows for the anticipation of future demands in respect to required human resources (Devanna/Fombrun/Tichy 1984). Looking at the reasons for Interim-Management, short-term bottlenecks in respect to the necessary management resources constitute a major antecedent for the utilization of Interim-Managers. Even if some of these human resource shortages may come up at only short hand notice, a strategic oriented human resource management (e.g. a pro-active link between human resource development and corporate strategy, systematic human resource planning, or systematic evaluation of training needs) anticipates shortcomings and takes internal action to deal with these in a systematic manner. Potential actions include systematic slack resources or high flyer schemes that may serve as reserves for short-term shortages of management expertise.

Thus, a strategic human resource management would be in a position to reduce the demand for Interim-Managers – in particular if Interim-Managers are recruited due to short term vacancies caused by turnover and illness of management staff or due to shifts in the strategic orientation of the company.

Proposition 2a: Companies with a human resource strategy utilize Interim-Management to a lesser extent.

Proposition 2b: Companies having a pro-active link between human resource development and corporate strategy utilize Interim-Management to a lesser extent.

Proposition 2c: Companies having a systematic human resource planning utilize Interim Management to a lesser extent.

Proposition 2d: Companies having a systematic evaluation of training needs utilize Interim-Management to a lesser extent.

A different but related issue concerns the investments in human resources. In times in which lean management, outsourcing or downsizing have become something like a panacea for a healthy company, the search for cost efficiencies have become a major task for management (Matiaske/Mellewigt 2002; Matiaske/Kabst 2002). As can be witnessed, best practices, or put differently management myths, have been widely adapted. As Kieser (2002) points out, these management myths have become something like a permanent task even when companies earn decent profits.

However, if a company has (excessively) reduced its human resource investments in order to realize cost efficiencies, in particular its expenditures for training activities, than it may more easily run into a situation where its permanent managers need the support of Interim-Managers, either due to the lack of knowledge to carry out the task or due to poor performance having an Interim-Manager come in for a restructuring

job. Also, when sales increase rapidly or when new technologies gain widespread acceptance, Interim-Managers need to be brought into the company as the capacity to react to changes in business volume or product innovations may not be dealt with internally. Thus, companies which have reduced their investments in human resources over the last years (and thus may have overdone downsizing the company) may more easily run into a situation in which internal resources and competencies are lacking and external support in the form of an Interim-Manager is required.

Proposition 3: Companies having reduced training costs and the number of employees involved in training activities over the last years utilize Interim-Management to a higher extent

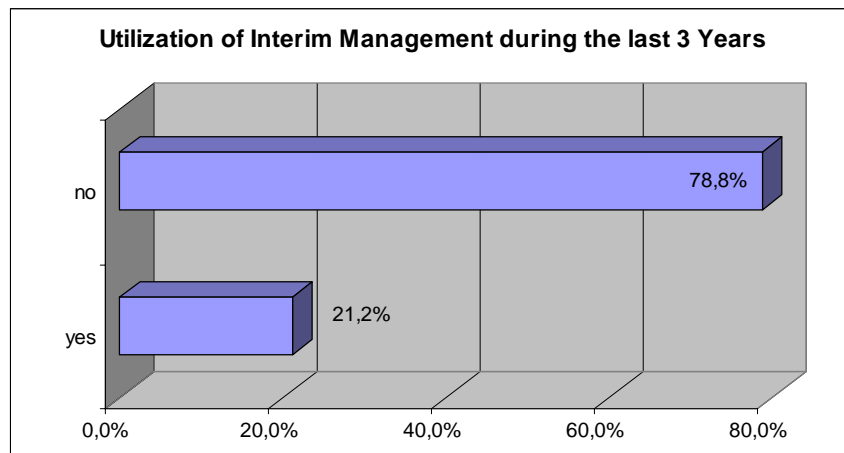
### Data and Methods

The basis for the empirical analysis is provided by the data set of the Cranfield Network on International Human Resource Management (Cranet). Cranet is an investigation of company practices and policies in human resource management on an international level. Data is collected via mail survey sending out standardized questionnaires to private and public organizations. Addressees are the managers responsible for human resource management in the organization. This study draws on the German data of the sixth round conducted during the years of 2004/2005. In Germany, 4,000 questionnaires were mailed out in December 2004, and 341 questionnaires were returned. Returns are checked for non-response bias without detecting systematic distortions.<sup>2</sup>

### Descriptive Statistics

Before testing hypotheses, some descriptive statistics are shown in order to inform about the utilization of Interim-Management in general, as well as to report about the tasks and the functions involved in Interim-Management.

