

THE SUPPLY CHAIN AND ITS MANAGEMENT: SHOULD WE BE THINKING LOOPS AND LINES?

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ABSTRACT

Supply chains are generally presented as linear flows of goods, services, relationships, information, finances, and human resources. Even the term “vertical integration” depicts upstream and downstream flows from a linear perspective. This paper argues that that supply chain relationships are frequently not linear by nature, but rather a combination of loops and lines where key actors and stakeholders influence relationships and change flows of inputs and outputs. The paper explores the “loops and lines” concept and the many implications it has to relationship marketing and management.

INTRODUCTION

Supply chains are generally presented as linear flows of goods, services, relationships, information, finances, and human resources. Even the term “vertical integration” depicts upstream and downstream flows from a linear perspective. This paper argues that supply chain relationships are frequently not linear by nature, but rather a combination of loops and lines where key actors and stakeholders influence relationships and change flows of inputs and outputs. The paper explores the “loops and lines” concept and the many implications it has to relationship marketing and management. The development of the paper is as follows: Discussion of key concepts and definitions that ground the paper, application of loops and “mutual causalities” (Morgan, 1998, p. 274) to supply chains flows, and the implications of the loops and lines model to stakeholder interactions and relationship marketing. The conceptual framework for the discussion and the figures that follow is based on an actual fieldwork experience conducted over the spring and summer of 2005 through observation and interview within a regional office and retail store of a large corporation primarily serving academic and professional training institutions. Details regarding the name of corporation and its activities are not disclosed.

CONCEPTUAL FRAMEWORK

Supply Chain Management Definition

There is evolving body of literature devoted to the quest for a definitional consensus of supply

chain management (Mentzer et al., 2001; Gibson, Mentzer, & Cook, 2005.) While definitional grounding is important to this paper, review of the literature devoted to defining SCM is beyond the scope of this study. Suffice to say that we—the authors—frame the understanding of SCM in two definitions developed by the Council of Supply Chain Management Professionals (CSCMP):

- A. ‘Supply Chain Management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all Logistics Management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third party service providers, and customers. In essence, Supply Chain Management integrates supply and demand management within and across companies.’
- B. ‘Supply Chain Management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, demand creation and fulfillment, and all Logistics Management activities. Thus,

it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In essence, Supply Chain Management integrates supply and demand management within and across companies.’

Alternative A (above), as reported in the Gibson, Mentzer and Cook article and survey (2005)--representing input from participants practitioners, academicians, research and media/publishing interest groups--was ultimately adopted by the CSCMP; the underlines represent what the authors felt to be the key differences between the two definitions. Survey results showed that collaboration with customers and suppliers was considered to be the primary activity of SCM (80.8%). Interestingly, however, “marketing” did not receive strong support as an important activity of SCM (39.9%), and therefore was omitted from the CSCMP organizational definition. The role of marketing and sales is acknowledged in Alternative B – as “demand creation and fulfillment.” Apparently, SCM activities of “Supplier & Customer Collaboration” were perceived as something *other* than those of “Marketing.” We will return to this point later as it offers implications to further research.

Traditional Depiction of SCM Flows

The flows of supply chain activities are generally depicted in linear fashion. Figure 1 illustrates such activity flows of possible upstream, downstream, and reverse flows of goods, services, finances and/or information for a college bookstore.

FIGURE 1 ABOUT HERE

Loops and Lines and Mutual Causalities

The relevance of mutual causality for understanding the events and processes that shape organizations and their contexts is that it can be used to understand the dynamics of many different kinds of

organizational problems (Morgan, 1998, p. 236).

The above quotation is stated in the context of organizational development/organizational science and focuses on diagnosis of organizational problems. However, it also provides insight into supply chain flow activities and their management. Specifically, *if* SCM activities are viewed as a pattern of relationships of loops and lines--versus lines alone--this provides a much richer image of the activities and stakeholders involved in the system under consideration. Morgan advocates searching for critical systems patterns. This is accomplished by identifying those “positive and negative feedback loops that are shaping a situation” (1998, p. 240.) “Positive feedback loops” tend to lead to diminishing returns; “negative feedback loops” tend to be cybernetic by nature: or, much like a ship that turns too far in one direction or another, a negative feedback loop counters that activity and turns it back on course. The long-term result of positive and negative feedback is a more balanced and integrated system. In other words,

Solutions depend on the development of shared understandings of the problem, and an ability to reframe system dynamics so that short-term individual interest and long-term sustainability and development become more balanced and integrated. (1998, p. 241).

Let’s apply the loops and lines approach to the case of the corporation under consideration--a corporation that is increasingly concerned with dwindling profits and loss in market share. As stated previously, Figure 1 shows two linear views of the corporation’s direct and extended supply chain. Yet, these views of their supply chain are far too simple. In fact, they present the customer base too narrowly, and do not provide necessary deeper understanding of the relationships *and* the positive and negative feedback loops that potentially influence the end user and the entire supply chain system.

As argued by Morgan, using a “cause and effect” method of analysis is a straight line approach that does not necessarily look at destructive patterns within the supply chain (1998 p. 239). Prior to the twenty-first century, corporate and bookstore management typically looked for cause-and-effect type relationships influencing dwindling profits. Their actions recall Morgan’s discussion—i.e., in

short, they were “searching for simple causes that lie at the root of the problem” (Morgan 1998 p. 236). By attributing declining market share to factors such as the rise in e-commerce, the increase in publishing frequency of new editions, and the presence of international editions, management did not recognize that evolving relationships *between* supply chain members significantly influenced their situation. No one causal factor can be blamed for what turns out to be numerous effects. There are, indeed, mutual causalities.

FIGURE 2 ABOUT HERE

Figure 2 presents a clearer picture of the system in which our case study bookstore exists. Shown are positive and negative feedback loops that, over time, have contributed to the bookstore’s loss of market share. Positive feedback loops outweigh negative, and therefore, balance cannot be achieved and sustained. The diagram briefly illustrates the “used book” phenomenon that began in the mid-twentieth century. College students became aware of faculty decisions to use the same text semester after semester. New editions were published less frequently at that time--about every 8-10 years (Roediger, 2005). College students began selling textbooks to each other (Roediger, 2005), and bookstores realized that an opportunity existed to sell used books. The sale of used textbooks created a higher profit margin for bookstores (NACS, 2005), but meant a lower profit margin for publishers. In an attempt to correct this action, publishers reacted by publishing new editions at a faster pace (CALPRIG, 2004). By doing this, professors were forced to reevaluate whether older editions would be used from year to year or if new editions would replace older editions. Publishers began to target professors directly by developing relationships, generally through telemarketing representatives. New editions were used more frequently at an increased cost to students (CALPRIG, 2004). Students rebelled and found alternatives to purchasing new editions at the college bookstore. E-commerce gained momentum and offered opportunities for texts to be bought at lower costs and international editions to be purchased (*United States Department of Commerce E-Stats*, 2004 p.4; Lewin 2003). Additionally, competition increased in the textbook industry. Reacting to the increased number of players in the industry, publishers developed “bundling” techniques, where several materials to be used in a class were packaged and sold together (CALPRIG, 2004); bookstores pushed for textbook “customization” and electronic versions of printed text. The intermediary publishing business emerged and continues to grow as a result of

this trend. The business of these intermediaries is that of “bundling” and customization of materials--often from *multiple* publishing houses. Frequently, antagonistic relationships develop between one or more of these supply chain members as they find themselves competing against one another. For example, the sale of bundled chapters by an intermediary potentially cannibalizes the sales of entire textbooks by a publisher.

It appears that factors contributing to loss of market share can be traced back to the rise of used book sales, but, again, there are many factors involved. While supply chain members tried to outdo each other, they *caused* the system to evolve, which, in turn, had a negative effect on their own sales. These events recall Morgan’s view of the destructive processes that are often self-perpetuating: “team members may be so competitive that in trying to outperform each other they end up eroding each other’s success” (1998 p.240). In failing to recognize the scope of their environment and the relationships between the supply chain members, corporations encounter many problems. Indeed, all companies must “recognize how they are part of their environment” and must not underplay “the significance of the wider system of relations in which they exist” (Morgan, 1998, p. 219), as “...in the long run, survival can only be survival *with*, never survival against, the environment or context in which one is operating” (1998, p. 221).

In fact, the business of textbook selling today is somewhat complex. Decisions to *order* a particular textbook are not made by the end user. This decision is made by a faculty member. As supported through fieldwork interviews, publishers have little reason to target the end-user--the student directly if a textbook order comes from another source. Communication between publisher and professor, therefore, is vital. It was and still is necessary to cultivate these relationships to sell newer editions of books. While the time dedicated to developing this relationship between publisher and professor is beneficial, it is generally acknowledged that relationships must be nurtured *throughout* the supply chain. An action made by one member will affect the entire system in which the supply chain exists. Figure 2 illustrates that a balance between positive and negative feedback needs to be achieved within any system of relations. This can be optimized if actions/reactions are seen as loops and in the context of mutual causalities.

Figure 3 revisits Figure 2, but demonstrates the effect that additional negative feedback loops

may have on the system. This is illustrative of a more balanced system where win-win situations are created. Instead of letting the positive feedback loops get to the point where both bookstore *and* publisher lose significant market share, negative feedback, in the form of collaboration, is illustrated in the visual. This figure is based on real world experiences as observed in this corporation. In this example, the need for this negative feedback is primarily due to actions, such as purchasing decisions, that are made by the end-user in the supply chain--the student.

FIGURE 3 ABOUT HERE

Strong relationships between supply chain members allow the additional negative feedback shown in Figure 3 to evolve further. In this situation, decreased profits experienced by the bookstore and publisher, as well as an end-users' (students') demand for lower prices, lead to a realization that books need to be sold and published differently. With a strong relationship infrastructure between supply chain members, these two needs are approached with one common solution. As an example, one solution is to develop a customized text. Adding this negative feedback has the potential to offer benefits to all stakeholders who are involved in its development. Faculty members still play a decision-making role by choosing what to put in this customized text. The customized text contains excerpts from several sources. Both the bookstore and publisher face less competition if such an approach is adopted. The product is then differentiated. The inherent uniqueness of a customized text makes purchase at the bookstore necessary. The student no longer needs to purchase multiple textbooks for one class, as these customized texts often offer more value at less cost to the student. As an example: a textbook is required for a class but not used extensively in the course, or only a few chapters are addressed in class. The buying behavior of the student also changes. It is valid to say that the supply chain members surrounding the end-user play a very important role in the purchase decision (Morrison 2004, p. 135). Yet, it is also important to note that the end-user plays an equally important role in determining who, ultimately, will be the seller. All of these issues and decisions ultimately affect purchase and flows of raw materials, information and other resources within the SC system.

Viewing the SC as a system of loops does not necessarily exclude the traditional linear representations. Rather, each enhances understanding of the dimensions of the supply chain. It enriches the archetype (Senge et. al, 1994), or the

mental model of the SC, making it more visible and representative of the pattern of relationships that interact affecting entire courses of events. The supply chain, therefore, emerges as a social system and should be managed as such—which brings us to the next section.

REVERTING BACK TO DEFINITIONS OF SCM AND MARKETING

Earlier discussion addressed the Gibson, Mentzer and Cook article and survey (2005) and the official definition of SCM adopted by CSCMP. Reiterating, “marketing”--defined in the survey as “demand creation and management”--was not considered to be a primary activity of SCM, and therefore, excluded under Alternative A.

The discussion of “loops and lines” appears to beg the question--at least to authors of this paper—as to the need for a consensus definition of “marketing.” As noted by Potoker (2000), in the last decade “marketing” has evolved from being equated with “sales”—or, away from the view that marketing’s activities begin (only) once goods and services are produced. This is a “transactional” view of marketing. Rather, the contemporary view, as supported by the American Marketing Association, acknowledges that marketing’s activities begins with the conceptualization of needs and the concern with transformation of those needs into utility creation in the form of pricing, promotion, and distribution of ideas, goods, and services. In fact, the current definition adopted by the AMA is as follows: “Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders” (Keefe, 2004). Grounding this perspective is the recognition that relationships with customers and suppliers are key throughout the marketing process. *This* is the “relationship” view of contemporary marketing activities. Given the discussion of loops and lines and the application of this concept to SCM, it is easy to see that effective SCM is *very* relational, indeed. It is recommended, therefore, that future research regarding definitional consensus of SCM consider how and if “marketing” and the many activities it encompasses are different from (or exclusive of) those of “Supplier and Customer Collaboration” We would argue it is not. Reaching a consensus view of the definition of SCM may be more attainable if this point is resolved in accordance with contemporary views of marketing’s activities.

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Note: Due to space restraints for the Proceedings, Figures are not included, but will be provided upon request. Contact epotoker@mma.edu for further information.

RESPONSIBLE BUSINESS PRACTICES IN THE REVERSE LOGISTICS PROCESS: ORGANIZATIONAL ORIENTATION VERSUS INTERPERSONAL ACTIONS

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ABSTRACT

Interest in the dynamics within channels of distribution has increased tremendously over the past 20 years. This research agenda has directed much of the investigations of distribution issues on “downstream” operations, that is, from manufacturer to end user. However, a significant yet relatively neglected issue is reverse logistics, in which, products move in the opposite distribution channel in the channel. With increased pressure from consumers, organizations are beginning to develop increasingly liberal attitudes with returns. Responsible business practices would suggest that market orientated firms would act in a consistent manner in all situations, but this may be false. As a result, the purpose of this paper is to develop a framework of the interpersonal and inter-organizational influence on return processes. Specifically, we develop a macro-micro model, based on consumer behavior concepts and existing strategic orientations. This framework is used to identify proposed behavioral relationships in the reverse logistics process.

Researching various literatures, we propose that power in the channel of distribution and a market orientation will influence a reverse logistic orientation, subsequent return policies and the returns service climate. In addition, we also suggest a framework in which to investigate the influence that a reverse logistics program has on both the customer return experience and customer satisfaction. The outcome of this research has several implications for managers. First, organizations that are focused on becoming market oriented need to consider the implementation of a successful reverse logistics program or improving current practices. Reverse logistics programs are a priority due to the close customer contact and the impact potential impact on customer satisfaction and thus to truly be market oriented, organizations should dedicate efforts to developing successful programs. Second, to be successful, managers have to be aware of the large resource commitment needed to implement strategic reverse logistics programs. Management commitment and support of a reverse logistics programs can be done dedicating resources, and at the same time, it also symbolizes the commitment of the organization in striving to be or enhance its market orientation. As such, this research is important as it indicates the priorities that organizations need to place on the consumer and the organizational processes in handling returns.

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STRATEGIC AND OPERATIONAL PERFORMANCE OF INTERORGANIZATIONAL INFORMATION SHARING

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ABSTRACT

Information sharing is a young concept in academic research although the positive impact of an intensive data exchange between trading partners in the supply chain has been shown by numerous empirical investigations. Information sharing is defined as the regular and voluntary exchange of data beyond transmittal of data that is necessary in operative supply chain management. The logical consequence of information sharing is a redesign of interorganizational logistics processes and collaboration concepts. On the basis of information sharing, modern supply chain management (SCM) concepts like vendor-managed inventory, efficient consumer response or cross docking can be executed.

Despite the largely investigated impacts of such concepts in SCM, primarily carried out in logistics and SCM research, firms are expected to share information intensively. But practice looks different. In particular, many small and medium-sized enterprises do not participate in information-based long-term collaboration. Based on these considerations, the central question of the research-in-progress at hand is: What are the drivers for firms to share information with their trading partners? What benefits can be achieved by means of information sharing?

Information sharing requires interorganizational information systems (IOS). Benefits and adoption drivers of IOS have been widely investigated primarily in IS and supply chain management research. In order to identify and understand potential drivers of information sharing, findings mainly from organizational theories are analyzed. The conceptual basis of this investigation relies on the Resource-Based View of the firm, Transaction Cost Economics, the Complementarity Theory, and the Theory of Embeddedness.

The research question is addressed by development of a structural model that contains antecedents of a firm's information sharing behavior and the resulting perceived performance of information sharing. The model suggests that information sharing behavior is driven by two main constructs, the intra-organizational (internal) predisposition and the inter-organizational (external) predisposition to information sharing. Internal predisposition is assumed to be influenced by a firm's information policy, its technical readiness, and its commitment to information sharing. External predisposition is expected to be driven by trust in the trading partners, relative power of the firm toward its trading partners, the relationship with the trading partners, and the trading partners' technical readiness.

Expected results are, beside insights into the key drivers of information sharing, an identification of practitioners' requirements for information systems and applications that support information sharing. In addition, potential hurdles to information sharing applications or even electronic data interchange can be identified. The model is subject to empirical validation on behalf of a survey among manufacturers and retailers in the fast moving consumer goods (FMCG) sector.

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PHARMACEUTICAL ADVERTISING: CHANGES IN THE WIND

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ABSTRACT

The authors provide a brief overview of pharmaceutical direct-to-consumer advertising (DTCA), followed by a discussion of advantages and disadvantages of DTCA. Potential changes coming from both the Food and Drug Administration and the pharmaceutical industry are then discussed.

INTRODUCTION

“Peddling ... err ... umm ... *marketing* drugs direct to consumers has always been a lucrative business with an extensive – and sometimes checkered – history in the United States” (Urso, 2005, p. 1). After the FDA cracked down on quacks and hucksters of bogus cure-alls, a legitimate pharmaceutical industry emerged. In 2005 it is one of the most profit-driven U.S. businesses (Urso, 2005, p. 1).

Pharmaceutical companies historically used “detailers,” manufacturers’ representatives who stopped by to speak with doctors and leave product samples and promotional materials, and advertising in medical journals to reach their target audience, doctors. In the early and mid-1990s, firms began focusing on direct-to-consumer advertising (DTCA) in both print media and on television (Berndt, 2002). Television advertising grew after stringent rules for disclosure of side effects were relaxed by the U.S. Food and Drug Administration (FDA) in 1997 (Teinowitz and Thomaselli, 2005). According to the General Accounting Office, DTCA by the pharmaceutical industry had increased 145% by the end of 2000 (Urso, 2005, p. 1). Pharmaceutical companies’ spending on DTCA increased from \$55 million in 1991 to over \$3 billion in 2003, and was expected to reach \$7.5 billion by the end of 2005 (Veracity, 2005).

