

Overcoming Opportunistic Behavior of Personnel in Modern Companies

¹Andrey Petrovitch Andrunik and ²Andrey Gennadevich Svetlakov

¹Perm National Research Polytechnic University, Perm, Russia

²Perm State Agricultural Academy n.a. Academician D. N. Pryanishnikov, Perm, Russia

Abstract: The problem of moral hazard is now particularly acute both in Russia and abroad due to the transformation of social relations, change of the status of company employees and managers, development of stock markets, increasing complexity of products and, consequently, the need for higher qualification of employees. The specificity of the work process often complicates determination of the actual contribution of a particular employee, which creates conditions for shirking. It is known that the opportunistic behavior of the employees is now an acute problem for more than 40% of innovative enterprises, which lose 15% of their revenue as a result of deviations in the employees' behavior. This situation greatly reduces the investment potential for owners and potential investors, as well as the attractiveness of the company for highly qualified personnel. In this context, the practical need to develop preventive mechanisms to reduce the opportunistic behavior of employees in modern companies determines the relevance of the problem.

Key words: Moral hazard • Social relations • Opportunistic behavior • Highly qualified personnel

INTRODUCTION

The economic crisis inevitably leads to an aggravation of contradictions at work. World practice shows that for the competitiveness of modern enterprises, one of the most important factors is the effective management of social and labor relations.

However, the theoretical delay in understanding of the socio-structural and economic changes in the sphere of labor, a number of unexplored problems related to forming new strategies of work behavior of personnel at modern enterprises, the lack of generalization of scientific and applied research revealing the correlation between the level of labor motivation and the active system of motivation and incentives and status of workers and their social roles in a specific enterprise predetermined the scientific interest and research strategy of this work.

Universal principles of classical management, formulated by the leading American and European theorists of management, considering financial and operational capabilities of the company as a main factor of success, proved themselves fairly well in resource economics [1-4].

However at present, in all developed countries, the economic paradigm changes, the importance of the distribution phase in the reproductive process and the

humanistic trends in management theory and practice increase; at that, the sphere of intangible services is recognized as a key element of production sphere [5].

The Main Part: Analysis of twenty-five large-scale problems [6], formulated by the known scientists and heads of large-scale companies within the new paradigm "humanization of organization" (Management 2.0), leads to the conclusion that the problem of development of new programs, models and theories interconnected with each other by the harmonious system of organization management and capable to bring management to a new level, remains open.

At that, in the sphere of labor, we find the following contradiction: on the one hand, the old concept of values of employees, focused on the priority of public interest, loses its effectiveness, on the other hand, the management of modern enterprises have neither fully mastered the technique for identification of staff conduct yet, nor the preventive means and mechanisms of management of social and labor relations, providing achievement of organizational goals under new conditions [7].

Besides, it should be noted that currently, the evolution of views on the labor process, which involves not only the subjects and objects, but also the value, is at

the stage of completion. Different value perception of the image of social and labor relations is the basis for various forms and principles of staff conduct, which explanation has become one of the main objectives of neo-institutionalism, which key paradigm is the concept of *moral hazard (or opportunistic behavior)*.

The opportunistic behavior (hereinafter - OB) is the mode of action of the economic entity, not limited by moral considerations, accompanied by the acts of deception, contradicting to the interests of other agents and characterized by a tendency to implement only proper interests [8, 9].

Opportunism is manifested primarily in providing or receiving incomplete or distorted information about the real state of the labor process by the subjects of social and labor relations and in the presence of hidden and overt economic conflicts, the nature of which is an imbalance of interests of the owner, management and employees. However in practice, opportunism takes ever more subtle forms such as fraud, which can take both active and passive forms and manifest "ex ante and ex post" [10].

It is known that the opportunistic behavior of the employees (including the economic crime) is now an acute problem for more than 40% of innovative enterprises, which lose 15% of their revenue as a result of deviations in the employees' behavior [11]. Therefore, issues of intraorganizational behavior are particularly important because the level of employees' satisfaction with their work and the working conditions, determines the competitiveness of the entire business structure.