Figure 1

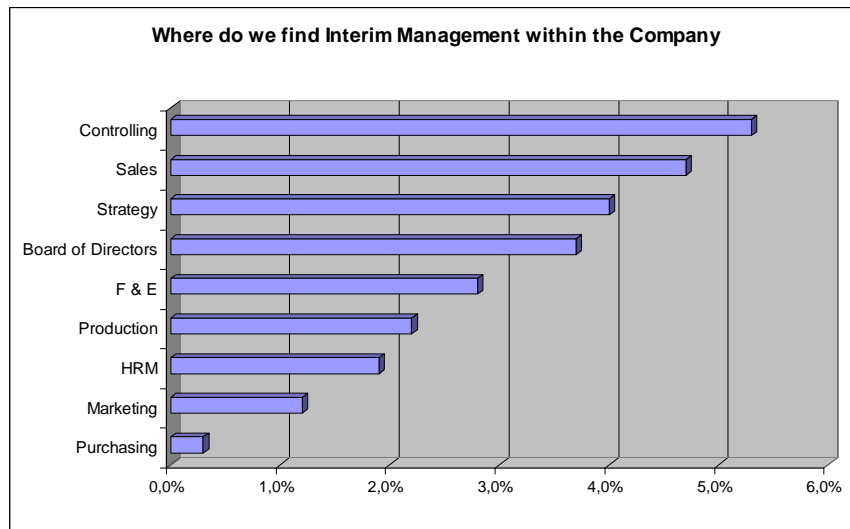


<sup>2</sup> For the Cranfield Project in general and the empirical methodology in particular see for example Brewster/Mayrhofer/Morley (2000) or Brewster/Mayrhofer/Morley (2004).

In accordance with previous studies (see Bloemer 2003a, 2003b), more than 20% of surveyed companies indicate that they have utilized Interim-Management during the last three years. Thus, the Cranet data set seems to fit former empirical evidence of the utilization of Interim-Management in Germany.

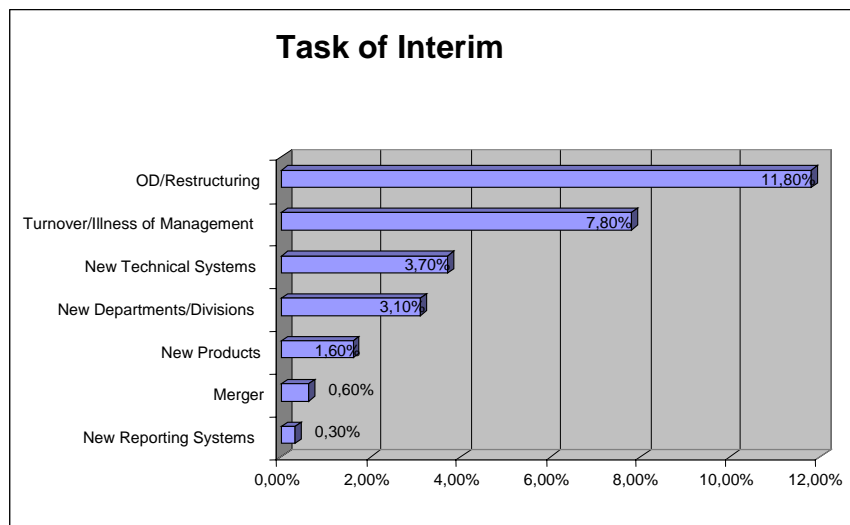
Looking at the functional areas in which Interim-Management is utilized, besides managerial functions like strategy and board, sales as well as controlling seem to be most frequently used areas.

**Figure 2**



The main Interim-Management tasks include organizational restructuring, individual management bottlenecks (like turnover or illness of managers), and the implementation of new structures or systems (like technical or reporting systems, but also new divisions or mergers).

**Figure 3**



## Measurement

The independent variables are measured either using likert-scale or binary items. The dependent variable Interim-Management is coded dichotomous in model 1 and ordered in model 2. As control variables, typical variables like the size of the company (measured by number of employees), the scope of the market as well as the market development are included. Furthermore, an item representing the flexible firm is included to see whether companies which generally utilize flexible labor contracts also show a higher probability of using Interim-Management.