“According to a recent poll conducted by the Kaiser Family Foundation, 70 percent of Americans surveyed said they felt drug companies put profits before their wellbeing” (Urso, 2005, p. 2). For this reason, direct-to-consumer marketing remains a controversial topic among physicians, businesses, consumers and governmental agencies. In fact, the United States is the only country that permits

pharmaceutical companies to use DTCA on television. New Zealand decided to ban DTCA on television in 2005 (Mansfield, et al., 2005; Querna, 2005; Urso, 2005, p. 2). This paper will seek to present both sides of this issue, as well as what the future might bring for DTC advertising.

ADVANTAGES OF DTCA

There are several advantages of DTCA in the pharmaceutical industry. For example, the advertisements used in this type of marketing create a well-informed public, increase awareness of particular diseases, and speed up the launch of new drugs (Potter, 2005). Twenty years ago, doctors were thought of as experts. But today, patients, especially baby boomers, use the Internet to research both their drugs and diseases (Arnold, 2005, p. 106).

Pharmaceutical companies have turned to direct-to-consumer advertising as personal sales calls to physicians have become increasingly less effective. Approximately 50% of all pharmaceutical salespeople are turned away from doctors’ offices on any given visit. When sales reps actually get to see the doctors, it’s been estimated that the average call lasts only two to three minutes, with much of that time focused on sample distribution. The end result is less effective sales calls at a higher cost per call (Sells and Kieffer, 2005). Therefore, DTCA was pushed in order to compensate for the blow to this marketing channel. Ironically, while DTCA’s main purpose is just as its name suggests...reaching consumers, it also functions as marketing “direct-to-physicians” who watch television, read magazines, or surf the Internet.

Another advantage of DTCA is that it brings patients into a doctor’s office to ask questions. They are more willing to discuss sensitive health matters, which leads to increased diagnosis and treatment of

such diseases as diabetes, depression, and erectile dysfunction (Urso, 2005, p. 2). According to a 2005 survey by two health-related magazines, “28 million patients talked to their doctor for the first time about a health condition after seeing ads” (“PhRMA Statement,” 2005). One argument in favor of DTC advertising says “by encouraging consumers to visit a doctor in the early stages of a disease or ailment, ...advertising actually reduces long-term health care costs” (Mandese, 2005).

DISADVANTAGES OF DTCA

According to Dr. Ulrich A. Starke, a Louisiana physician, the major disadvantage of direct-to-consumer advertising is its cost. He believes that the money spent on advertising could be better used to lower the cost of medicines for patients (Starke, 2005). When confronted with the fact that “pharmaceutical companies spent more than \$4 billion in 2004 on direct-to-consumer advertising, a 23 percent increase over the previous year,” it is difficult not to agree, especially since the prices of medications have been increasing ever since DTC marketing gained popularity (Querna, 2005). Table 1 shows what major pharmaceutical companies spent on TV advertising in 2004. Mansfield, et al. (2005) pointed out that DTCA has increased expenditures made by patients, insurance companies, large employers (e.g., General Motors), and taxpayers.

Due to the high drug costs, consumers have turned to other sources, both internationally and online. “The Department of Commerce reported that of the 54 leading prescription drugs, the average prices in Canada, Britain and Australia were about half of what American pharmacies charged in 2003”

(Urso, 2005, p. 2). Canada and Mexico tend to be the most popular sources for cheaper medication. However, the problem of altered or counterfeited drugs develops because the “FDA does not have the resources or the legal authorities necessary to assure the safety of unapproved drugs imported into the United States” (Urso, 2005, p. 2).

Critics of DTC marketing feel that the pharmaceutical companies are not acting in the best interest of the consumers. For instance, some firms offer doctors free prizes and vacations as long as they write a specified number of prescriptions (Haire, 2005, p. 5). This type of incentive is clearly unethical because it compromises a physician’s integrity and should be banned. Based on a survey of California and British Columbia physicians, Mintzes, et al. (2003, p. 412) concluded that conversation between patients and their doctors that were prompted by DTCA usually ended with prescriptions, despite any ambivalence on the part of the physicians. Another study by Robinson, et al. (2004), based on surveys of Colorado and other physicians nationwide, found that most physicians viewed DTCA negatively, citing lack of cost and side effect information as well as more requests for particular (advertised) medications. Others worry that diseases were being promoted with the idea that drugs are needed for treatment – “a pill for every ill” and perhaps a disease for every pill as well (Moynihan and Cassels, 2005). Michele Spence and others found that patients who saw or heard ads for COX-2 inhibitors and asked their doctors about the drugs, were more likely to be prescribed one of the inhibitors instead of a standard anti-inflammatory drug (Spence, et al., 2005).

Table 1: DTC Television Ad Spending, 2004

Rank	Company	Total
1	Pfizer, Inc.	\$676,219,163
2	GlaxoSmithKline PLC	\$670,387,477
3	Astrazeneca PLC	\$440,162,942
4	Novartis AG	\$407,323,158
5	Sanofi-Aventis	\$402,919,878
6	Merck & Co. Inc.	\$338,913,940
7	Johnson & Johnson	\$303,332,036
8	Lilly Icos LLC	\$175,818,750
9	Bayer AG	\$156,060,917
10	Tap Pharmaceutical Pdts.	<u>\$125,816,192</u>
	Total:	\$3,696,954,453

Source: Mandese, 2005.

Another problem with DTCA as mentioned by Dr. Tania A. Levi, another Louisiana physician, is that some of the advertisements are inappropriate for primetime television, namely the ads for erectile dysfunction drugs. She states that these commercials portray Viagra®, Cialis®, etc... as being recreational drugs, and that they misrepresent the safety issues of taking such a medication (Levi, 2005). In fact, “between 1997 and April 2005, the FDA issued multiple warning letters to pharmaceutical companies regarding misleading statements in their ads” (Urso, 2005, p. 3). In November 2004, the FDA sent Pfizer a warning letter, which stated that its ads for Viagra lacked the required risk information (Tobbagi, 2005, p. 1).

Another problem that both Dr. Levi and Dr. Starke have encountered with DTCA is that the side effects listed in an advertisement can deter patients from taking their medications. In fact, after seeing a commercial for a medication that she was taking, one of Dr. Levi’s elderly patients immediately stopped taking the drug after hearing the side effects. Her health declined rapidly until she was almost placed in a nursing home before Dr. Levi determined the cause of her debility. When prescribing medications for their patients, physicians are able to downplay the potential side effects because they can inform their patients why they believe a particular drug will benefit them, and why those benefits outweigh the side effects. In contrast, repeatedly hearing advertisements on television or reading ads in magazines that profess “side effects include kidney failure, liver damage, or *painful, lingering death by starvation*,” could have long-lasting effects and inspire one to swear off prescription drugs altogether (Haire, 2005, p. 5).

CHANGES IN THE WIND

The FDA has been under fire for its role in the Vioxx® and Celebrex® safety problems that developed in 2004 (Barrett, et al., 2005; Healy, 2005; Mathews, 2005). Consequently the FDA is considering tightening regulations and perhaps issuing a one-year moratorium on DTCA. Dick O’Brien, executive vice-president of the American Association of Advertising Agencies said, “The thinking is to have a moratorium on the advertising until the product is in the marketplace long enough for the FDA to have confidence that it is safe as when they first approved it” (Thomaselli, 2005). Congressional legislation has been introduced that would create a new FDA office, which would

investigate drug advertising. The American Medical Association initiated studies of the relationship between DTCA and higher prescription costs (“Direct-to-consumer advertising,” 2005). Online critics have called for the ban of DTCA as part of an overall demand for reform of the FDA (Adams, 2005). Richard Kravitz and his colleagues found both cautionary support for DTCA (in getting patients to ask questions about major depression and thus increasing detection of the mental illness and its treatment) and criticism of DTCA (in stimulating prescriptions for questionable medical conditions) (Kravitz, et al., 2005, p. 2000).

Whether or not an advertising moratorium will be implemented remains to be seen; however, it is fairly certain that the pharmaceutical industry will face more regulations by the FDA. “While the nature of that change is uncertain, it could include anything from proposals of an all-out advertising ban to requiring DTC ads to include long lists of side effects. Agency and pharmaceutical-company executives acknowledge the threat but believe it will pass. ‘In the short term, I think you’ll see a less ubiquitous presence by the pharmaceutical companies,’ said one health-care agency president. ‘Long term, there’s no way the drug companies, the (advertising) industry, the television networks, the magazines... there’s no way they’ll let a \$4-billion-a-year business slip away’” (Teinowitz and Thomaselli, 2005).

Surprisingly, some people inside the pharmaceutical industry are beginning to agree that there should be more regulations in place with regard to advertising. In early 2005, Johnson & Johnson “became the first company to create a more cautious, safety-oriented advertisement with more emphasis on drug risks and side-effects” (“Reining in,” 2005). In August 2005, the drug industry issued a set of voluntary “guiding principles” for DTCA, including running television ads by the FDA before airing them, increasing the amount of risk information provided in ads, and dropping reminder-type ads that contain little risk information (Barrett, et al., 2005; Dooren, 2005; “PhRMA Guiding Principles,” 2005). The FDA held a public hearing on pharmaceutical drug promotion to consumers on November 1st and 2nd of 2005. Interested parties made several panel presentations (see “Public Hearing,” 2005 for access to files). Pfizer introduced a new ad campaign for Viagra® the Monday before Thanksgiving. The campaign was very subdued and never mentioned the product by name (Hensley, 2005).

CONCLUSION

In conclusion, direct-to-consumer marketing has had an enormous impact on the growth of the pharmaceutical industry over the past decade and a half. This issue will remain a controversial topic among all parties concerned: pharmaceutical firms, consumers, physicians, and government regulatory agencies. Changes are in the wind. The industry is worried about government regulations and has responded with a self-regulating effort. As network television becomes saturated with ads, firms have turned to the Internet and cable television networks in an effort to better target their customers (Barrett, et al. 2005). The industry needs to reestablish an ethical partnership with primary care physicians, who know their patients' needs better than do the pharmaceutical firms. Consumers are better educated and are managing their health care decisions more, especially in light of having to bear a heavier portion of their own personal health care expenses. Proper consumer education is still needed, where consumers will return to an ethical trusting relationship with their physicians, where, yes, they will be more informed, yet wiser in heeding the advice of experts trained in health care.

FUTURE RESEARCH

As noted by a reviewer, there is a need for future research in the area of direct-to-consumer pharmaceutical advertising. Marketers need to examine the individual characteristics that influence consumer response to DTCA ads. Characteristics to examine might include gender, age, prior health history, and knowledge of health issues in general. Young and Cline (2005) recently studied textual cues used in 225 magazine ads and identified "gaining freedom" and "achieving normality in one's life" as being two motivational cues. Another suggestion from a reviewer is to conduct content analyses of pharmaceutical advertisements to determine how they are advertising their products. What message appeals are being used? How effective is the creative execution of the ad? Which message source is more effective? Why are certain message sources being used?

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SWEET SIXTEEN: A COMPREHENSIVE STUDY OF SUPER BOWL ADVERTISING DURING 1989-2004

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ABSTRACT

The Super Bowl has become so ingrained in U.S. culture that with rare exception, it is the most watched American television event each year. Bob Thompson, founder of the study of popular television at Syracuse University refers to the Super Bowl as the “only truly television holiday”. Many Super Bowl viewers coordinate spectacular parties and gather with their friends to witness the game and more importantly see what their favorite advertisers are saying.

Using USA Today’s published measure of Super Bowl ad likeability, the authors conducted an exploratory examination of factors that contributed to the successes and failures of Super Bowl ads over 16 years (1989 – 2004). The chosen variables are as follows: presence of humor in ads, product category type, and length of ads, presence of animals in ads, presence of celebrities in ads, and presence of sex appeal. Based on this analysis, strategic and tactical recommendations are provided for companies who plan to advertise in future Super Bowls.

Multiple regression analysis revealed that humor was the most influential variable in the equation. Product category (food vs. non-food) was the second most significant predictor of ad likeability. The length of ads and the use of animals in ads were also significant predictors of Super Bowl ad likeability. The use of celebrities and sex appeal had the least impact on Super Bowl ad likeability.

Advertisers have recognized the value of using humor in Super Bowl advertising. Humor has the potential to enhance ad likeability by putting viewers in a positive mood. In addition, humorous ads make good conversation pieces at the workplace on the Monday after the game. According to recently published NFL research, fifty-two percent of viewers report they discuss Super Bowl ads the following day. The product categories that scored the highest on ad likeability were beverages and food/restaurants. Results indicated that longer ads have a more positive impact on ad likeability than do shorter ads. The top scoring ad for likeability for 15 of the 16 Super Bowls included in this study was longer than 30 seconds. The presence of animals in ads significantly impacted Super Bowl ad likeability. This reflects the importance of animals in contemporary American society, the nostalgic feelings that animals arouse among viewers, and the increasing trend of pets as lovable, surrogate family members. The lack of any significance of the presence of celebrities on ad likeability sends a message to advertisers. Why pay the high price to get celebrities (movie stars, sports stars, music celebrities) when it has no effect on ad likeability? Although the research on sex appeal advocates its use in advertising, it did not impact ad likeability as strongly as humor, product type, length and the presence of animals. Considering the age and gender of the audience for the Super Bowl, it certainly makes sense to use sex appeal as a tool to increase Super Bowl ad likeability. However, if used inappropriately, it might have just the opposite effect on the audience.

The Super Bowl as an ad medium continues to grow in popularity. Given the high expense involved in producing and airing Super Bowl commercials, firms which plan to advertise in future Super Bowls will want to be knowledgeable of Super Bowl ad likeability predictors.

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CHANGING THE PLAY AT THE LINE OF SCRIMMAGE: APPLICATION OF A DIVERGENCE MODEL TO THE BLACK QUARTERBACK & POSTMODERN SPORT MARKETING PRACTICES

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ABSTRACT

This paper examines the Black quarterback's status as sport marketing's new icon using the five prongs of Smith and Yang's (2004) advertising creativity theory framework. It applies historical investigations; discussions of images, perceptions, and racial discourses; and modern sport marketing practices for an exploratory analysis involving divergence and relevance.

INTRODUCTION

Though general hypotheses indicate that sport provides greater opportunities for minorities' upward mobility, when examined from a global perspective, opinions concerning sport's reproduction of social circumstances of the larger society differ. Some theorists opine that sport becomes a microcosm of society to which it remains inextricably linked (Eitzen, 1983; Smith & Seff, 1989; Lapchick, 2001), while other theorists contend that sport does not mirror society and its larger social issues due to its entertainment value and exists as an ahistorical, apolitical, and asocial entity (Brooks & Althouse, 2000).

Regardless of its perceived connection to larger societal elements, the sport industry has reached a strategic inflection point in addressing race, ethnicity, and diversity amid evolutions in games, athletes, marketplaces, and consumers. One sport property at this crossroads is the National Football League (NFL), which has seen a rise in both numbers and prominence of Black quarterbacks. As a result, the Black quarterback has emerged to defy race logic and may necessitate reformulation of the quarterback position, social stereotypes, scientific literature, and the entire NFL structure, not to mention changes in sport marketing practices for NFL properties and brands affiliated with the league's properties and players.

In 2004, Smith and Yang examined the concept of creativity in advertising by reviewing literature in psychology, marketing, and advertising. From this base, they developed a model that defined a creative ad as one possessing both divergence and relevance to consumer processing and response factors. Further, they postulated a general theory of creativity that called for research in five primary areas: advertising as a communication process, management process, societal process, group process, and personal process.

The purpose of this paper is to examine the Black quarterback's emergence as a modern superstar and celebrity endorser in light of the theoretical framework of advertising creativity proposed by Smith and Yang (2004). This paper will apply historical investigations; discussions of images, perceptions, and racial discourses; and modern sport marketing practices to the five prongs of the framework for an exploratory analysis of divergence and relevance as related to the Black quarterback's postmodern status as the new "creative" sport marketing icon.

CHRONOLOGY & HISTORY

The quarterback position has always been a central figure in the sport of American Football and has consistently exercised the functions of leader and major role player in offensive functions of the sport (Carroll, 1999). Throughout much of the 20th century,

Blacks were often relegated to other positions as professionals, where an unwritten Jim Crow persisted within the ranks of leadership in the NFL. Over time, Blacks transitioned into commonly observed, expected roles as quarterbacks, but such has become the case only recently (Carroll, 1999). In 2005, five Black quarterbacks started regularly among the 32 NFL teams, and another 10 populated the rosters as backups (NFL Players Page, 2005). This surge of Black quarterbacks into the sport's primary, defining playing position, once thought impossible in recent sport lore, clearly indicates change in philosophical agendas of NFL management (Entine, 2001) and presents new horizons in the sport marketing industry.

FRAMEWORK APPLICATIONS

Smith and Yang's (2004) five-pronged framework was proposed after their theoretical model development of key processing and response issues associated with ad divergence as a primary component of advertising creativity. Additionally, they proposed five broad conceptual domain areas labeled "processes" from which creativity in advertising could be considered: communication, management, societal, group, and personal. While these process category names could be considered a sufficient framework *per se* within which to examine the Black quarterback and postmodern sport marketing, Smith and Yang's (2004) definitions of the five processes require a deeper examination, yet they still provide a very applicable and functional framework that essentially representative of a cyclical marketing pattern.

First, the framework (Smith & Yang, 2004) begins by discussing creativity in the communication process, which addresses advertising as a major form of communication between companies and customers, involving issues related to image, branding, and promotion, including persuasion, information processing, and consumer response. Second, the framework addresses creativity in the advertising management process as part of the promotional mix and is related to the selection of proper personnel who understand appropriate creative strategies, tactics, and goals necessary to plan effective advertising campaigns and formulate effective ads. Third, the framework approaches creativity as a societal process and the significant effects advertising has upon society and popular culture, including cross-cultural differences in processing creative ads. Fourth, the framework addresses creativity as a group process, including issues of majority/minority influence and

personal/social identity. Finally, the framework concludes with creativity as a personal process, examining how advertising is processed by individual consumers and issues of consumer growth, creativity, self-actualization, self-conceptualization, and the impact of these variables on ad effectiveness. Thus, the creative framework arrives cyclically again at its point of formation: as a major form of company-to-customer communication.