In terms of management psychology the employee's aspiration to satisfy their needs, working in a concrete structure, allows launching proper personified vector of conduct based on the involvement of own resources in social and labor relations. Moreover, any option of conduct necessarily has the result. The desirable result in the organization is the effective work and, as a consequence, the maximization of profit at minimum cost.

However, we know that the use of administrative and economic instruments as a method of managerial influence on human behavior is intermittent or even opposite to the expected result, as the possibility of "irrational" behavior of a person determined by internal stimuli, in this case is not considered [12]. Therefore, the method of personnel management in the organization, management of behavior, apparently should take into account external and internal motivation of the individual employee.

Under the theme of this study it is supposed that the vector of employee behavior is an active state of the system of specialized brain structures, motivating behavior change in the direction of minimizing or maximizing the state, which can be represented by the following expression [13]:

Where: $Bv = f [I, M] = f [I, (Tp - Tr)]$

- Bv - Vector of behavior
- I - impulse, force of the actual need
- Tp - tools prognostically necessary to meet the requirements
- Tr - real tools to meet the existing needs of the subject at the moment
- M - motive, evaluation of the possibility of satisfaction of the needs based on innate and ontogenetic experience.

For possible reduction in the symptoms of opportunistic behavior it is necessary to identify the types of staff. On the one hand, this allows setting some arbitrary set of OB a priori (fraud, concealment of information, violation of the undertaken commitments, shirking, extortion) and on the other hand, formulating the preventive mechanisms to minimize the negative impact of these factors.

The type of OB is understood as a particular representative or the group of employees, being the carriers of characteristic signs of OB, which were identified in the course of experimental work at a few large companies with various forms of ownership and market segments in the Perm region.

The analysis of forming deviations in the behavior of 250 employees before employment and during work and the survey of 50 managers allowed revealing the workers with negative personal traits and determining the degree of their OB.

This work allowed determining the following types of personnel OB with a certain degree of conventionality: A-type, B-type, C-type.

A-type of opportunistic behavior arises between the workers and management and is due to an insufficient level of qualification and motivation.

Each person has certain abilities that may be determined from his personal and professional qualities. At the same time there are certain requirements to every post (a profile of requirements); the compliance with these requirements is necessary to do the work assigned to this

post. If we manage to achieve the compliance of these requirements with the human abilities, we attain a positive result.

On the other hand, the work in any position assumes a concrete reward. And if it encourages people to work effectively (or no worse than before), the appropriate attitude to work will contribute to a positive result.

Thus, the problem of creating an effective mechanism to control OB is to establish an agreement between the abilities and requirements, as well as between reward and motivation in order to connect the intentions with the ability for meeting specific personal or organizational goals. This is the simple formula, which application in work with personnel allows limiting the "repertoire" of OB manifestations of A-type (Fig. 1).

The skills and motivation of employees can be assessed by using a *motivating certification*, which means the evaluation of the compliance of employee's motivation and qualification with the company development goals.

As an indicator of this assessment it is expedient to use the coefficient of motivation and skills compliance with the company development goals.

$$C_{compl.} = \frac{Q_{act}}{Q_{req}} \quad (1)$$

where Q_{act} , Q_{req} - is the actual and the required levels of qualification and motivation compliance with the company development goals;

$$Q_{act} = \sum_{n=1}^5 N_{man}^n \times S^n \quad (2)$$

where N_{man}^n - is the actual number of managers with n-level of motivation and skills compliance with the company goals;

S^n - numerical score of n-level of qualification and motivation compliance with the company development goals for each manager (Table 1);

$$Q_{act}, Q_{req} = \sum_{n=1}^5 N_{man, req}^n \times S^n \quad (3)$$

where $N_{man, req}^n$ is the required number of managers with n-level of their motivation and skills compliance with the company goals;