## Empirical results

Using binary and ordered logits, the results show support for propositions 1a, 1c, and 3. Transaction cost economics in the form of human asset specificity and resource-based view provide for an explanation of Interim-Management from an organizational theory perspective. Furthermore, a reduction of investments in human resources (extend and costs of training) brings about a higher probability of utilizing Interim-Management. Proposition 2 in respect to strategic human resource management, however, did not find significant support. The utilization of Interim-Management seems to be independent of long-term systematic planning. The control variables included in the analysis did not show any significant results. Neither size nor scope or development

**Table 4: Empirical results**

	Model 1 Binary logit Utilization of Interim- Management during the last 3 years (yes/no)	Model 2 Ordered logit Utilization of Interim- Management during the last 3 years (never, rarely, often, frequently)
HR Specificity	-0,901**	-0,794**
Behavioral Uncertainty	0,184	0,137
HR as Strategic Resource	-0,898*	-0,879*
Human Resource Strategy	0,442	0,361
Pro-active link HRD-Corporate Strategy	0,660	0,619
Systematic HR Planning	-0,039	0,010
Systematic Evaluation of Training Needs	0,035	0,099
Change in Training Extend and Costs	-0,256*	-0,240*
Number of Employees	0,001	0,001
Scope of Market	-0,276	-0,277
Market Development	0,527	0,639
Flexible firm	0,050	0,050
R-Quadrat (Cox & Snell)	0,147	0,141
R-Quadrat (Nagelkerke)	0,235	0,201
Model chi-square:	25,210	23,980
-2 log-likelihood:	131,239	166,591
Signifikance	0,014	0,020
N	158	158

\*\*\* ≤ 0,001; \*\* ≤ 0,01; \* ≤ 0,05

of markets seems to provide significant insights. Furthermore, companies which generally seem to fit the picture of a flexible firm, that is, frequently utilize other forms of labor flexibility, do not show any significant association with Interim-Management.

### **Conclusion and future research**

Interim-Management constitutes a different angle of labor flexibility, addressing executives instead of blue- or white-collar workers. For the last decades, academics have heavily discussed different forms of flexibility like part-time, annual-hours-contracts, tele-working and so forth, however, focussing on non-managerial personnel. It is just over the recent years that the occurrence of Interim-Management attracts the interest of academics and practitioners. Not surprisingly, Interim-Management shows characteristics of governance between market and hierarchy, spanning from permanent management to consultancy, but also outsourcing seems to fit the general picture of a flexible firm. Interim-Management, however, is unique, as we have seen from our study. It is based on a temporary service contract, provides for external management knowledge, and allows for decision as well as instruction authority.

The study shows that Interim-Management does not constitute a leadership paradox, but can be explained by established organization theory. In particular, temporal and non-recurrent tasks that do not require intensive firm-specific or strategic resources are qualified for Interim-Managers. These tasks, provided that task achievement is measurable, are most efficiently managed by spot market contracts instead of permanent employment contracts. Interim-Management provides for additional managerial flexibility without provoking ex-post contractual hazards. If, however, the task to be performed requires firm-specific knowledge or relates to the core competency of the company, a spot-market contract would be at odds. In this case, only permanently-employed managers, aligned to the company via internal career planning and intrinsic commitment, constitutes the most efficient governance mode.

Furthermore, our study puts Interim-Management in relation to modern management practices like Lean-Management, Outsourcing, or Downsizing. The Cranet data provides for empirical evidence suggesting an association between systematically diminishing investments in human resources and Interim-Management. Explicitly, Interim-Management seems to be a consequence of a continuing reduction in the extent and cost of training activities, posing the question whether to some degree Interim-Management may be a signal for an exaggerated cost orientation (at the expense of far-sighted internal knowledge development).

In summary it can be ascertained that Interim-Management still constitutes a rather young and underdeveloped phenomenon. Questions that need to be addressed in future research include looking at the task of Interim-Managers in more detail in order to identify a unique pattern. Also, the question whether and when Interim-Managers become permanent internal management staff has not yet been analyzed in depth. Whereas an increasing number of studies provide for insights of bundles of human resource instruments on performance, the performance implications of Interim-Managers – in particular as an element of a bundle of coherent human resource practices – need to be addressed. Thus, Interim-Management provides for rich ground for future research.

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*Martin Büscher, Domingo García-Marzà,  
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Perspective. Methods, Cases, Levels in  
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How to support the ethical orientation of business and management? Often enough, the dimension of values is conceptually considered alien to the daily business sphere. Realistically speaking this is only a part of the truth.

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**Key words:** Business Ethics, Values, Corporate Social Responsibility (CSR), Stakeholders, Social Justice, Business and Society, Leadership, Economic Ethics

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