CREATIVITY IN THE COMMUNICATION PROCESS

Utilizing athletes as celebrity endorsers has long been a standard marketing practice. Few segments of society offer such broad visibility and unique opportunities for corporations to connect with consumers as athletes and sport platforms. Endorsements involve enlisting a high-profile individual to use his/her fame or position to assist a company in promoting or selling a product or to enhance the image of that product; often, this celebrity is an athlete (Irwin, Sutton, & McCarthy, 2002). The growing popularity of sport, viewing contact opportunities, and the affinity syndrome of fan/athlete relationships have all further heightened the demand for sport celebrity endorsements, particularly the black quarterback as of late.

Various practices of advertising, the media's primary source of income as well as a major form of company-to-consumer communication (Smith & Yang, 2004), have been widely debated by numerous scholars (Andrews, 1996; Hoberman, 1997; Wilson, 1997) regarding characterization of minorities.

On one hand, images of Blacks in pro-social, positive commercial spokesperson roles have received criticism (Wilson, 1997). Labeled as *enlightened racist portrayals*, examples include Damon Stoudamire's Nike commercials based on the athlete's Mighty Mouse nickname and tattoo, thereby minimizing Stoudamire's potential to be read as a "dangerous other" through association with a harmless, brightly colored cartoon character (Wilson, 1997, p. 181); Nike's Air Jordan commercials featuring Michael Jordan and Spike Lee as Mars Blackmon, characterizing the superstar as being friendly and down-to-earth enough to associate with a common fan (Andrews, 1996); and Nike's CEO Jordan advertisements, portraying Jordan as a successful corporate executive.

Critics highlight several perceived problems with pro-social, positive advertising images, including "taming" Black athletes into non-

threatening, racially neutral persona, allowing them to become “organizational men,” or “a Black version of a White cultural model,” to become more appealing and palatable to Whites (Wilson, 1997, p. 181). Second, such images perpetuate the notion of enlightened racism by promoting “mythologized notions of individuals and meritocracy” which allow Whites to deny the existence of institutionalized racism in both sport and American society (Wilson, 1997). Third, the creation of Michael Jordan as a cultural icon of American virtue presents for critics a case study of the illusion of the non-existent open class structure, racial tolerance, economic mobility, and availability of the American dream for Blacks (Andrews, 1996).

On the other hand, a common complaint voiced by critics concerns the commercial associations of Blacks with ghetto themes, elements, and images. Such an otherwise innocent start as early Nike Air Jordan campaigns featuring Jordan amid the backdrop of a city playground (Andrews, 1996) gave way to ghetto-themed commercials as Reebok’s portrayal of basketball player Glenn Robinson, which mix black-and-white clips of Robinson discussing the moves used to beat opponents with playground footage of Robinson in action and end with Robinson saying he is simply “marking my territory” (Wilson, 1997, p. 183).

In dealing with the Black male’s aggressive modern image and its threat to alienate the White, expendable-income population, corporations and leagues have sought to rationalize and counterbalance these displays of Black assertiveness (Hoberman, 1997). With the cooperation of the sporting press, this counteractivity is done in a two-fold manner. First, the image of the Black male is domesticated through dissolving ethnic blackness into a sporting world that is exclusively and impeccably White by using such techniques as advertisements for fashionable clothing which picture him as well-groomed amid the sports of dynamic imperial males, including golf, tennis, rowing, sailing, and polo (Hoberman, 1997), such as Charles Barkley in Right Guard deodorant commercials. Second, the Black man’s body is used to accentuate vulnerability, either through publication of naked Black male torsos in primitive, deprived, *National Geographic* fashion, or as a comic celebration of the obese Black athlete, who is symbolically neutered the moment he becomes another pictorial device as a jolly fat man (Hoberman, 1997), such as Coca-Cola ads featuring former Chicago Bears defensive lineman William “The Refrigerator” Perry.

CREATIVITY IN THE MANAGEMENT PROCESS

Racism has been a dilemma for the American media and a topic of vigorous debate concerning racial representation in the media (Dates & Barlow, 1990; Montgomery, 1989). Some experts attribute negative slants toward minorities to the abundance of White journalists within the media, providing a misplaced charge for a disproportionately White group to critique the character of the world’s most visible minorities (Wilson, 1997). White television sportscasters’ traditional verbal portrayals of “natural” Black athletes and “thinking” White athletes have also served to perpetuate racial stereotypes (Hoberman, 1997, p. xv; Rainville & McCormick, 1977).

In studying print media’s attribution of performances of Black and White quarterbacks, Murrell & Curtis (1994) measured attribution using *locus of performance* (internally/externally affected), *stability* (consistency/reliability of the cause), and *controllability* (intentional/accidental). Results indicated locus of performance did not differ by race, but significant differences were noted in stability and controllability attributions, indicating perceived lack of judgment and motivation in Black athletes, consistent with views of Black players as reflex-oriented, genetically bred athletes (Murrell & Curtis, 1994).

Ways in which athletes are framed by the media may have direct implications on companies’ outlooks on potential brand essences of certain athlete. Sports figures hold extremely powerful images that can be transferred and imposed via the media to multiple outlets. These perceptions may have direct implications to notions of created superstars, which could lead to increased celebrity endorsement value.

CREATIVITY AS A SOCIETAL PROCESS

Experts’ opinions on the precise role of the mass media vary; some say that media simply reflect and describe events, while others argue that media actually shape public perception by selecting, defining, and labeling certain people and events as significant, while others go largely ignored (Murrell & Curtis, 1994). Others allege that the media wields immeasurable influence as “the point at which power intersects with discourse in an attempt to normalize specific behavior patterns and the forms of authority associated with them” (Andrews, 1996, p. 126). Further assertions charge that “mass mediated sport is

a key site where racist ideologies about African-Americans are constituted” (Wilson, 1997, p. 177). Two studies regarding media portrayals of Blacks in sport declare that media indeed play influential roles in constructing images of Black athletes (Murrell & Curtis, 1994; Wilson, 1997).

According to Rose and Friedman (1997), while contents of film and television create preferred positions for spectators, the meanings viewers take from cultural texts will be constructed differently according to historical, cultural, and institutional contexts within which those individual interpretations are made. Regarding sport, several previous studies suggest that racial stereotyping of Black athletes in sport media is covert and systematic (Sabo & Jansen, 1995; Shropshire, 1996; Brooks & Althouse, 2000). Such suggestions can easily be inferred to the sport of football and have been examined in at least one study. According to Rainville and McCormick (1977), White football players were praised more frequently than Black players by radio announcers. Furthermore, televised sports events heavily influences the numbers of racial/ethnic images seen by viewer populations. This analogy may further reinforce the notion of the creation of stardom by the media and its various forms of exposure and coverage, directly impact viewers’ psychological and social perceptions of race, and lead to construction of powerful images.

CREATIVITY AS A GROUP PROCESS

The position of quarterback in the NFL has, until very recently, been very guarded by coaches not willing to risk performance in such a critical position on players who did not fit preconceived perceptions of ones possessing characteristics necessary for proper positional execution (Entine, 2001; Entine, 2003).

One of the most documented and researched topics of sports sociology is the practice of *stacking*, or positional segregation of minorities in positions which require more manual dexterity and less leadership qualities and result in players from certain racial or ethnic group being either over- or underrepresented at certain positions in team sports (Coakley, 1994). This phenomenon implies that minorities are assigned to play positions on the basis of their racial status instead of their achievements (Gonzalez, 1994). Such a phenomenon often results in minorities being placed in positions removed from the cerebral hub of the game’s interactivity, creativity, leadership, and strategy, relegating them to a supporting capacity instead of a dominant role and

often creating competition among themselves for positions, thereby reducing the number of minorities on the roster (Gonzalez, 1994). In the game of football, such cerebral positions might include quarterback, center, and inside linebacker (Coakley, 1994).

The basic premise of the theory of centrality is rooted in sociological research and contends that specific playing positions cultivate interactive and leadership qualities because of their locations in the scheme of team participation (Greenwood & Simpson, 1994). Essentially, the centrality theory proposes that players in central positions will have greater likelihood of performing coordinated and dependent tasks, thereby enhancing their levels of social interaction (Greenwood & Simpson, 1994).

CREATIVITY AS A PERSONAL PROCESS

In developing racial awareness and the notion of one’s own race, Harrison (1995) maintains that individuals construct elaborate self-schema about their race which are used as frameworks of reference for evaluating preferences and abilities. This racial awareness has been documented as early as preschool ages in the specific forms of reactions about appearance; comments on skin color, hair texture, and facial features; cognitive development; and direct and indirect forms of interaction (Harrison, 1995). While direct interactions may occur at such places as school or the neighborhood, indirect interactions include watching television and movies, thereby increasing the consequences of the images portrayed by the media (Harrison, 1995).

The development of one’s self-schema may be greatly influenced by both his/her personal expectations and those of others (Harrison, 1995). Accordingly, image consumers, particularly youths, may overemphasize these media-projected elements within their own behavior, thus inadvertently perpetuating and internalizing racial stereotypes (Murrell & Curtis, 1994). Due to youths’ lack of experience in dealing with media images, they are more likely to internalize these images than most adults, and thus may internalize such notions as natural athletic abilities of Black athletes as opposed to cerebral athletic proficiencies of White athletes.

DISCUSSIONS & IMPLICATIONS

On the playing field, the Black quarterback has emerged to earn his position through objective competition (Sullivan, 2003). Entine (2001) cites comments by veteran NFL coaches Tony Dungy and

Dennis Green (both of whom are Black), who claimed that, until very recent years, a particular quarterback prototype perpetually existed in the NFL: a drop-back passer with a cannon-like arm who was relatively tall and could stay in the pocket, reading defenses and waiting until the proper split-second moment to pass the ball. Nowadays, according to Green (Entine, 2001), with elements of speed and strength so predominant in today's NFL defenses, "...we all need athletic quarterbacks. Every coach is looking for mobility. It's just not a black-white thing anymore (p. 2)."

Such a surge of Black quarterbacks in the NFL appears to be progressing to previously unimagined levels and has simultaneously created new challenges for marketers. However, this phenomenon has only begun, and its dynamic progression is clearly visible when considering two ways in which Black quarterbacks are marketed. First, we presently observe marketing *through* the Black quarterback, which utilizes the flashy nature of his physical skills to pitch the product. Such examples are product advertisements featuring Michael Vick: the EA Sports video game ads which highlight the user's computer-generated ability to reproduce Vick's capabilities electronically; the Gatorade ads featuring Vick perspiring profusely after a physically amazing but exhausting exhibition of his skills; and the NIKE shoe ads featuring a science-fiction-like football game settings in which Vick must rely on his physical abilities to run a gauntlet of fantastic challenges. In these ads, Vick's personality is not featured with remotely the same emphasis as his motor skills, reverting to issues raised by Andrews (1996) and Wilson (1997).

On the other hand, modern promotion of the Black NFL quarterback has also taken the form of marketing *of* the Black quarterback, which features more of the pro-social personality of the player and downplays his physical abilities. One example includes the Campbell's Chunky Soup advertisements featuring Donovan McNabb, a Black quarterback not known as much for his blazing speed or rifle arm as his cool demeanor, ability to both run and pass reasonably well, and his leadership ability. These ads feature McNabb and an actress portraying his mother circulating throughout a neighborhood, delivering nutritious-looking soup meals to busy, hungry people. McNabb's football uniform is basically the only connection to the sport of football at all.

As the Black quarterback continues to evolve athletically, socially, and traditionally, so, too,

will marketing strategies. These two distinct approaches are direct reflections of the strategic crossroads at which the NFL and those companies desiring to market through its superstars stand and will be a critical area of future study in the field of sport marketing. In light of an increasingly racially and ethnically diverse population of sport consumers, one of the greatest challenges sport marketers may face is ascertaining the manner in which socio-cultural and environmental market factors influence sport consumption (Hofacre & Burman, 1992). The same can be said of marketers in terms of the endorsements and celebrity constructs of the Black quarterback. Perceptions associated with the building of athletes as commodities are intrinsically connected to the changing of socially constructed images directly related to race, and, without question, the evolution of the prototypical position of quarterback (the icon of virtually every football team and arguably the most iconic player position in all of sport) has impacted those constructs for both the public and marketers, who prize creativity in advertising, as explained by Smith and Yang (2004).

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COLLEGE STUDENT CONSUMERS AND THEIR CONSUMPTION OF GAMBLING

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ABSTRACT

This paper reports on the results of research examining college student gambling behavior. While few pieces of academic research have been conducted in this area, many topics have been researched, including gambling motivations, use of casino gambling, gambling involvement, cognitions and heuristics in gambling, coping styles, and, stress and gambling.

In general, findings indicate that college males are more likely to engage in gambling and in more types of gambling than college females (Anonymous 2004, LaBrie, Shaffer, LaPlante and Wechsler 2003, Hira and Monson 2000, Lightsey and Hulsey 2002, Larimer and Neighbors 2003). When measuring severity of gambling problems with the South Oaks Gambling Screen (SOGS), some student populations were found to have higher numbers of problem and pathological gamblers than the general population (Lightsey and Hulsey 2002, and Clarke 2003). Student gambling behaviors have correlated with risky behaviors such as unprotected sex, having several sexual partners, binge drinking, marijuana use and tobacco use (LaBrie, Schaffer, LaPlante and Wechsler, 2003).

This research is exploratory in nature and examines student gambling behaviors and characteristics at one university. The hypotheses being tested include demographic characteristics of the gambling sample, as well as the existence of problem and pathological college student gamblers, gambling and academic dishonesty. Results were obtained through the administration, to undergraduates of a medium-sized, eastern-states university, a two-page survey.

Results indicate that a majority of students engage in some form of gambling. Close to 20% of the sample were classified as problem or pathological gamblers using the South Oaks Gambling Screener; this is well above the national average. Male and female gamblers differed on the types of gambling activities engaged in, the number of gambling activities, and the amount spent on gambling. Additional results are discussed in the paper.

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CHANNELING BUZZ OR BUCKS? ETHICAL IMPLICATIONS FOR MARKETING IN HIGHER EDUCATION

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ABSTRACT

Too often higher education officials equate successful enrollment management with determining the appropriate financial-aid package, assuming the student matriculates. However, there are competing theories as to why a student may be attracted to a particular college. Could it be the “buzz”? This study examines the relationship between buzz and bucks with respect to enrollment objectives. Research findings indicate that it is not an either-or proposition. Moreover, marketers are presented with an ethical responsibility to safeguard the public.

INTRODUCTION

This paper addresses the concept of buzz as promulgated by Emanuel Rosen in his book, *The Anatomy of Buzz: How to Create Word-of-Mouth Marketing* (2000). What follows is a brief review of Rosen’s marketing concepts related to buzz. Relevant literature pertinent to the process and practice of financial aid leveraging, and a brief overview of the ethical norms and values that apply to the marketing of goods and services are also included.

The Anatomy of Buzz

According to Rosen, “buzz is the sum of all comments about a certain product that are exchanged among people at any given time” (p. 7). It can reflect what one kid feels about a new yo-yo. He or she then shares it with others, who, in turn share their personal feelings and thoughts with more friends. This is buzz.

Buzz implies that there will be unseen networks, invisible in terms of an official channel but will none-the-less spread on its own accord. Rosen asserts that “invisible networks can no longer be ignored” (p. 13) and provides three reasons for the increased importance of buzz: (1) customers can hardly hear you with all the noise from competitors or you; (2) customers are skeptical of what they will “officially” hear; and (3) customers are connected by talking to each other in person, at social gatherings, or via the Internet. This last reason can be positive or negative for a company, depending on the buzz. But how

important is buzz for your company or business? Rosen answers this question with caution by stating “it depends... on your product; the people you are trying to reach; customer connectivity; and, the strategies used in your industry” (p.25).

It would be difficult to argue that buzz is not important in higher education and college selection, especially in terms of tuition or cost. Rosen suggests that one of the primary reasons people talk to each other is because “it makes economic sense” (p.36). Talking helps reduce stress, that is, people will talk because of “cognitive dissonance” or “buyer’s remorse” (p. 39). Buyer’s remorse in higher education would be the student’s or family’s attempt to justify why they decided to enroll in a specific university or college. The buyer’s justification is often what spreads and becomes buzz.

Rosen illustrates what makes the “word” spread by enumerating several examples and explanations. However, buzz can be reduced to two concepts. First, is the “energy” behind the product (p. 86); and second, is “credibility” (p. 89). With respect to higher education, energy is an institution’s history and reputation; credibility is contingent upon the family or student spreading the word to others.

University officials have many options available to promote a proud tradition or university mission. However, they will have less “natural” control over the student or family’s credibility. Yet, Rosen asserts that it is important to identify individuals and the network hubs they work through, primarily through the use of socio-metric methods (p. 140). The overall

goal as Rosen describes, can be reduced to two primary functions: (1) give them (prospects) something to talk about; and (2) stimulate them to teach others (p. 145). However, Rosen does not stress this above the necessity of “seeding”, where markets should be developed early and allowed to grow. In higher education, this would be analogous to giving baby-bibs to alumni children. A favorable chance encounter may occur, for example, when a friend or neighbor delivering a new baby-gift sees your institution’s name proudly displayed on the chest of the one who will receive their undivided attention.

Now that you have their undivided attention, do you still need traditional advertising or market analysis? Rosen succinctly states “yes” – but hastens to point out that few products can rely on buzz alone (p. 205). In higher education, “blue chips” like Harvard, Yale, and MIT require relatively minimal investment in advertising or marketing. However, for the less fortunate, an advertising campaign based upon sound market analysis is a must. Rosen points out that marketers must know what customers are saying; they must take all approaches available to hear buzz; and, they must track what the industry is saying (p. 251). In higher education the marketing director must not only listen, but is obligated to disseminate accurate information the student or family expects to hear, assuming that warranted information leads to enrollment.

Financial Aid Leveraging

Hossler (2004a) traced the beginnings of financial aid and the leveraging practice back to 1947 as an outgrowth of the GI Bill. University officials have continued to use these techniques to attract students. Hossler concluded that in the late 1980s and 1990s tuition discounting, financial aid leveraging, and gifting became a prominent practice among less-selective private colleges. However, the practice has now become ubiquitous.