Table 1: Characteristic of the levels of qualification and motivation compliance with the company goals

| Characteristic of the level | | | |
|-----------------------------|---|--|-------|
| Level | Qualification | Motivation | Score |
| 1 | Highly qualified specialist. Sets and successfully achieves long-term goals (3-5 years), systematically identifies and independently eliminates unnecessary work, understands his functions, powers and responsibilities, as well as the functions at the higher level. | Initiative, independent. Will do everything that is necessary for realization of the company development goals. | 5 |
| 2 | Sets and successfully achieves medium-term objectives (for 1-3 years), if necessary identifies and eliminates unnecessary work, understands his functions, powers and responsibilities, needs certain preparation to understand the objectives at the higher level. | Will do everything he can for realization of the company development goals. | 4 |
| 3 | Sets and successfully reaches short-term objectives (within a year), being supported by higher management is capable to identify and eliminate unnecessary work, does not completely understand his functions, power and responsibilities. | Sufficient qualification but low level of motivation. Will participate in realization of measures for the company development. | 3 |
| 4 | Have initial professional skills, little experience and knowledge. Copes with the set short-term objectives, under the pressure from the management identifies and eliminates unnecessary work, not completely understands his functions, power and responsibilities. | Often acts as passive observer. Lacking initiative. | 2 |
| 5 | Low qualification, dishonest employees, loafers, slackers. Unable to cope with the tasks, does not reveal unnecessary work, does not understand the functions, powers and responsibilities. | Indifferent to the problems of the company development | 1 |

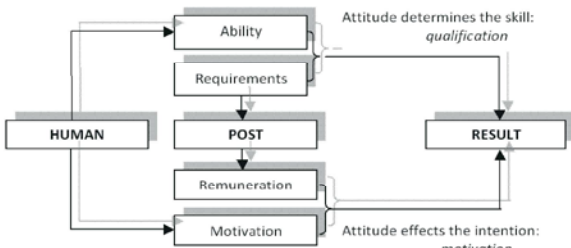


Fig. 1. Model for managing personnel with OB of A-type

S^n - numerical score of n-level of qualification and motivation compliance with the company development goals for each manager.

Evaluation scale for the level of qualification and motivation compliance with the company development goals is presented in Table 1.

The motivating certification in several major trade organizations of Perm region has showed that the rate of qualification and motivation compliance, equal to 0.6 or less, means that the level of skills and motivation is not adequate to the set tasks. To get the result with the required parameters there is a need in substantial training of the employee. The high rate of labor efficiency growth in the organization is observed when the ratio is > 0.6 .

Costs associated with OB manifestation of A-type, can be calculated by applying the ratio of working time C_{wt} :

$$C_{wt} = C_e + C_i \quad (4)$$

where C_e coefficient of the extensive use of working time.
 C_i - intensity factor of working time;

$$C_e = (F - L)/F \quad (5)$$

where F is overall fund of working time;
 L - losses of working time;

$$C_i = 1 - \sum_{i=1}^m (i_a - i_n) \quad (6)$$

where i_a , i_n - actual and normative percentage of each element in the structure of the working time balance;
 m - number of types of working time.

B-type of opportunistic behavior occurs between the workers and management and is due to injustice in the evaluation of the employee's labor, i.e. lack of relation between the job performance and payment for both the employee's and his colleagues' work.

The idea of the "theory of justice" by Stacy Adams is that during work the person compares the evaluation of his actions with assessment of the actions of others. On the basis of this comparison, depending on whether the person is satisfied with the comparative assessment or not, the person defines the direction of his behavior in the organization.

So, Adams identified six possible effects of opportunistic behavior on the B-type: reduction in the intensity and quality of work and increase in remuneration, for example, by stealing goods or other illegal forms of compensation increase for the account of the organization; reassessment of proper capabilities, resulting in possible decrease of workers' self-confidence; attempts to influence the organization and compared people either to force these people to increase costs or to achieve reduction of their remuneration; change of the object of comparison, the transfer to a different subdivision or dismissal.

To measure the relationship between the job performance and payment it is advisable to use the correlation analysis. Investigation of remuneration systems in the main trades of various companies in the Perm region allowed us to determine that the correlation coefficient between the results of their work and pay is in the range from 0.1 to 0.7. I.e. increase of efficiency of resources use is possible at a correlation coefficient larger than 0.7.

Costs associated with the expression of B-type, can be calculated by applying the coefficient of efficiency of functional responsibilities Cf.r.:

$$Cf.r. = \frac{F_{total.perf}}{F_{total.del}} \quad (7)$$

where $F_{total.perf}$ - the amount of functional responsibilities, actually performed by the employee.

$F_{total.del}$ - the total number of functional responsibilities under the job description and delegated and performed duties.