Taking on more and more importance in higher education today is the role of financial aid leveraging. Burd (2005) reported that colleges invest millions of dollars for consultants to explain where and how to use their financial-aid. However, Burd uses the words of educational researcher Kenneth E. Redd and declares that much of the money is being thrown away (p. 14). It is debatable as to whether this sentiment is accurate, but one can only assume that the money being leveraged amounts to billions. Nelsen (2003), referencing data offered by the National Association of Student Financial Aid

Administrators, states that half of the \$14.5 billion dedicated to financial aid is awarded on the basis of merit. Hence, the amount of money used to attract a student to any institution of higher education is staggering.

Today, there is enormous pressure on university officials to achieve “stretch” enrollment goals. Focused attention on student matriculation is why many universities hire admissions-consulting companies for help (Gose, 1999). Kurz and Scannell (2004a) emphatically state that there is tremendous pressure on admissions and financial aid officers “to get it right the first time...but often mistakes are made because there is an absence of data.”

However, one way to hedge your bet is to offer levels of financial-aid (e.g. gifts or grants) based on academic levels (Kurz and Scannell, 2004b). Yet, there is little academic performance or graduation data to support this leveraging practice (Hossler, 2004b). This is yet another mounting dilemma and problem facing university officials responsible for distributing financial aid packages. For marketers, it may become a professional issue related to maintaining an ethical business practice.

Marketing Code of Ethics

Marketers, not unlike other professionals such as medical doctors, lawyers, and psychologists who serve the general public, have an official set of ethical norms and values to guide their actions as stewards of society. There are three ethical norms promoted by the American Marketing Association (AMA). (AMA Code of Ethics, 2005; Kotler and Armstrong, 2004): (1) do no harm; (2) foster trust; and (3) use ethical judgment in practice. In addition, the AMA specifies values as ethical behavior in the form of honesty, responsibility, fairness, respect and citizenship. Although these values of ethical behavior apply to all general actions and decisions of marketing professionals, the category of “fairness” is most applicable to higher education marketing.

The AMA defines fairness as a sincere attempt to balance the buyer’s needs with the seller’s interest. In this research, the seller could be a university and the buyer could be any potential college applicant. The AMA further clarifies fairness in four statements: (1) avoidance of false, misleading, and deceptive promotion; (2) reject manipulations and sales tactics that harm customer’s trust; (3) do not engage in price fixing, predatory pricing, price gouging or bait and switch tactics; and (4) do not

knowingly participate in material that is a conflict of interest.

DERIVATION OF HYPOTHESES

For the purpose of this study, Rosen (2000) is acknowledged as the primary authority on buzz. However, the author readily admits that there is little formal research on the concept. For this reason, Rosen offers anecdotal, personal insight and testimonies related to the phenomenon and stressed the importance of understanding the marketing concepts buzz affords. For example, financial aid leveraging and enrollment management techniques in higher education are well researched, but there are problems demonstrating their effectiveness. Although most enrollment managers will proclaim it to be the primary force driving enrollment, no published research could be found that held constant or covaried out the effects of financial aid in relationship to any other enrollment variable.

As an example of how confounding this issue can be, consider the Muskingum College “buzz” phenomenon. In 1996, Muskingum announced that it was cutting tuition by 29 percent and in 2003 an enrollment increase of over 600 students had occurred (Van Der Werf, 2003). Did financial leveraging work? Because there was so much press and resulting buzz, the College may have enjoyed wider exposure than ever generated before by their traditional marketing efforts. Moreover, infrastructure improvements like adding and renovating dormitories may confound the impact of financial leveraging strategies. Yet, even if the relationship can be discerned between buzz or bucks – the real question remains. Did the marketing practice adhere to the ethical standards as promulgated and supported by AMA membership?

RESEARCH QUESTIONS

This study examines the relationship between financial-aid and buzz and student enrollment. For the purpose of this study, financial-aid leveraging is operationally defined as scholarship/gift money awarded to a student over and above need-based grants. Buzz is operationally defined by “process.” For clarification, the assumption is made that students must have “heard the buzz” about this private mid-western University because they listed the University as a choice on their ACT student profile prior to application. The student would not have had a financial-aid or scholarship package extended by the University prior to official

application. As a result, their decision to apply was based solely upon “buzz” and not “bucks.”

The testable questions of interest in this study are: (1) can “bucks” (i.e. financial-aid leveraging) predict enrollment?; (2) can “buzz” (i.e. college pre-choice as listed on the ACT report) predict enrollment?; (3) can “buzz” predict enrollment over and above (or holding constant) the effects of financial-aid leveraging (i.e. bucks)?; and (4) can “bucks” predict enrollment over and above (or holding constant) the effects of buzz? The moral question of interest: Do the testable findings have ethical considerations?

METHODOLOGY

Research questions of interest were tested on historical enrollment data obtained from a private, regional mid-western University. The population was equally divided between those who enrolled and those who chose to attend elsewhere (N = 1156). Since the enrollment size was self-selected (n = 578), a random selection of those who chose not to enroll ensued. Therefore, another sample (n = 578) was obtained by a computer generated algorithm. Information related to “buzz” was obtained from the ACT student profile report that was sent with the official student application. All students in the study had taken the ACT at least 12 months before an application was made or a financial package offered. Consequently, all participants had applied and listed their preference (i.e. choice) to attend this University prior to receiving an indication of the “bucks” they could expect. If a student had not listed this University as a primary choice (i.e. 1 – 6 Likert scale), they were assigned a number seven.

RESULTS

Research questions were addressed using discriminant analysis and analysis of covariance through full and restricted model comparisons. Descriptive summaries and mean values were examined as population descriptors. All findings listed below address the statistical questions of interest and will be examined further in discussion and implication sections. The alpha level was held at .05 for all testable hypotheses.

The first two research hypotheses were tested using a discriminant analysis model. First, H1: Can “bucks” (financial-aid leveraging) account for a significant amount of variance over and above chance when predicting enrollment? The results were found to be statistically significant ($F(1/1054) = 91.21, p < .0001$); with an R-squared of .08. Second, H2: Can

“buzz” (college pre-choice as listed on the ACT report) account for a significant amount of variance over and above chance when predicting enrollment? Results were found to be statistically significant ($F(1/1154) = 242.41, p < .0001$); with an R-squared of .17.

For hypotheses three and four, analysis of covariance models were employed. In H3: Can “buzz” predict enrollment over and above (holding constant) the effects of financial aid leveraging (bucks)? Results were found to be statistically significant. The restricted model (Bucks) accounted for .08% of the variance when predicting enrollment; by adding Buzz, the full model now accounted for .23% of the variance. The amount of unique variance that Buzz accounted for was 15%. When the F-test was run between the full and restricted models, F-change was found to be significant ($p < .0001$; $\alpha = .05$). In H4: Can “bucks” predict enrollment over and above (holding constant) the effects of “buzz”? The results were found to be statistically significant. Here, the restricted model (buzz) accounted for 17% of the variance when predicting enrollment; by adding Bucks, the full model again accounted for 23% of the variance. The amount of unique variance accounted for by Bucks was .06%. When the F-test was run between the full and restricted models, F-change was found to be significant ($p < .0001$; $\alpha = .05$).

The correlation between buzz and bucks was found to be significant at the .05 alpha level; having an R value of -.073 and R-square of .005. For the total population, 38.5% of enrolled students listed this University as either their first (22.9%) or second choice (15.6%). In this class, 2.4% of those who applied had not listed this University in their six choices and were assigned a rank value of seven. To clarify, a number seven was assigned to students who applied to this University but had no ACT report forwarded or did not list this University in their top six choices.

DISCUSSION

The purpose of this study was to examine the relationship between or among financial aid leveraging and institutional buzz with respect to enrollment. Ironically, what was construed as an “either -or” question became not a question of which, but rather an acknowledgement of the need for a focus on both buzz and bucks.

From the stated hypotheses and their results as highlighted, H1 and H2 were statistically significant. In essence, yes – financial aid leveraging packages

(bucks) will enroll students; and yes, buzz enhances matriculation and enrollment. However, H3 and H4 that tested the ability of either buzz or bucks to account for a significant amount of variance when predicting enrollment while holding each constant, were also found to be statistically significant. Hence, to explain this initially confusing finding, the reader is encouraged to re-examine the significant correlation between buzz and bucks. This statistically significant finding, in reality, has a very low magnitude of effect. Examine the R-squared and the reader will find that the significant relationship accounts for .005% of the explained variance. Therefore, what has been found are two variables (i.e. buzz and bucks) that have no practical inter-relationship but are significantly related or highly correlated with the criterion variable or enrollment. This is the conceptual foundation of statistical model building.

What cannot be overstated given these findings is the importance of buzz. Although it may be easy to intuitively understand the “bang of the buck,” it is not so easy to appreciate the “muscle of marketing.” Marketing and the creation of buzz can take time, whereas handing over a buck elicits immediate results. For university marketing directors it is important to be reminded that buzz in this study accounted for 17% of the variance when predicting enrollment, and bucks accounted for 8%. This is emphasized not to minimize the importance of financial aid leveraging strategies, but to stress the potential impact that traditional marketing campaigns and buzz can have on enrollment management objectives. Hence, the implications for developing ethical marketing strategies are paramount.

IMPLICATIONS

Muskingum College created buzz when it announced its new “pricing” or financial aid leveraging policy. However, all the literature and comments concerning the pricing shift focused primarily on the importance of finding the right deal to offer students. What had been neglected were buzz implications and ethical concerns. This study recognizes the potential marketing implications of buzz. As an example of the far reaching effects of buzz, most high school students take college entrance tests (i.e. ACT) in their junior year. Moreover, a large proportion of students decide to attend a university prior to ever seeing a financial aid package. In this study, the typical student took their ACT examination and listed their personal “choice” or “university preference” more than a year-and-a-half prior to making an official application or receiving a financial

aid package. But what are they hearing – and is it true?

It is recognized that some of the buzz created in the university prospecting market is definitely a result of the financial aid leveraging practices in place at many universities. Attendant with this realization is an understanding that cognitive dissonance may also be a factor. This is noteworthy because cognitive dissonance, in theory, should reduce the anxiety of cost to the individual. But as a side effect, it may increase market awareness. Another point to note is the impact that price (financial aid leveraging) may have on an institution's brand image. There is the implicit social belief that price is associated with quality. Therefore, although this study suggests the importance of bucks in terms of enrollment, it may not be in a university's best "image" to compete or create "buzz" based on deep reductions in tuition.

Although the findings of this study strongly suggest the influence of both buzz and bucks in driving enrollment, it is important to recognize the inherent implications. As institutional marketers and researchers, we are morally, if not professionally, mandated to protect the public from unethical practices. These research findings support a cautious and conscientious marketing strategy for higher education officials. It is morally acceptable to permit financial-aid officials to "shot-gun" dollars because the immediate effects are on the institution, not the individual. However, aggressive or ill-justified marketing campaigns and strategies can directly harm students, even if committed unintentionally or without malice.

Table 1 is a proposed ethical model for developing institutional buzz. It is intended to merge the findings of this study with practical marketing recommendations that acknowledge the importance of buzz. The FAR STAR Model is offered as a guideline, but is a work-in-progress. Therefore, the reader may modify, incorporate, or validate any "early-entry marketing strategy" currently in practice.

LIMITATIONS/FUTURE STUDY

All data are derived from one regional mid-western private University. Further studies are necessary before it is appropriate to generalize results. Moreover, buzz was defined as a concept assumed to be at work in this study. However, no effort was made to examine the marketing channels of buzz or student specific information of interest. In addition, bucks was a general term referring to the total amount of financial aid received and no individual

examination took place of specific gifts, grants, levels of scholarship or merit. And finally, it can be hypothesized that the marketing element responsible for acquiring a student may not be the element that retains the student. Therefore, the truth in buzz may be found in retention or graduation statistics, and as such, a more appropriate metric for ethical marketing could be student retention statistics. It could be hypothesized that when students can't find the buzz – they leave.

CONCLUSION

This study examined the role of buzz and bucks in developing and implementing an enrollment management strategy. Buzz was reviewed as a concept defined and characterized by Emanuel Rosen and extended in applicability to higher education. Financial aid strategies were reviewed and cautions listed. However, this research strongly suggests that both buzz and bucks are necessary to drive enrollment and marketing strategy, but they have ethical implications. Hence, conscientious market research is essential. Ultimately, to offer bucks alone, or to focus solely on financial aid strategies, diminishes the significant impact that marketing buzz can have on your enrollment strategy. In the end, this is not an either-or proposition, but rather – both stand alone, and must be managed ethically. So, if you are going to "award money" as your primary enrollment strategy – create honest buzz around gifts, grants, and honors scholarships to those qualified. Honesty will be associated with your university brand image and your ethical marketing strategy will safeguard the public from what could be considered academic fraud.

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Table 1
FAR STAR: An Ethical Model for Developing Institutional Buzz

Fairness to the prospective student and family is both moral and ethical – their professional future and personal growth is at stake. Promote what you really offer and what is feasible. Sell – don't spin.

Accept the responsibility to serve the public when assisting them with choice. Marketers should identify key points of interest to the public. Differentiate – don't deceive.

Respect the dignity of all stakeholders, and offer all those qualified an opportunity to your higher education experience. Segment – don't segregate.

* * * * *

Start early spreading the word, motto, or slogan that is associated with your brand identity. To answer the question of [how early] rhetorically, "it is never too early" for market penetration.

Target prospects by geography or location since "fads" or "buzz" often start in places. The rationale is that every university can target prospect areas; however, identifying an individual is done with less ease when initiated early.

Advertise and appeal to the aspirations, goals, dreams or desires of your market. Find out through market research what a region, location, or population share as a common belief or goal of higher education and introduce your best programs – the buzz will spread.

Relationship building is an on-going process that is associated with brand identity. Once a market or individual has been identified, create an opportunity to communicate by some form of permission marketing or an interactive web-site. This will allow for honest communication.

DATA BASE MARKETING AND ETHICS

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ABSTRACT

Internet users are expected to increase in their expectations for online services. Consumer trends show an increase in customized demand, convenience, e-commerce, and search for information. According to WebTrends 2005 Web Marketing Confidence Report, nearly 90% of senior marketing executives believe measuring marketing performance is a top priority, yet fewer than 20% of them have developed a meaningful, comprehensive metrics framework within their organizations. The results of the survey indicate a need for better accuracy, actionability and expertise in marketing performance measurement.

What is alarming is that 29% of professionals are still relying only on clickthrough rates and 23% don't have any campaign metrics at all. Only 20% of respondents answered that they have developed a comprehensive set of metrics such as revenue, conversion rates and marketing ROI. The methods currently being used to identify unique visitors on the companies' web site included 39% no idea, 19% true 1st party cookie, 13% IP only, 10% 3rd party cookies, 10% IP + agent, and 8% Vendor's 1st party cookies. The problem seems to be that many marketers don't know what to measure and how to interpret the findings

The industry expects the adoption of accuracy best practices in the near future with improvements in technology. Marketers need to understand as much as possible about the desired behavior based on the web analytics data collected. Where do people come from? Where do they drop out of the desired behavior path? Do they get to the key page? Do they start the process, then leave? How do different visitor segments on your site behave? Industry reports show that a large percentage of consumers are spending their time on the web purposefully.

From a broader societal viewpoint, Internet marketing practices have raised a number of ethical and legal questions. The paper explores the challenges of ethical concerns of data base marketing and how can consumers and businesses benefit from it.

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SAFEGUARDING THE PUBLIC AND THE ORGANIZATION: LESSONS FOR MARKETING FROM DISASTER ASSESSMENT

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ABSTRACT

A contemporary part of business and organizational life is the ever present potential for falling victim to a marketing disaster. While most organizations have disaster prevention and recovery plans in place. What is typically missing is a mechanism for assessing the level of damage to which recovery-marketing needs to respond. This effort offers assessment lessons to be learned from disaster literature.

INTRODUCTION

As names like Katrina, Rita, Martha Stewart, Enron, Arthur Andersen, and the date 9/11 become household terms, it is reasonable to ask what marketers can learn from the experience garnered from these horrific disasters. In recent years organizations have recognized the importance of applying marketing efforts to the task of bringing a company's image back from the brink of failure. Conditions are now riper than ever for marketing disaster as a result of dependence on technology, effectiveness and speed of communication, susceptibility to natural forces, societal expectation, the growth of consumerism, and the phenomenon of an increasingly litigious society. A single hurricane or earthquake, an act of terrorism, a *faux pas* committed by a corporate official, an unfavorable court decision, or an injurious product defect could have disastrous effect on the reputation, profitability, and survivability of an organization.

The events of September 11, 2001 dramatically prompted interest among many organizations to think seriously about disaster-recovery systems, yet managers acknowledge that they have yet to follow through on many of their intentions. According to a recent Gartner survey, one in three businesses would lose critical data or operational capabilities if struck by a disaster. "The flurry of activity and interest in disaster-recovery services didn't translate into a lot of people necessarily doing anything about it," says David Palermo, vice president of marketing for SunGuard Availability Services, a company with a big stake in the business continuity market (Conner 2003).

In a marketing context, when we talk about preparing for disasters, what exactly is it that we are supposed to be prepared for? Several hallmarks of a marketing disaster are: (1) a disturbance which profoundly affects the life of the organization, (2) an event which cannot be accommodated by everyday coping mechanisms (standard operating procedure), (3) a change which exceeds expected extremes, or (4) a sudden explosive loss of convergence between processes which had seemed well-converged. Therefore, a disaster could be the result of either a horrific natural destruction, like a hurricane, which had a significant disruptive influence on the organization or the death of a senior officer off whom the organization cued. The disaster caused by the hurricane could be of two sorts: (1) the devastating effects caused by the physical damage it brought that directly affected the organization and (2) the residual effects of the storm, as when an insurance company is materially affected because much of the damage caused by the hurricane was insured by this one company.

Therefore, a marketing disaster can be defined as *a condition of devastating consequence to an organization's marketing posture brought about by a poor decision, lack of preparedness, or an event which had a marketing impact beyond the organization's ability to cope.* A marketing disaster could involve irreparable damage to an organization's reputation, significant tainting of a brand, loss of trust, a sudden catastrophic erosion of its client base, an abrupt, devastating downturn in the economy, an unfavorable and overwhelming lawsuit, or a sweepingly effective move on the part of

competition that wins them incontestable and sustainable advantage.

Marketing currently has no generally accepted means for classifying and rating marketing disasters to provide a basis for recovery decision-making. However, in the world of natural disasters and health care, we find methods of indexing disasters so that remedial means can be proportionately associated with the level of harm. Can marketing take some lessons from their experience?

This paper focuses on the approaches used by those that routinely deal with conditions of disaster brought about by the forces of nature and in the arena of healthcare. The goal will be to isolate wisdom that might be applied to addressing instances of marketing disaster.

COMPARISON OF CLASSIFICATION MEASURES

Disaster responders have found it valuable to have a classification and rating system in place to guide recovery. To construct a severity rating device for marketing disasters, it is instructive to look at those who have addressed this issue in other arenas. Comparing rating systems that are commonly used for indexing the magnitude and/or intensity of a variety of phenomenon can yield valuable insights. The nature of these ratings vary from estimating potential damage to evaluating the extent of impact, to proposing the nature of response, and they can focus on the physical damage, or the level of disruption, or the resources needed to repair.

Disaster Involving Nature

A type of disaster with which we periodically have to deal is that brought about by the forces of nature. While the probability of a natural disaster can be predicted, its appearance is often accompanied by an impact so unexpected and overwhelming that it renders its victims helpless.

Earthquakes. Earthquakes occur when the energy from these forces, stored within rocks, are suddenly released. The severity of an earthquake can be expressed in terms of both *intensity* and *magnitude*; however magnitude is related to the amount of seismic energy released, while intensity is a measure of the observed effects on people, structures, and natural features (<http://pubs.usgs.gov/gip/earthq4/severitygip.html>).

The Richter scale cannot be used to express damage, since damage from a shock is more a function of population density and degree and type of construction in the area of the shock. The Modified Mercalli Intensity value assigned to a specific site after an earthquake is a more meaningful measure of severity to those that have to respond to the consequences because it refers to the effects actually experienced at that location.

Avalanche. A snow avalanche is a mass of snow, ice and debris flowing and sliding down a steep slope. When the snow pack becomes unstable, it suddenly releases and can descend at speeds up to 200 miles per hour. This action can be extremely destructive, exerting forces great enough to destroy structures and uproot or snap off large trees (<http://geosurvey.state.co.us/pubs/geohazards/docs/avalanche.asp>).

The system commonly used for rating avalanches is prospective, that is they assess in advance the degree of hazard for avalanche for certain conditions based upon the snowpack stability. The severity rating highlights the probability and likely source for an avalanche being triggered under those conditions (<http://www.hat-enterprises.dnsalias.com/>).

Fire. Burn severity of an area is based upon a qualitative description of surface fuel and duff (decaying leaves and branches covering a forest floor) consumption. Because the amount and duration of subsurface heating can be inferred from burn severity, this variable can provide a useful measure of the magnitude and intensity of the fire (http://fire.fws.gov/ifcc/monitor/RefGuide/burn_severity%20.htm). Backscatter intensity can provide fire scar identification related to the severity of the fire (http://www.rssgmbh.de/ESA%20Fire/Results/Res_burn_7.html). Implications for burn severity in forested areas include the degree of effort required to cultivate reforestation and the length of time to overcome the effects of the destruction.

Storm. The Saffir-Simpson Scale is a 1 – 5 rating of hurricanes based on the hurricane's intensity. This rating is used to provide an estimate of the potential property damage and flooding expected along the coast from a hurricane landfall. Wind speed is the determining factor in the scale. The prognosis factors include extent of structural damage, degree of flooding, and need for evacuation.

A key point of these rating systems is that the size of the storm is not necessarily an indication

of its intensity. Large storms can be weak, and small storms can be violent. Another important consideration is the stage in the life cycle of the storm. The scales are based on judgments of potential damage or on estimate of sustained damage after the fact, not on the size or appearance of the storm itself (<http://www.tornado.project.com/fscale/fscale.htm>).

Any number of other natural disasters could have been discussed, many of which have unique rating systems to classify the nature and severity of the event. Some of the more common of these disasters would be droughts, landslides, floods, eruptions, dust storms, meteorite impact, lightning, and erosion. What these all have in common is the potential for devastation, the need to anticipate and prepare for the consequences, and the need to respond to once disaster strikes.

Disaster Involving Health

Another common user of severity indexes is the healthcare community. Here the purpose of the rating is to “stage” the disease in order to determine protocol for treatment. Any number of examples could be displayed to demonstrate how the health sciences utilize staging systems to classify various diseases. The following are selected for illustration purposes.

Parkinson's Disease. Parkinson's disease (PD) is characterized by a slowing of emotional and voluntary movement, muscular rigidity, postural abnormality and tremor. It is a progressive, neurological disease which may ultimately become debilitating (http://www.ninds.nih.gov/health_and_medical/disorders/parkinsons_disease.htm).

The Hoehn and Yahr staging of Parkinson's takes into consideration effects on such things as mental ability, behavior, and mood (e.g., intellectual impairment, thought disorder, depression, and motivation); activities of daily living (e.g., speech, swallowing, handwriting, dressing, hygiene, and walking); rigidity; and hand movements. Staging the disease helps physicians evaluate its progress and determine the level of treatment and support required (<http://neurosurgery.mgh.harvard.edu/Functional/pdstages.htm>).

Cancer. For cancers, like mesothelioma (usually lung cancer), staging is the process of finding out how localized or widespread the cancer is. One of the most common systems for staging cancer is the TNM

staging system, also known as the American Joint Committee on Cancer (AJCC) system. In this schema, “T” stands for tumor (its size and how far it has spread within the affected organ), “N” stands for spread to lymph node, and “M” stands for metastasis (spread to distant organs). In TNM staging, information about the tumor, lymph nodes, and metastasis is combined and a stage is assigned to specific TNM groupings (http://www.cancer.org/docroot/CRI/content/CRI_2_4_3X...html).

Trauma. An injury severity score is used to assess patients involved in traffic accidents and makes use of the Abbreviated Injury Scale (AIS). Its value correlates with the risk of mortality. Injuries are assigned to five body regions (i.e., general, head and neck, chest, abdominal, and extremities and pelvis). Each type of injury is assigned a score from 1 to 6 with the highest score representing the most severe injury for each region selected. The three highest values are then used to calculate the injury severity score according to the following formula: Injury severity score = (highest region score)² + (second highest region score)² + (third highest region score)² with a maximum score of 108 (Champion, and Sacco 1989).

Addiction. As part of the overall measure of a persona's addiction to drugs or alcohol, the client is asked to communicate the extent to which he or she has experienced problem in a number of selected areas, and the extent to which he or she feels treatment for these problems is important. These subjective estimates are central to the client's participation in the assessment of her condition (Fureman, Parikh, Bragg, and McLellan, 2002, “Addiction Severity Index – University of Washington Modification for Pregnant and Postpartum Women.”).

These are just a few of the health-related severity rating indexes. Others that are in common use include: Alzheimer's Severity Index, Pneumonia Severity Index, EEG Severity Index of Traumatic Brain Injury Neuro-Seriverty Index, Influenza Epidemic Severity Index, and a Comprehensive Severity Index for Adult and Pediatric Patients.

Threats Related to Human Endeavors

While some disasters come about because of “acts of God,” and others stem from disease or human weakness, still others are brought about as a result of the interaction of humans with nature, humans in society, or their actions in communal

activities. The potential for disaster must be evaluated for each of these in order to ensure preparedness or to apply proportionate response.

Unemployment. The unemployment rate measures the number of persons who currently have no job, but are actively seeking one and can start work immediately. However, for any given unemployment rate, actual conditions of joblessness can vary considerably, particularly with respect to the amount of financial distress that is incurred.

The severity index measures four attributes thought to aggravate the distress of unemployment: (a) reason for seeking employment, (b) relationship to the head of household, (c) type of job sought, and (d) amount of relief provided by unemployment benefits. Understanding the relationship between aspects of unemployment modifies the concept of the severity or burden of that unemployment (Saito 2000).

White Water Rafting. While white water rafting needn't involve a disaster, the point of the rating system is to prevent the disaster that might occur when one gets into a situation well over their head. Rapids and rivers are subjectively rated Class I through Class VI. These ratings are dependent on volume of water, geography of the rapid, and any downstream dangers and ease of recovery (http://www.riversresort.com/ii_faq.cfm). The white water classification system is intended to be a gauge of difficulty.

Information Technology. Even though disaster plans put people first, loss of information technology (IT) function, known as a technology disaster, can plunge any company into operations disarray, triggering revenue losses and negative publicity. The seeds of major technology failures may occur with the systems themselves. Therefore management must be aware of the need to maintain detailed back-up plans for systems and data (http://hotel-online.com/Trends/Anderson/1999_DisasterRecovery.html).

Terrorism. After the 9/11 disaster, the U.S. created the Department of Homeland Security to provide a means to disseminate information to the American people regarding the risk of terrorist acts. The system provides warnings in the form of a set of graduated "Threat Conditions" with corresponding "Protective Measures" to reduce vulnerability or increase response capability during a period of heightened alert.

The system is intended to "...create a common vocabulary, context, and structure for an ongoing national discussion..." about the nature of threats that confront the homeland and the appropriate measures that should be taken in response. The system will seek to inform and facilitate decisions appropriate to nature of the problem (<http://www.whitehouse.gov/news/releases/2002/03/20020312-5.html>).

There are any numbers of other disasters that stem from social interaction or activity, but those mentioned provide a representation of the genre. An expanded list would include disasters brought about by industrial accidents, space debris fallout, radioactivity, toxic waste disposal, aircraft accidents, overpopulation, criminal activities, and, clearly, warfare.

LESSONS

Every now and then there are organizations that disappear because they failed to recover from a disaster. In most cases, this was a result of poor planning or the belief that such events would never materialize. But disaster can strike at any time. Since organizations are not just self-contained, but rely upon assets, employees, records, stock, facilities, and supplier, the disaster does not have to be their own for it to have devastating collateral effect. Generally speaking, disasters can be put into three main categories: natural disasters (e.g., flooding, hurricanes, blizzards, storms, land slides, etc.), technical disasters (e.g., power outages, breakdown of computer networks, gas leaks, communication failure, cooling/heating/ventilation system failure, etc.), and human disasters (e.g., theft and criminal damage, sickness/death, war/terrorism, a strike, etc.).

What we see in the various severity indexes that were reviewed, are algorithms which point to step-by-step problem solving procedures to address these disasters. An algorithm can be defined as *a systematic response based on existing conditions*. The problem which often confronts business, in the absence of a measure of disaster severity, is a vacuum that confuses attempts to successfully and proportionally address the problem because no gauge of the problem is available to point the way. Hence, a critical component in the creation of a workable algorithm is missing. A marketing severity index is called for, but what should it look like?

What can we learn from this review of popular indexing approaches that can inform the creation of a measure of disaster severity in marketing?

- Develop a common set of terminology
- Limit the classification categories to 3 – 6
- Measure may be prospective as well as immediate
- Accept the fact that qualitative measures may be called for
- Realize that classifications may be based upon complex antecedents
- Opt for tangible factors that allow for differentiation
- Place anchors at either extreme
- Measure “effect,” not just intensity and/or magnitude
- Realize that categories can be multiplicative
- Make sure the resulting severity categories relate to preparation and recovery

One thing that is immediately clear when reviewing the indexes of severity outlined in Tables 1, 2, and 3, is that they all confine the resulting classifications to at least three and no more than six. Very few situations lend themselves to a simple either/or response, on the one hand, but it is patently unhelpful to stretch the range of beyond five or six. To employ a system that results in too many severity categories is to complicate the instrument beyond helpfulness. When faced with a disaster and the need for prompt and targeted response, the marketer needs a tool that allows for ready assessment and decisive action. Too many categories render the tool cumbersome and ineffective.

Another characteristic the indexes had in common was that they all employed measures that the trained eye in the discipline could easily see and distinguish between. These factors were typically tangible and quantifiable. In the throes of a disaster, the evaluator needs straightforward, unambiguous guidelines that can be quickly assessed and related to others.

A final piece of wisdom one gleans from this review is that intensity may be more relevant than magnitude and impact may be more important than the scope of the event. These two concepts are related in that they each recognize that where and how forcefully an event occurs, i.e., the context of the event, is a better measure of the havoc it will wreak than would be a mere objective measure of its size.

CONCLUSION

This paper proposes the need for an instrument to categorize marketing disasters. This instrument would allow company's to create measured responses to certain disasters. Of course, any instrument will need to be tailored and calibrated to the industry and relevant situational variables confronting a particular organization to be of the greatest assistance. However, with the lessons learned from this review, one is ready to undertake development of a generic marketing disaster severity index. An organization should be able, with a modicum of insight and effort, to modify this model to fit the particular conditions it faces.

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INTERNATIONAL MARKET ENTRY FAILURES: CLASSIFICATION OF SUBSIDIARY OPPORTUNISM

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ABSTRACT

This study examines the drivers behind market entry failures of SMEs utilizing integrated mode of market entry. Intra-subsidary opportunism is investigated using qualitative analytical techniques. The inductive process identifies various forms and categories of intra-firm opportunistic behaviors. A classification scheme of opportunism phenomenon is developed and managerial implications are offered.

INTRODUCTION

In recent two decades, small and middle size enterprises (SMEs) have taken a significant role in the development of international exchanges (Knight, 2000; Vachani, 2005). Previous research has shown that the internationalization process of SMEs differs from that of the large firms, and that the international market entry failure rate is also higher in the case of SMEs. Studies assessing the performance of SMEs' entry modes are rare despite the fact that errors in the choice of entry modes can have devastating consequences for the firm. For example, Cavusgil and Kirpalani (1993) found that the rate of success of SMEs using company owned channels in their international development was only 36 percent, with two thirds of SMEs yielding inadequate results. Other authors demonstrate that the size of firms has a positive effect on the performance of their foreign-based integrated operations (Brouthers, 2002; Wilkinson and Nguyen, 2003). However, little is in fact known either about the reasons for poor performance of SMEs when using integrated modes of entry into international markets, or about the role of intra-subsidary opportunism as a factor potentially leading to the demise of international business venture. Hence, the purpose of this study was to examine opportunism in SMEs' foreign subsidiaries, and to classify various categories of ex post opportunism identified in selected SMEs.

THEORETICAL PERSPECTIVES ON OPPORTUNISM

This research draws on transaction cost analysis (TCA) theory as a conceptual basis to explain international market entry problems that SMEs experienced due to dysfunctional relationships

with their foreign subsidiaries. The core premise in TCA paradigm is that a rational firm chooses between market vs. internal governance structures for its operations based on its drive to minimize transaction costs, i.e., cost associated with administering the exchange, acquiring information and monitoring behavior of partner firms. In order to maximize the profit of the firm, the management should choose the governance structure with the lowest transaction costs. This is why this theoretical premise has been previously used to explain international entry modes. While the paradigm makes assumptions of perfectly competitive markets and rational behavior of efficiency driven firms, it acknowledges behavioral constraints related to bounded rationality of management and market opportunism (i.e., self-interest and possibly shirking behavior of partner firms). Both of these may increase transaction costs and lead to inefficiencies (Williamson, 1975; 1985). This theoretical basis has been employed in investigations of a broad range of exchange issues and has taken various forms over the years (Rindfleisch and Heide, 1997).

As indicated, TCA assumes that partners in economic exchange are prone to adopt opportunistic behaviors. Williamson (1975) defines opportunism as "self interest seeking with guile". Guile is later defined as "*lying, stealing, cheating, and calculated efforts to mislead, distort, disguise, obfuscate or otherwise confuse*" (Williamson 1985, p.47). Researchers generally distinguish between two categories of opportunism, depending on when in the exchange relationships it occurs, i.e., ex-ante and ex-post. Ex-ante opportunism implies the hiding of capabilities related information on behalf of one exchange party prior to the initiation of the relationship. Ex-post opportunism, which occurs after

the initiation of the operations, is the focus of this study.

The marketing literature primarily studies inter-organizational rather than intra-organizational opportunism. Wathne and Heide (2000) propose two types of inter-firm ex-post opportunistic behaviors, i.e., passive and active. Passive opportunistic behaviors include such issues as *evasion* (shirking from one's obligations) and *refusal to adapt* (to new environmental conditions). Active types of opportunistic behaviors are the blatant *violation* of implicit or explicit agreements and the *forced renegotiation* of previous agreements. For Rindfleisch and Heide (1997), TCA's opportunism is caused by the interaction effect between environmental uncertainty and asset specificity. Two forms of opportunism are linked to changing environmental conditions: *refusal to adapt* (passive type) and *forced renegotiation* (active type, when one party takes advantage of changing circumstances to renegotiate a more favorable agreement).

METHODOLOGY

In order to meet objectives of this research and examine foreign subsidiary opportunism, field data was collected from SMEs having experienced market entry failure. The principles of grounded theory methodology (Strauss and Corbin, 1998) were utilized to inductively derive a classification scheme of intra-foreign subsidiaries opportunistic behaviors. The source of the data is the evaluation reports written by senior consultants of an international firm specialized in assessing firms on global expansion, which granted a permission to use their files for research purposes. In the development of the evaluation reports, firms were asked to detail their international experience including their failed entries into foreign markets. In this study, ten cases of SMEs were examined. These firms were selected based on the following predetermined criteria: a) that they were classified as SMEs (less than 250 employees); b) they entered the foreign market in question using a fully owned subsidiary; c) that they reported an international market entry problems attributed primarily to dysfunctional behaviors of their foreign subsidiary members; and d) that the firms ultimately granted the permission to open their files to the researchers.

To isolate the relevant data, two qualified judges separately read and analyzed each evaluation report for mentions of opportunistic behaviors. The authors separately examined each behavior recorded and evaluated if they could represent opportunistic

behaviors as defined by Williamsom (1975) and Wathne and Heide 2000. Specifically, foreign subsidiary tasks and responsibilities delegated by the SMEs' headquarters were examined in this evaluation. The researchers then compared their data sets and proceeded with reconciliation in resolving discrepancies in their interpretations. Next, an open coding procedure was performed following the constant comparative method (Strauss, 1987), whereby an iterative process is used to organize the data. The last stage of the analytical process (called axial coding) consisted of the classification of various categories of opportunistic behaviors.