C-type of opportunistic behavior arises between the owner and the management and is due to low involvement of staff in the process of increasing the productivity and efficiency of resource use.

This type of opportunistic behavior is due to the presence (absence) of the employee's interest in how his work is organized, the conditions of his work and how it affects the work of the organization. He seeks to

participate in all the processes that are related to his activities in the organization, but are out of the scope of his direct responsibility and his job.

As an indicator characterizing the involvement of employees in management processes, it is advisable to use the ratio of the need for organization and remuneration system development, which, on the one hand, shows the percentage of company specialists and managers, involved in the development of organization and remuneration system and on the other hand, takes into account the need in improvement for each participant of the system development.

The coefficient of need is determined from the formula:

$$C_{\text{need}} = \frac{\text{Lev. act. need}}{L_{\text{req}}} \quad (8)$$

where Lev. act. need, L_{red} - is actual and required level of the need to develop the organization and remuneration system.

$$\text{Lev. act. need} = \sum_{n=1}^4 N_{\text{act. man}}^n \times S^n \quad (9)$$

Table 2: Characteristic of the levels of the need to develop the organization and remuneration system (for the manager)

| Level | Characteristic of the level | Score |
|-------|---|-------|
| 1 | Capable to entirely perform the realization | 3 |
| 2 | Capable to perform part of realization | 2 |
| 3 | Will take part in realization | 1 |
| 4 | Indifferent to realization | 0 |

Table 3: Generalized description of the types of opportunistic behavior

| OB Type | OB Subjects | OB Object | OB Reason | OB Indicator | Method for OB Identification |
|---------------------------------------|-------------|--|--|---|------------------------------|
| A | Employee | Low level of labor organization | Insufficient level of qualification and motivation of employees | Coefficients of qualification and motivation compliance with the organization goals (K_{compl}), Coefficient of working time use (K_{wt}) | Motivating certification |
| | Manager | Low level of labor and equipment productivity | | | |
| B | Employee | Unreasonable low evaluation of working results and salary level | Weak relation between the work results and remuneration level | Efficiency of functional responsibility ($K_{\text{f.r.e.}}$) | Correlation analysis |
| | Manager | Overrated requirements of employees to the level of remuneration | | | |
| C | Owner | Low level of labor and equipment use | Low level of managers' involvement in the organization and remuneration system development | Coefficient of need (C_{need}); Coefficient of function duplication ($C_{\text{f.d.}}$) | Method of expert evaluation |
| | Manager | Insufficient resources and power for managing the resources | | | |
| By-products of opportunistic behavior | | | | | |

$B = R \times T_a \times P$, where

R- hourly wage rate

T_a - actual working hours per month

P - percent of evasion from work ($C_{\text{work}} + C_{\text{f.r.}} + C_{\text{f.d.}}$).

where $N_{act.man}^n$ - is actual number of managers with n-level of the need to develop the organization and remuneration system (Table 2).

S^n - numerical score of n-level of the need to develop the organization and remuneration system (Table 2).

$$L_{need, req} = \sum_{n=1}^4 N_{man.req}^n \times S^n \quad (10)$$

where $N_{man.req}^n$ - is the required number of managers with n-level of the need for development of the organizational system and remuneration.

S^n - numerical score of n-level of the need to develop the organization and remuneration system.

The evaluation scale for the level of the need to develop the organization and remuneration system is presented in Table 2.

Costs associated with the C-type behavior can be calculated by applying the rate of function duplication Cf.d.

$$Cf.d = \frac{Fd}{F_{total}} \quad (11)$$

where F_d - is the number of functions, duplicated in subdivisions.

F_{total} - the total number of functional responsibilities under the job description and duties performed as delegated.

Generalized description of employees' OB that serves as a summary of this study is presented in Table 3.

CONCLUSION

Thus, the effectiveness of management and competitiveness of the company in the long run will be determined by how the administration can "melt" the listed components in the corporate culture and to consolidate the interests of the employees of the organization. However, the results of the research of personnel OB showed the following trend: the removal of the reasons of A-type of OB the efficiency of resource use in the labor process increases to 20%, B-type - up to 25%, C-type - to 40%. At elimination of the causes of OB of all three types the increase in resources efficiency can reach 85% [14].

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