DISCUSSION OF FINDINGS

The ten SMEs participating in this study were active in various industrial sectors, ranging from electrical and household equipment to biotechnology and textiles. Six SMEs had world sales under \$20 million in the year of investigation, and the number of employees ranged between 35 and 120. The remaining four SMEs' world sales ranged between \$20 to \$50 million, and employed between 70 and 200 people. All SMEs opened local subsidiaries in various foreign markets between 1991 and 2000. The country of origin of SMEs included Argentina and France (two firms each), Brazil, Colombia, Israel, Switzerland, Uruguay and the UK. The countries of destination – the foreign subsidiary locations- ranged from Brazil and Spain (two firms each), Argentina, France, Italy, Mexico, Sweden and the U.S. Table 1 shows demographics of the SMEs investigated in this study, and the twelve categories of opportunistic behaviors derived from the aforementioned analytical process.

TABLE 1 ABOUT HERE

Opportunistic behaviors belonging to *the active form* were all asset related and were subsequently structured as a function of the kind of asset that was the object of the predatory behavior: a) Tangible asset related opportunism, b) Information related opportunism and c) Legal opportunism. As indicated in Table 1, our analysis of SMEs files reveals that while the active form of opportunism was identified in all SMEs, the number of observations varied by firm. Only one type of opportunism was identified in *the passive form* of opportunistic behaviors, and was labeled "Shirking". The passive form of opportunism, which evolves when its perpetrator refrains from a particular action, was identified in six SMEs.

Tangible Assets related opportunistic behaviors in our study included five out of the twelve categories generated through the inductive process. In the “Stealing” sub-category, cash was a primary target, identified in six out of ten SMEs. Examples of cash-related opportunism included the “disappearance” of large amounts of money. Two firms reported that their respective local directors emptied the subsidiary bank accounts. As the subsidiaries’ accountants vanished, the firms were unable to trace the missing cash. Moreover, four SMEs reported severe problems in controlling their subsidiaries’ inventories. Three of them found an empty warehouse when they tried to evaluate the extent of their subsidiary’s problem. A similar pattern can be traced when analyzing the stealing of subsidiaries’ equipment. Corporate cars were prime targets (in two of four SMEs reporting this problem); other kinds of business equipment were also thought to have been stolen. The next sub-category of tangible assets related opportunism refers to Faulty spending (Table 1). Firms that were able to retrieve some accounting documents reported that the top management of their subsidiaries often used the expense accounts for private matters that were entirely outside the scope of their business, such as private trips, restaurants and entertainment (identified in six SMEs). Finally, the last category of assets related opportunistic behavior (labeled Facilities misuse in Table 1) was a more subtle one as it included the use of a subsidiary’s facilities in order to conduct private business. For example, the manager of a French subsidiary was using SMEs facilities and its sales force to sell a competing range of products. This category appeared quite frequently in our sample - in seven out of ten SMEs investigated.

Information Related Opportunism in this study relates to a firm’s intangible assets, i.e., to the use of the information available to the perpetrator (the subsidiary manager) for his/her own profit. It includes three sub-categories of active opportunistic behaviors. Four SMEs reported they possessed proof that their subsidiaries’ managers sold bidding information to competing firms (labeled Bidding in Table 1). In addition, six SMEs in our sample claimed that design and manufacturing secrets were made available to third parties (labeled Firm secrets in Table 1). One of the informants reported an incident when a subsidiary manager exhibited a copycat product produced by a local firm, which was also employing some former staff members of the subsidiary. Moreover, our analyses revealed that in four cases, firms reported subsidiary personnel or service suppliers were family-related to the top management. This category (labeled Nepotism in

Table 1) was classified as information related opportunism as it involved efforts to control information by the opportunistic party.

Legal Opportunism (related to intangible assets) in this study occurred when legal assets of the firm were targeted. Four firms discovered unreported legal pledges. In three cases, the plaintiff was the tax authority suing the subsidiary for tax evasion. The amounts stated on the balance sheets as taxes paid had been, in fact, cashed out by the local management. Another two cases involved law suits from laid-off personnel. These people were ultimately extremely useful to the headquarters’ management as they were willing to disclose various kinds of opportunistic behaviors they had observed during their employment in these subsidiaries. As indicated in Table 1, the other two sub-categories of legal opportunism consisted of SMEs’ legal assets such as Brands (in case of four SMEs) and Sales permits (in case of two SMEs) having been registered in the name of a third party. For the victimized firms, any return to the local market was made unlikely in the foreseeable future as they were no longer able to market the brands targeted to this foreign market.

The form of shirking reported by the investigated SMEs was linked to the fact that local subsidiary managers operated other businesses parallel to the firm’s operations (labeled Management time in Table 1). For example, one Spanish manager created a business that was a customer of the subsidiary he managed. When the fiddle was discovered, it was determined that this “special” customer had made no payments for the last sixteen months. Another example included an instance when the entire staff of the French subsidiary was involved in shirking as they promoted competitors’ rather than the SME’s products. In yet another case, the subsidiary got into legal troubles because of the external unauthorized activities of its management. In all these cases of shirking, the consequences not only resulted in a loss of productivity, but the parallel activities that caused shirking also involved tangible assets related opportunistic behaviors.

CONCLUSIONS AND IMPLICATIONS

In this research, an inductive process was used to highlight the phenomenon of opportunism in the context that has not been analyzed in previous literature. Opportunism identified in this study differs from parallel constructs offered in TCA in that it refers to an intra-firm rather than inter-organizational phenomenon due to the focus on firms utilizing integrated international market entry modes. Hence,

opportunistic behaviors identified in this study are *endogenous* as they were perpetrated by employees of SMEs' subsidiaries.

The analysis of the opportunism categories generated from the field data shows that most opportunistic behaviors identified in our sample were aimed at the assets of the foreign subsidiary. As indicated in Table 1, exhibiting number of observations by category and by SME, these assets included the tangible assets (identified in all firms, a total of 27 observations), information related opportunism or commercial goodwill (identified in eight SMEs; a total of 14 observations) and the legal assets (identified in six SMEs; a total of 10 observations). A closer examination of the opportunistic behaviors identified in the ten foreign subsidiaries shows that all types and forms of opportunism (Table 1) were made possible by the inability of the SMEs to detect them. Moreover, it should be noted that the extent and the sheer number of observations of opportunistic behaviors within a single firm in our sample (notably in firms coded "C" and "H" with ten and seven categories of opportunism, respectively) amount to what Wathne and Heide (2000) call "blatant opportunism". Clearly, our findings indicate that the investigated SMEs had very weak integration and monitoring processes. The TCA works on the assumption that organizations can minimize transaction costs because they have control systems that minimize opportunistic behaviors of their employees (Rindfleisch and Heide, 1997; Williamsons, 1985). Monitoring procedures are supposed to facilitate the adaptation to volatile environments.

In our sample of ten SMEs, only one firm implemented monthly reporting procedures in its foreign subsidiary. For all the other SMEs, financial control was limited to an annual evaluation of accounting documents developed for tax purposes. These documents were produced based on local accounting rules, further reducing their value for adequate control. Furthermore, none of the ten SMEs assigned any executive (not even on a part time basis) to the coordination and control of their subsidiary. Typically, the president/CEO of the SME would visit the subsidiary two to three times a year and conduct informal talks with the branch management. The consequences of various forms and types of opportunism identified in our study of international SMEs can be devastatingly costly. Five out of ten SMEs analyzed had to pull out from the market with a net loss of their foreign investment ranging from \$500,000 to \$3,000,000. These calculations did not include the opportunity costs incurred due to the

absence of revenue from these attractive foreign markets.

As indicated in the literature (Burgel and Murray, 2000; Etemad and Wright, 2000), assumptions of TCA about the firm resources and capabilities do not always reflect the reality of small firms. While we in part concur with this contention, our findings also suggests that transaction cost economics greatly aids in understanding the SMEs' foreign subsidiaries performance issues when taking into account firms' capabilities. By conceptualizing endogenous (intra-firm) opportunism for SMEs and categorizing its various forms and types, we hope to have contributed to the development of TCA's application to the internationalizing SMEs. However, much work remains to be done.

Findings of this study should be viewed from the perspective of the limitations inherent in this study. While principles of grounded methodology (Strauss, 1987) were strictly adhered to in the analytical process, investigating firms' past market entry failures represent a challenge because companies are reluctant to disclose information of such sensitive nature. Primary actors of the failed export venture are typically not accessible to researchers because they no longer work for the company. Even more importantly, simply identifying firms that experience this kind of problems is extremely difficult. For SMEs facing opportunistic behaviors in their foreign subsidiaries, it seems that the real risk is not only a reduction of the efficiency or performance of their foreign venture. A total collapse of the overseas branch and a complete loss of the investment are very possible outcomes. SMEs managers need to pay a very close attention to their selection of governance mechanisms and partners when entering new markets. A careful evaluation of the firm organizational resources and human capital should be performed prior to selecting appropriate entry modes (Madhok, 1998). Although the focus of this study was on *ex post* opportunism, we believe that the selection process of the top management in foreign subsidiaries may have contributed to their poor outcomes. The ten SMEs hired local management in countries in which they had very limited experience. While our data sources did not allow for the evaluation of SMEs screening procedures, future studies may wish to evaluate their role in mitigating *ex ante* opportunism (Geringer, 1991).

Our classification scheme of endogenous opportunism in SMEs can serve as a basis for defining this central construct in future studies, which

should use confirmatory methods to establish the relative importance of various types of such behaviors in foreign subsidiaries, and investigate their sources and effects. Furthermore, to gain even a more comprehensive typology of endogenous opportunism in SMEs, future investigations need to examine its link to culture-specific factors of the two countries involved, i.e., the country of origin and the destination country (Mayrhofer, 2004). Such findings could prove useful to managers in addressing the complex issue of relationship management when using integrated international channels.

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TABLE 1. CHARACTERISTICS OF PARTICIPATING SMEs AND CATEGORIES OF ENDOGENOUS OPPORTUNISM BY FIRM

FORM OF OPPORTUNISM:			ACTIVE										PASSIVE	Total Number of Instances per Firm	
FIRM ¹	COUNTRIES INVOLVED: COO ² - Subsidiary	FIRM SIZE Category ³ World Sales (Employees) ⁴	Tangible Assets Related Opportunism					Information Related Opportunism			Legal Opportunism				SHIRKING
			Stealing			Faulty Spending	Facilities Misuse	Bidding	Firm Secrets	Nepotism	Legal Pledges	Brand Names	Sales Permits		Mng. Time
			Cash	Invent-ory	Equip-ment										
A	Uruguay- Brazil	SMALL 5 (35)					X		X		X			X	4
C	Argentina Brazil	SMALL 8 (60)	X	X	X	X	X		X	X	X	X		X	10
B	Israel- Italy	SMALL 10 (65)	X		X			X	X			X	X		6
H	France Argentina	SMALL 10 (45)		X		X	X	X	X	X		X			7
F	Argentina USA	SMALL 15 (120)		X	X						X	X	X	X	6
D	France Spain	SMALL 17 (90)				X	X			X				X	4
E	Switzerland Spain	MEDIUM 20 (70)	X		X	X			X						4
J	Colombia Mexico	MEDIUM 25 (120)	X				X	X	X	X				X	6
I	Brazil Sweden	MEDIUM 30 (180)	X	X		X	X							X	5
G	UK France	MEDIUM 50 (200)	X			X	X	X			X				5
Total Number of Instances by CATEGORY of OPPORTUNISM			6	4	4	6	7	4	6	4	4	4	2	6	57
Total Number of Instances by TYPE of OPPORTUNISM			27					14			10			6	57

¹ Firms in Table 1 are presented from smallest to largest firm based on World Sales

² Country of Origin of the firm

³ Category based on the amount of World sales: SMALL - sales under \$ 20 million; MEDIUM – sales over \$ 20 million

⁴ World sales in \$ million (number of employees) in the year of investigation (between 1991-2001).

BUSINESS TURNAROUNDS: ROLE OF MARKETING-FINANCE INTERFACE STRATEGIES

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ABSTRACT

This paper examines marketing/finance interface (MFI) strategies particularly as they relate to short-term cash flow management that business turnarounds primarily seek to stabilize. We derive several useful MFI performance metrics in the short-term cash flow management areas of inventory management, accounts receivable and accounts payable management, operating and cash management. As an illustration, we apply these metrics to Kmart during its years of decline in 1990-2000 and years of turnaround thereafter, and compare its performance metrics against those benchmarked by industry captain, Wal-Mart. Managerial implications of these metrics and areas for further research are discussed.

INTRODUCTION

The importance of the marketing/finance interface (MFI) for enhancing corporate performance is finally being recognized and used. (e.g., Anderson, Fornell and Mazvancheryl 2004; Lehman 2004; Zinkham and Verbrugge 2000). This is because marketing deals with cash flow and consumers, the end-users of the products and services. From this viewpoint, marketing is the business of creating and regenerating cash flow. Companies are successful largely because they increase the value of their brands to generate cash flows. Increasing shareholder value and increasing brand value, therefore are the same. Both are the discounted value of future cash flows, even though not all cash flows are directly attributable to brands. High market share and high ratings of consumer satisfaction, the metrics that CEOs most covet, are only a part of corporate performance reality, but both must contribute to shareholder value (Anderson, Fornell and Mazvancheryl 2004, Srivastava, Shervani and Fahey 1998). These metrics, therefore, must translate into a steady and increasing cash flow and profit, making marketing strategies and marketers accountable (Lehman 2004; Rust, Lemon and Zeithaml 2003). A failing business poses two main problems: how to resolve the day-to-day operational problems of cash flow management and how to restructure the debt and equity of the business till the corporation is back on its feet again. Turnaround is the word that is often used to mean the process of solving the operational problems of a business. It involves improving the

position of the business as a low-cost provider of increasingly differentiated products and services in a highly competitive world. Restructuring is the term used to describe the process of developing a financial structure that will provide a basis for turnaround (Gilson 2001).

This paper focuses on the role of MFI strategies in short-term cash flows management that lead to business turnarounds. Our argument is as follows: 1) we first characterize the general domain of marketing/finance interface. 2) We next derive several MFI performance metrics in relation to the management of inventory, accounts receivables, accounts payable, operating and cash cycles, and bottom line profits, and at the same time, as an illustration, apply these metrics to Kmart, an underperformer and benchmark them against a comparable competitor and industry leader, Wal-Mart. 3) We discuss the business turnaround implications of these MFI performance metrics.

Kmart versus Wal-Mart

Kmart's direct competitors are Sears, Target, and Wal-Mart. Each store has been operating for more than 40 years in the US. Kmart currently ranks fourth with net income of \$1.08 billion and \$20.12 billion of sales in 2004. The leading competitor in the industry is Wal-Mart with net income of \$9.82 billion and \$280.36 billion in sales in 2004, which is almost 14 times greater than Kmart's sales. By the time Wal-Mart surpassed Kmart in sales in 1990,

leadership Kmart's should have already known that their strategies were failing and that Wal-Mart was a grave threat. Kmart was quickly in a downward phase of its business cycle continuously threatened by competition. Kmart needed to make a successful combat or perish. In 1991 Kmart spent \$80 million on an advertising campaign to convince consumers that the company believed in quality customer service. Sales increased by 3 percent. The same year, Wal-Mart beefed up its quality customer services that increased its sales by 26 percent. Instead of improving customer service in 1993 and 1994, Kmart spent \$3 billion on capital renovations to encourage its customers to comeback. They did not return but continued to shop at Wal-Mart because of better customer service. This was because Wal-Mart had an understanding of what consumers want from a retailer. It should be noted that on May 6, 2002, Kmart emerged from the Chapter 11 reorganization process.

THE GENERAL DOMAIN OF MARKETING-FINANCE INTERFACE

The domain and scope of MFI strategies is virtually unknown. *Table 1* provides a general canvas of MFI strategies in terms of business inputs, processes and outputs. The entries are self-explanatory. The basic MFI strategy question is: Are the expenditures incurred in the inputs and process domains of MFI producing adequate returns

(outputs)? Modern financial thinking considers much of the MFI strategy related expenditures as the cost of capital or capital investments (Copeland, Koller and Murrin 2000). Thus, the basic MFI question translates to: Does the return on capital significantly exceed the cost of capital incurred by the expenditures (as seen in Table 1).

When the sales of a given product are progressed in time we have the traditional *product life cycle*. When profits (losses) on sales revenues are measured against time periods we have the traditional *corporate business cycle*. Both cycles involve marketing/finance interface decisions. A business cycle, however, is not merely the flow of sales and profits. We also need to know what happens within the company including how cash is generated, how it is spent and what the cash inflow and outflow variables or activities are. These questions are the domain of marketing-finance interface and they must be asked. *Cash flow* represents the available cash to pay current expenses. The management of working capital deals mainly with cash, receivables, payables and inventories. Accordingly, the domain of MFI strategies involves inventory, receivables and payables management. A *positive cash flow* meets all current needs. Positive cash flows are not profits, just cash after costs (but not after depreciation). A *negative cash flow* is like bleeding; it forces short-term borrowing to meet one's current expenses.

Table 1: The Marketing-Finance Interface: Business Inputs, Process and Outputs

Business Inputs	Business Process	Business Outputs
Investments in market research and new product development	Finished goods inventory management	Returns on new customer acquisitions
Investments in developing core competencies, core products and core standards	Warehousing, transportation/delivery	Returns on relationship management
Investments in company image (e.g., location of headquarters corporate advertising)	Variable pricing by segments	Returns on quality
Flagship branding (e.g., patents, logo, trademarks)	Online dynamic pricing (priceline.com)	Returns on innovations
Planning product line updates and expansions via acquisitions or mergers.	Reverse e-auctions pricing.	Returns on brand investments
	Billing/Collection policies	Returns on services improvements
	Accounts receivables management	Returns on market share
	Customer credit policies	Returns on discounting
	Salespeople commissions/bonuses mgmt	Returns per salesperson
	Promotions management	Returns by country or trade region
	Clearance/Liquidation strategies	Returns by preferred customer
	Phasing-out products/customers.	Customer lifetime values

**MARKETING/FINANCE INTERFACE
PERFORMANCE METRICS**

In the practice of financial accounting, the inventory period, days in inventory, days in receivables and days in payables measure the accounts receivable and the accounts payable periods, respectively (Horngren, Sundem and Elliott 2005). We illustrate these concepts using financial data (Annual Reports) from Kmart and Wal-Mart for the relevant years in question. Both Kmart and Wal-Mart are large discount stores and, therefore, comparable. The top five retailers – Wal-Mart, Target, Costco, Sears and Kmart account for 60 percent of the general merchandise sales. Assessing retail performance by benchmarking against Wal-Mart is becoming industry practice today (Dobbs and Koller 1998). It is also called the *Wal-Mart effect* (Johnson 2002). A variety of Wal-Mart’s innovations (e.g., EDLP, electronic data interchange (EDI) with suppliers, centralized distribution) are now industry standards.

MFI Performance Metrics regarding Inventory Management

Based on a review of the literature, a total of 18 inventory management ratios were generated to

compare Wal-Mart with Kmart over the 4-year period. From Table 2 it is evident that Wal-Mart has outperformed Kmart in most of the inventory related ratios (61 of 72). In sum, Kmart’s final performance in relation to inventory management was rather poor.

The aggregate performance of Kmart and Wal-Mart in relation to inventory management is indicated by the total number of metrics one did better than the other as indicated in *Table 2*. Apart from the year 1999 and 2000 when Kmart did poorly, it began to do better in 2001 and 2002. Wal-Mart, the industry captain, however, does decidedly better than Kmart all of 1999-2002. There may be many reasons for Wal-Mart’s better performance in general. Chief among them, though, is that Wal-Mart sells all its goods on consignment. That is, it pays its traders only after their goods are sold in its stores, thus reducing its inventory holding costs to very low levels. Its inventory in all the stores is adjusted to weekly sales forecasts for each of its products such that its inventories are not unnecessarily overstocked. These facts explain why Wal-Mart is fairly liberal in its inventory holdings. In other words, Wal-Mart reports consistently better MFI strategies in the inventory management than Kmart.

Table 2: Marketing/Finance Interface (MFI) Performance Metrics

MFI Performance Metrics	Kmart				Wal-Mart			
	1999	2000	2001	2002	1999	2000	2001	2002
Total MFI Performance of Inventory Management	2	1	4	4	16	17	14	14
Total MFI Performance of AR Management	0	0	0	0	9	9	9	9
Total MFI Performance of AP Management	4	4	4	4	5	5	5	5
Total MFI Performance of Operating/Cash Management	0	0	0	0	6	6	6	6
Bottom line Metrics of Corporate Performance	1	0	0	0	5	6	6	6
Total # of Metrics in which the firm did better than its rival	7	5	8	8	41	43	40	40
Percentage of Metrics in which the firm did better than its rival	14.6	10.4	16.7	16.7	85.4	89.6	83.3	83.3

MFI Performance Metrics Regarding Accounts Receivables Management

Table 2 also provides a summary of all 9 ratios related to accounts receivables for Kmart and Wal-Mart for 1999-2002. Other things being equal, holding AR to low levels increases short-term cash flows. Given its giant size in terms of total revenues, Wal-Mart has remarkably low holdings in its AR compared to Kmart for all the four years of reckoning. Consequently, the AR turnover ratios for Wal-Mart are significantly higher than Kmart while its average days in AR are significantly lower than Kmart. Thus, Wal-Mart outperforms Kmart on all the nine MFI metrics in AR management. This provides an insight into the quality of the firm's receivables and how successful the firm is in its collections. The turnover for Wal-Mart is higher indicating a short time between the typical sale and cash collection for Wal-Mart. The turnover ratio for Kmart is lower indicating an inadequate collection policy with a number of past due accounts still on the books. In short, Wal-Mart's accounts receivables management is decidedly better than Kmart's.

MFI Performance Metrics Regarding Accounts Payables Management

While accounts payables (AP) are generally in the accounting-finance domain, they also have serious marketing implications. For instance, delayed and large accounts payables to suppliers and traders may mean cash shortages for them, which in turn, can affect the quantity, quality and delivery of their supplies. As a result shortages may occur in the procuring company (in manufacturing, this could cause production delays, cost overruns and price increases). All these consequences can compromise product quality, warranty and guarantee; they can also dissatisfy customers and increase product complaints, not to mention the problems that come from product-brand and store-brand switches. Consistently delayed payments of bills can anger the media, promoters, brokers, employees, salespersons and customers and as a result, the company may lose their patronage. Hence, accounts payable management becomes of vital importance for MFI strategies. Increasing accounts payables may temporarily improve cash position for the distressed company in terms of business turnaround. But its long-run effects on the entire company and its stakeholders can be very damaging. While increasing accounts payable is a good cash flow increasing financial strategy in the short-term, one must remember that all payables are "quasi debts" to

various stakeholders that eventually impact the quality of a firm's market offerings.

Compared to Wal-Mart, Kmart had lower average accounts payables (AP) for 1999-2002, which, other things being equal, indicates the financial health of one's short-term cash management. Presumably, Kmart might have sold some of its large fixed assets to pay off AP as the latter dramatically decreased during 2002-2003. Holding low levels of AP, Kmart also reports higher ratios of AP turnover and lower average days in AP for 1999-2002 as compared to Wal-Mart. Further, as a percentage of total revenues, Kmart recorded lower figures for all four years when compared to Wal-Mart (annual reports). By hindsight, high AP for Wal-Mart indicates large borrowings for exploiting growth opportunities.

MFI Performance Metrics Regarding Operating and Cash Management

Table 2 records all these metrics for Kmart and Wal-Mart for 1999-2002. Wal-Mart outdoes Kmart on all metrics regarding operating and cash management from 1999-2002. Wal-Mart's operating cycles are relatively short for all the four years of companies to Kmart. It indicates that Wal-Mart is managing its inventory and receivables more efficiently than Kmart. Kmart's long operating cycle is a warning sign of excessive receivables or inventory and reflects negatively on the firm's true liquidity. By comparison to Walmart, it takes Kmart extra days to order a product, sell it and collect cash from the sale. Kmart's cash cycle is more than twice as long as Wal-Mart's. This indicates that Kmart spends more time collecting receivables from the sale of goods and services and/or a shorter time paying suppliers for the goods it has purchased. Wal-Mart performed better than Kmart as measured by the total costs and expenses relative to total revenues. This implies that Wal-Mart's financial managers are better able to arrive at more optimal operating and cash levels.

BUSINESS TURNAROUND IMPLICATIONS OF MFI STRATEGIES

Our focus has been the effect of MFI strategies on cash and short-term cash flows. Many corporate departments, especially marketing, take cash for granted and yet, once crisis happens, cash becomes *the* immediate priority (Slatter and Lovett 1999). Thus, our contention is that short-term cash flow management should also be the concern of the

marketing department, just as it is for finance and accounting.

The business cycle is composed of at least three sets of variables:

- *Marketing* (e.g., sales revenues, changes in sales revenues, market share, return on sales (ROS), returns on promotions (ROP)).
- *Finance* (e.g., gross margins, operating margins, net earnings, return on investment (ROI), returns on assets (ROA), return on equity, earnings per share, price earnings (P/E) ratio, and market valuation (MVA)).
- *Marketing-finance* variables such as returns on quality (ROQ), returns on salespersons, returns on retail outlets, economic value added (EVA), cash value added (CVA) and in general, return on marketing (ROM).

Cash is the lifeblood of any business. One property of liquidity is divisibility, that is, how easily an asset can be divided into parts (Ross, Westerfield and Jaffe 2002). Cash is liquid: currency, checking accounts at commercial banks and un-deposited checks are highly divisible into small units and usable to pay bills as and when they are due. Having cash and cash equivalents in sufficient supply to pay all one's short-term bills wards off crisis and insolvency situations, hence, the vital role of cash flows in turnaround management. To increase positive cash flows a firm must decrease net credit sales while at the same time increasing invoice periods thereby boosting accounts receivables. Furthermore, the firm could hold larger inventory for finished products so that inventory costs are low, and therefore it need not worry about accurately forecasting demand to meet the requirement of reduced inventories. Additionally, if you sell all your products through retailers like department stores, where it is customary to sell to these distributors on credit then sales will not generate cash immediately. A 90-day collection period is normal implying that you collect sales revenues every quarter. That is, accounts receivables at the end of each quarter are last quarter's sales. If sales to distributors are made on consignment, then, sales revenues are collected only after the products are sold and revenues are realized. This may further delay collection from sales. It should be the concern of marketing and financial managers that there should be no time that cash outflows significantly exceed cash inflows so as to cause a cash crisis. Good *cash budgeting* by periods can prevent such a cash crisis.

Given this discussion, shorter operating and cash cycles indicate better production, marketing and financing efficiency thereby generating better performance metrics. This happened in the case of Wal-Mart where it surpassed over Kmart on all the MFI metrics dealing with operating and cash management. Real turnaround management is on a daily basis and primarily deals with short-term cash flow management (Lovett and MacDonald 2005). The MFI metrics that we have considered in this paper are on a short-term cash flow management and can be applied to all business turnarounds. These metrics individually and collectively can help to gauge short-term cash-flow performance on a daily basis, as long as all the data inputs that feed these metrics can be provided daily. The cash cycle is the gap between cash outflows (for raw materials and/or finished goods purchased) and cash inflows (cash received from accounts receivable). The greater the gap, the more one is forced to borrow to pay trade payables or alternatively one must hold large reserves cash or marketable securities. Both borrowing and maintaining highly liquid assets are costly measures. The gap between cash payments and cash receipts can be narrowed by reducing inventory; that is, by ordering materials just in time (JIT) for production. Ideally, one could shorten the cash cycle by increasing the days in accounts payable and by shortening days in accounts receivable. The former may dissatisfy the suppliers while the latter may displease the customers, especially the larger accounts on both counts. The MFI metrics can even be applied to large individual accounts or to lifetime loyal customers, suppliers or retail channel partners alike – all these are “customers” at large. The question then is: to what extent should marketing and financial managers grant credit to these “customers” so that they can be trusted, developed and retained as lifetime customers. This is not a marketing decision, but a MFI strategy. Obviously, such a strategy would depend upon their “customer” lifetime value (Rust, Lemon and Zeithaml 2003). If the net present value of cash flows from such lifetime “customers” is significantly greater than the cost of credit (i.e., costs of lost interest and cash-shortage costs, or cost of capital), then liberal credit granting to such customers is defensible from a MFI viewpoint.

CONCLUDING REMARKS

The MFI performance metrics that were employed to compare Kmart with Wal-Mart can be used often during a year depending upon how frequently a company can generate its balance sheets, income and loss statements and cash flow statements. All metrics relate to short-term cash flow

management and involve cash, inventory, accounts receivable and accounts payable, and thus, the operating and cash cycles. Such reports should be generated more frequently than the current practice of quarterly and annual reports. These performance metrics require both marketing and financial executives to work together to monitor, predict and explain the performance of short-term cash flow management for companies in a turnaround situation. Research on this short-term cash flow management marketing/financing interface zone has been vastly neglected. The MFI domain and metrics that we have described (see *Tables 1 and 2*) offer a useful canvas and model for such interdepartmental cooperation that underlies turnaround business management.

We have demonstrated the superiority of Wal-Mart metrics over that of Kmart by covering a variety of marketing-finance interface dimensions (such as inventory and accounts receivables) as well as an assortment of ratios within each dimension (a total of 48 metrics altogether). It should be noted that the two firms selected in this study were similar in start-up year, store-type, pricing, merchandize assortment, target market and store size. It is the leadership and strategy that differed which produced the differential outcomes. In this paper, we contend that effective and timely analysis of MFI ratios will help in stabilizing the strategic direction for the turnaround of sick firms.

Though the argument developed here rests on a case study rather than data collected across several industries, we believe that we have offered a method of timely identifying companies in decline, so that corrective action can be taken before it is too late. Finally, we realize that any case based research can serve only as a guide for launching full-scale research efforts (Yin 2002). Our conclusions, therefore, should be viewed as hypotheses to be verified by other researchers with data from other retailing and non-retailing firms. Also, these conclusions may not necessarily be valid for non-discount retailers. At present, a solid theory of MFI strategies does not exist and this study should be seen as a first step in the development of theory that integrates functional areas of business, especially marketing/finance. We believe that this new paradigm is emerging in the teaching and practice of business as a profession and in business research as well (Bennis and O'Toole 2005).

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RFID: A TECHNOLOGY AND ITS ISSUES

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ABSTRACT

RFID (Radio Frequency Identification), as with many other technologies, creates not just benefits, but brings up a number of ethical issues. This paper will explore some of the issues that have been created, as well as some of the solution currently being employed or considered.

INTRODUCTION

RFID (Radio Frequency Identification) is a technology that, like most technologies, promises both a myriad of advantages as well as creating its own category of problems. Although RFID promises a number of benefits such as fraud prevention, it also helps to defraud. It also brings up some ethical issues, such as the potential to invade personal privacy.

Although this technology is currently under discussion as it were a new technology, it has been around since World War II, although it is only recently that it has become cost-effective for more widespread use. (EPC Global) Because of this, this paper will refer to RFID technology as a “new” technology.

BENEFITS PROMISED BY RFID

In order to understand why organizations are so interested in this technology, it is important to understand that, despite any other issues it incurs, it does appear to promise a number of benefits to those organizations that wish to embrace it. It promises to accelerate the supply chain. (Kushinskas, 2004) It can allow better inventory tracking. (Sweberg, 2004) There can be fewer empty shelves in retail establishments. (Baard, 2004) “[W]asteful overproduction of goods” (Baard, 2004, p. 2) can be eliminated.

To provide one illustration of the potential advances promised by RFID technology, let it be compared to one current and popular technology, Barcoding. Currently, the standards organization, EPCGlobal, is working on RFID to define a unique identifier for that can of peas that can be sent back to a central database. (Kushinskas, 2004) The significance of switching to RFID over barcoding is that it appears that the information potentially

provided by RFID would only be limited by an organization’s imagination. This, as compared to the relatively small amount of information a barcode can provide.

RFID technology can help the flow of logistics as it makes pallets or items more easily tracked, which is also intended to prevent fraud. (Hachman, 2004) There are plans to use this technology to prevent the increasing incidents of counterfeit drugs. (Baker, 2004) There is also a plan to use the chips to prevent auto theft. (RFID Journal, 2002)

ETHICAL AND LEGAL CONSIDERATIONS

The Violation of Privacy

It does appear that RFID promises a number of benefits while it also provides an opportunity to gather a variety of information. Fears are that the information provided could have a host of unintended consequences. There is a powerful potential for intrusion into personal privacy for one. (Kewney, 2004)

The potential for a violation of privacy is an issue so significant that legislators are trying to address it before it becomes a significant problem as it is thought that “retailers and government spies” (Baard, 2004, p. 1) could use product data to “monitor customers.” (Baard, 2004, p. 1) For example, RFID readers could be scattered around public places to gather data based on the RFID tags a person has with them. (Baard, 2004)

First, let us suppose that most stores will obtain RFID readers, and that these readers might even be placed in common areas, such as the walkways of a shopping mall or the sidewalk areas within a shopping district. Then, let us suppose that a

consumer shops in one store then moves along to another store. If any of the goods that person purchases contain an RFID tag, potentially, that information could be read and stored by the subsequent stores that the consumer shops in. (Fisher, 2004; Hackman, 2004; Kushinskias, 2004) The same is true of the clothes a consumer is wearing, as some or all clothes could have such a tag in the future. Another possibility is that, wherever the consumer might walk with their RFID-marked clothes or purchases, marketing messages could be given to that person, based on these goods. (Baard, 2004) Consider, though, that a consumer might carry something with an RFID chip that carries more personal information, such as a consumer preference card or driver's license. That information is specific-enough, that a person could actually be followed if there were enough RFID readers around and they were linked in a way where they could share the information they are collecting. (Fisher, 2004; Kewney, 2004) Keep in mind that data that is read can be stored and shared. Whether or not that is probable, it is technically possible.

With these issues in mind, legislators are concerned that industry will see enough of a benefit to using this technology that it will not consider privacy issues. (Baard, 2004) Wal-Mart performed some initial tests with RFID tags, tests that did not include information that would invade a consumer's privacy and, although these tests were intended to be kept confidential, consumers found out about them and became concerned about them. (Baard, 2004) The issue appears to be one not just of the intended information *to* be stored and gathered using the RFID technology, but of the data that *can* be stored and gathered using the RFID technology. There is enough concern on this issue that legislators such as U. S. Senator Patrick Leahy have spoken out about the issue of providing consumers with the information that an RFID tag is present on an item. (Sweberg, 2004) Congress has been hearing opinions from consumer advocate groups and from the ACLU (American Civil Liberties Union) on this subject, as well. (Mark, 2004)

The ACLU referred to this technology as "Orwellian" (Mark, 2004, p. 1) which will give an indication to the level of concern some groups have with regard to this technology. As another example, one article's author wondered if he will have to travel around with his goods in a "lead-lined case." (Sturdevant, 2004, p. 2) There is even a web-site devoted to stopping RFID, www.spychips.com, which refers to the chips as "spy chips." Some consumers are frightened further by seeing examples

of similar technologies in science fiction movies – technologies that could follow our every move, leaving no piece of our lives unexamined. (Roberti, 2002)

The Violation of Security and Fraud

There has already been evidence that the security can be "hacked" and it does not require any equipment more sophisticated than a PDA, a power supply, and the software that can do the "hacking." (Hackman, 2004) Ironically, one of the things that RFID is meant to prevent is fraud. The RFID systems are also easy to disrupt, which creates another potential area for fraud, if one imagines that a shipment being tracked using this technology still has the potential for diversion if there is a strong method created that can impair the tracking signals. (Technovelgy)

Although the focus of the problems with the RFID technology is currently on the rights of the consumer, the consumer might turn out to be a threat, in themselves. The consumer might now have the ability to perpetrate fraud if they have the right tools to change these chips. If a consumer has the right equipment and software, they can change a high-priced item to a cheaper one. (Hackman, 2004) Or, even worse, suppose the consumer rewrites the chip to hack into a supply chain or logistics operation. (Hackman, 2004) There is a tool out called RFDump that would allow the consumer to change the item's code so that a children's video would show up as a pornographic video, or a jar of mustard would show up as a television set. (Hackman, 2004) If that merely sounds mischievous, imagine what the former would do for a consumer's preference card, and what the latter would do for inventory-tracking.

It sounds as if the DOD (Department of Defense) is expected to have the money to purchase tamper-proof tags, but that private industry will likely try to save money and stick with the cheaper, tamperable tags, (Hackman, 2004) making the potential for problems even greater in areas that might require greater security.

For one more security issue, consider that, even if individual goods were not to be tagged, that is to say, if the technology is used only on shipping containers and pallets, there is concern about the possibility of terrorists coming across our military shipments and scanning that data to learn what is being shipped and to where it is being shipped. (Sweberg, 2004)

There are also concerns that employing RFID technology will give companies a false sense of security about fraud prevention and other such issues, leaving them too dependent on the technology to take care of it. (Ponemon, 2004) This compounds the issues in that there is not just a fear that they might happen, but that they will not be noticed or tackled in a timely manner.

CAN OR SHOULD IT BE STOPPED?

At this point, it sounds as if it would be difficult to stop the push toward RFID technology. Although they are currently working at the pallet and case level, (Mark, 2004) companies such as “Wal-Mart, Proctor & Gamble, and Gillette want to use RFID tags to track [every product] from the factory floor to the store shelf.” (Baard, 2004, p. 2) Gillette has already started using RFID tags in Europe to stop the theft of its razor blades. (Hackman, 2004)

The DOD (Department of Defense) has plans to implement a mandatory RFID program for all its suppliers by 2006 (Hachman, 2004) and to have the program fully implemented at an item level by 2007. (Best, 2004) Some of the benefits could include ensuring that goods are delivered as promised by suppliers, as well as verifying billing for those goods, efforts which could prevent fraud in these activities, saving money for the taxpayers as well as securing shipments to ensure that troops get deliveries as planned. (Military Logistics)

Besides the efforts of some major retailers and the government that are underway, we are actually already using this technology in the United States. Some examples are systems such as the tollway automated pass systems, where you drive right through the tollbooth and it takes your toll “virtually” or with the gas station tags that allow you to buy gas using one swipe of the gas stations special card, such as the Exxon-Mobil SpeedPass tags. (Kewney, 2004; Sturdevant, 2004) Germany is already using the technology in its passports in its effort to prevent their fraudulent use. (Germany Picks Philips Chips)

Then, there are benefits to the RFID technology that can protect us, too. This technology is in a pilot to track cattle in an effort to prevent mad cow disease, as well as the identification of pets. (Sweberg, 2004) The technology has already been implanted in the Mexican Attorney General and several of his staff members to aid in security clearance functions. (Lewis, 2004) RFID technology is already inexpensive-enough to be considered a

cost-effective method to aid in the prevention of counterfeit drugs. (Baker, 2004) In some cases, receiving a counterfeit drug could actually cause a person’s death, and this particular problem is beginning to grow, according to the FDA. (Baker, 2004) This technology can aid in meeting the FDA handling requirements for pharmaceuticals. (Smith, 2004)

Even if RFID technology is not prevented from gathering information about us, there is so much information that is already gathered, that RFID technology is just another piece to an a problem that already exists. (Kewney, 2004)

Keep in mind, too, that because this technology is so expensive to implement, organizations that spend the money on it will not be easily persuaded to give it up. (Kewney, 2004) It would be in their best interests to find ways to accommodate some of the privacy and security issues rather than allow the technology to be so heavily restricted by law that it cannot meet its intended potential.

At the least, steps should be taken to alleviate public concerns, both by educating people on the intended uses for the technology as well as ways to fight its improper use. (Roberti, 2002)

STEPS TOWARD DATA AND FRAUD PROTECTION

Laws

Current efforts among lawmakers seem to focus on preventing problems at an early stage; i.e., start now, and be ready when the technology hits its full stride. (Kuchinskas, 2004; Sweberg, 2004) At the same time, groups such as the ACLU (American Civil Liberties Union) are asking for laws to protect consumers. (Baard, 2004)

Utah’s legislation is proposing labeling all goods bearing an RFID tag, (Baard, 2004; Radio Frequency Identification, 2004) and Missouri and California are considering such bills, as well. (Baard, 2004) California wants to keep RFID tag data separate from personal consumer information. (Baard, 2004) The California law, for example, encompasses not only stores, but libraries, as well. (Kuchinskas, 2004) As an example, the California law allows “stores and libraries to collect the same information they already collect now using bar codes, while at the same time banning the use of the technology to track people as they shop or after they

leave the store.” (Kuchinskas, 2004, p. 1) Similarly, there is a Senate bill that has been proposed that would not allow tracking anything beyond what the consumer is purchasing, meaning that items that consumers merely handled, were wearing or otherwise brought with them could not be tracked. (Kuchinskas, 2004)

At the least, lawmakers need to become familiar with the issue in order to determine whether and what portions need to be addressed by laws. (Mark, 2004) These laws need to be clear on how the consumer will make use of them. For example, the current proposals to identify which goods are tagged so that a consumer can make a choice whether to purchase it would be more appropriate than suggesting that the goods be labeled so that consumers can later remove the tags, as these tags are supposedly quite difficult for a consumer to find and to remove if found. (Technovelgy)

Procedures

The non-profit organization of standards, EPCGlobal, is setting privacy standards for the supply chain, as well as planning to provide oversight to privacy issues. (Baard, 2004; Why Focus on Radio) Enforcement is still a problem with these standards, though, as motivational punishments must be created that only punish the organization that violates them and not those organizations doing business with them that were not involved in the violation. (Roberti, 2002)

Other groups are taking the initiative to create procedures, as well. One example is the Center for Computing and Social Responsibility. They have formed a number of ideas for discussion that they intend will form the basis for ethical use of RFID technology. (Radio Frequency Identification) The San Francisco library system is considering using RFID technology but also creating a policy to limit what information it will collect. (Sturdevant, 2004)

Based on the number of consumer notification laws produced, maybe it comes down to notifying consumers so they can choose which products to buy, based on which ones have the tags and to promote consumer awareness and increase the consumer comfort-level. (Mark, 2004)

Technical

Refinements are being made to provide technical solutions to these data issues. One example is the “blocker tag” that RSA Security, Inc. is

working on. Essentially, this tool would “confuse” the RFID tag readers so they could not read the tags within the vicinity of the blocker. (Fisher, 2004) One possible way to use the “blocker” is that a customer’s purchase could be put into a bag where the bag has the “blocker tag” on it. (Fisher, 2004) Then, as the customer walks around the mall, the other retailers cannot tell what goods are in the customer’s bag. One downside to the “blocker tag” is that tools such as RFDump can still access and modify the information as it works somewhat differently than the RFID readers that the “blocker tag” is meant to confuse. (Hachman, 2004)

Tags can be “killed” at some point, such as when a customer leaves a store with an item but, unlike other technologies currently in use, there is no way to verify that the tag has actually been “killed.” (Fisher, 2004; Hachman, 2004; Sturdevant, 2004)

Some stores are using video cameras to double-check that an item is what it was scanned to be. (Hackman, 2004) Passive tags can only be read, versus the active tags, which can also be written on. (How do RFID Systems Work) Using a combination in various situations could alleviate some issues, as would using some combination of stationary versus mobile readers. (How do RFID Systems Work)

CONCLUSION

Considering the benefits that RFID technology promises to bring with regard to improving productivity and decreasing fraud, (How do RFID Systems Work) compounded by our love of new technologies and the promises they bring, added to the fact that we are already using this technology or planning to do so in many cases, this is a technology that should not be ignored. Rather, the effort to find ways to mediate the downside must be managed, whether by technology, laws or procedures.

Additionally, any new technology brings with it issues that are not understood until those technologies are widely put into use. Someone has to go first and flush out those problems. We can already see that some of the current technical solutions to these problems still leave gaps in protection. Using modest plans for implementation and watching them closely is likely to be more practical than planning that theorists find all the problems on paper before any implementations can take place.

At this point, though, it is possible that none of the proposed solution will satisfy an already-uncomfortable public, unless that proposal includes a

strong public relations campaign to assist it. (Roberti, 2002)

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CONSUMER KNOWLEDGE AND PERCEPTION OF RADIO FREQUENCY IDENTIFICATION (RFID)

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ABSTRACT

While manufacturers and their distributors are becoming excited about the uses for and savings associated with RFID tagging, many consumer groups are actively protesting the use of the tiny tags. Wal-Mart, Gillette, Kraft are just a few of the firms using RFID, mainly for package tracking. The radio frequency id tags transmit a unique signal that is very useful in the supply chain for inventory control. These tags, if implanted in trucks, shipping containers, pallets, and individual packages can provide many supply chain benefits to both retailer and consumer, including supply chain management, inventory tracking, shrinkage prevention, immediate check-out, product comparison, expiration dating, and consumer tracking.

Despite the cost savings benefits that would result from the use of RFID, protests by privacy groups have focused on the use of RFID chips to track consumer behavior, causing manufacturers to back off the use of the RFID tagging (Black 2004). A consumer group has been formed, CASPIAN (Consumers Against Supermarket Privacy Invasions and Numbering), actively engaging in numerous actions to educate consumers concerning the privacy concerns of RFID, including staging protests, publishing articles and books, and website exposure (www.nocards.org).

One potential problem with any debate on the merits or dangers of RFID is that many individuals/consumers have no knowledge of RFID technology. This lack of awareness puts the advocates and opponents of RFID technology in the competitive position of wanting to be the first to influence consumers about their perspective on the issue. Proponents want to indoctrinate consumers to RFID's beneficial effects. Opponents want to indoctrinate consumers to RFID's harmful effects.

This research is an exploratory study representing an initial attempt to clarify consumer attitudes toward the use of RFID technology and the uses of that technology that will be accepted by consumers. This research will attempt to empirically validate consumers' knowledge of and perceptions of RFID technology and the two opposing positions. Consumers will be surveyed on their knowledge of RFID, the source of that knowledge, general adoption of the technology by industry, beneficial applications, and potential misuses. Survey responses will be analyzed to make comparisons between age groups, levels of technophobia, consumer alienation, privacy fears and shopping enjoyment. It is proposed that there will be an overall general lack of knowledge of the RFID technology; younger consumers will be more aware of the technology than older consumers; younger consumers will be more focused on benefits while older consumers will be more focused on potential misuse; and younger consumers will be more likely to advocate adoption than older consumers. Acceptance of the use of the technology in the marketplace will hinge on technophobia, shopping enjoyment, privacy fears, as well as other factors.

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REVAMPING THE TEACHING OF MARKET RESEARCH BASED ON EXPLORATORY RESEARCH USING AN INDEX OF LEARNING STYLES

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ABSTRACT

The *Index of Learning Styles* (ILS) was administered to 90 market research students over a two-year time period. The purpose of the exploratory research was twofold. First to assess students' preferences on four dimensions: active-reflective, sensing-intuitive, visual-verbal, and sequential-global. Secondly to compare those preferences to the current pedagogy used to teach a traditional market research course. The conclusion drawn was that the majority of students would benefit from teaching methods that emphasized the needs of active, sensing, visual, and sequential learners. Based on these findings the market research course was revamped and has received rave reviews from students and community members alike.

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STUDENTS' ATTITUDES TOWARD CLASSROOM PARTICIPATION

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ABSTRACT

An exploratory study of undergraduate marketing students' attitudes toward participating in class that highlights the perceived value of participation and its motivating forces. Students' beliefs about grading participation and the fairness of its evaluation are explored. Caveats and practical guidelines for increasing class participation are also provided.

INTRODUCTION

The purpose of this exploratory study of undergraduate marketing students in a private, four-year liberal arts college is twofold. The study attempts to gain insight into the attitudes of students toward the perceived value of class participation in their learning course material. The study also shows that several factors have a significant and positive effect on increasing student motivation to participate in class.

Class participation has been found to be beneficial in a variety of settings and can take many forms in an undergraduate classroom. An instructor can ask students direct questions, seek responses that require critical thinking skills, or request that students participate individually or as team members in accomplishing tasks such as completing worksheets, conducting experiments, and solving problem sets. Students can answer questions, contribute to discussions, and become involved with other students verbally or in a group setting.

Such active learning has been found to yield a variety of benefits. In contrast to lectures, which encourage passive learning, participating in a class requires students to become active learners: to think and talk about content and to process, analyze, interpret, and manipulate information rather than simply to listen to it (Pennell 2000). In a study of large introductory statistics classes, increasing student participation has been found to increase exam scores and attendance and reduce the drop rate (Magel 1996).

According to the American Association for Higher Education, active participation by those being taught is essential to more productive learning, and

involving students in the discovery of knowledge allows them to transform prior knowledge and experience into new and deeper understandings (American Association for Higher Education 1998).

Educational research often addresses student motivation and offers a wide variety of theoretical frameworks. According to Anderman and Leake (2005, p. 192), "The proliferation of competing social-cognitive theories of motivation, dealing with different aspects of motivation and proposing a long list of psychological constructs, has been fruitful for researchers but leaves the field dense and impenetrable to others." The authors suggest an overarching framework of motivational principles that center on the needs of people in all situations: the need for autonomy (having control or self-determination), belonging (fitting in among fellow students, teachers, and the environment), and competence (being capable and successful).

METHODOLOGY

Informational forms were completed by students on the first day of class in three undergraduate marketing courses (Principles of Marketing, Consumer Behavior, and Marketing Planning) over a period of two years. In addition to a student's name, email, and hometown, the forms included ten statements. Students were asked to indicate their level of agreement with each statement. Students could choose among the Likert scale responses: strongly agree; agree; somewhat agree; neither agree nor disagree; somewhat disagree; disagree; strongly disagree. None of the three marketing courses used participation as a component of course grading.

Students were asked to express their level of agreement with the following statements:

1. Participating in class helps most students learn course material.
2. Participating in class helps me learn course material.
3. I would participate in class more often if it had a positive effect on my grade.
4. I am uncomfortable participating in class.
5. I like students who talk up in class.
6. I often participated in class during high school/college.
7. I feel good about myself when a professor makes a positive comment about my class participation.
8. Professors often play favorites when calling on students in class.
9. Judging the quantity of participation is easy.
10. Judging the quality of participation is easy.

A total of 231 surveys were collected. The sequencing of courses (e.g., Principles of Marketing, followed by Consumer Behavior, then Marketing Planning) made it possible for a student to take more than one marketing course and be asked to fill out a survey a second or third time. To prevent double counting and skewing the results, only the first completed survey from an individual student was recorded, leaving 176 unduplicated responses from 82 males and 94 females.

RESULTS

Analyzing the results of the surveys provides insights into the value of participation and the motivation to do so (Table 1).

The study shows that students agree with the statements that participating in class helps them as well as others in class to learn the course material. Variability of responses to the statement on participation helping most students was the lowest among all statements.

Motivations to participate in class extend beyond students' belief that participating in class helps them and others learn course material. The study shows that students would participate in class more often if it had a positive effect on their course grade, a topic that has been previously researched. Fassinger (1995) found that students are more likely to offer a greater number of comments or raise more questions when such contributions positively affect their grade.

Significantly, students expressed attitudes neither agreeing nor disagreeing with the statement that professors often play favorites in class when calling on students. Further supporting the notion that participation can proceed and be evaluated without violating students' sense of fairness, survey results show that students neither agree nor disagree with the statements stating that judging the quantity and quality of class participation is easy.

Students were found to agree with the statement that they liked other students in class who spoke up in class. This helped them learn the course material and presumably increased or strengthened the personal relationships among classmates.

Also significant is students' attitude toward receiving a positive comment from a professor following their class participation—it made them feel good about themselves. Positive comments about class participation can be a clear sign of respect, as opposed to a climate where students feel disrespected and consequently fail to attend class or make no effort to participate (Buttner 2004). Offering positive comments in the form of congratulations and encouragement creates a positive learning environment and helps reach unmotivated students (Berliner 2004).

The study found no significant differences between the attitudes of male and female students in the data from 176 unduplicated responses. Likewise, no significant differences were found between the attitudes of those taking Principles of Marketing, which is usually taken during a student's freshman year and Marketing Planning, which is always taken by second-semester seniors. There was only one significant difference between data from the same 34 students who took two or more courses over a time period varying from one to three semesters: there was less agreement with the statement, "Judging the quality of participation is easy" the first time they responded than there was the last time they responded (mean = 3.21 versus 4.03).

Studying the relationships among student attitudes toward participating in class (Table 2) reveals a number of significant associations. Correlation analysis of the responses shows strong positive associations among statements regarding participation's helping both a student and others learn the course material, the belief that judging the quality and quantity of class participation is easy, and the tendency to participate more in class as the belief in its helping the student learn the course material increased.

Table 1. Undergraduate Marketing Students' Level of Agreement with Statements about Participating in Class

Statement	Mean	Std. Dev.	t-Value	p-Value
Participating in class helps most students learn course material.	2.222	0.921	-25.62	0.000
Participating in class helps me learn course material.	2.432	1.159	-17.95	0.000
I would participate in class more often if it had a positive effect on my grade.	2.563	1.268	-15.04	0.000
I am uncomfortable participating in class.	4.199	2.734	0.96	0.336
I like students who talk up in class.	3.080	1.028	-11.88	0.000
I often participated in class during high school/college.	3.114	1.438	-8.18	0.000
I feel good about myself when a professor makes a positive comment about my class participation.	2.324	1.086	-20.47	0.000
Professors often play favorites when calling on students in class.	4.170	1.341	1.69	0.094
Judging the quantity of participation is easy.	3.875	1.217	-1.36	0.175
Judging the quality of participation is easy.	3.835	1.344	-1.63	0.106

Notes: Sample size (n) = 176. Std. Dev. is the standard deviation of the coded responses. t -Value is the tabulated t -value for a two-tail test for comparing the sample mean to the hypothesized population mean of 4 (Neither agree nor disagree). At a significance level of 0.05 and given an infinite number of degrees of freedom, the critical value of t is 1.960. p -Value is the tabulated p -value, or the probability of wrongly rejecting the hypothesis (student attitude toward statement is to neither agree nor disagree) if it is in fact true. Strongly agree = 1; Agree = 2; Somewhat agree = 3; Neither agree nor disagree = 4; Somewhat disagree = 5; Disagree = 6; Strongly disagree = 7.

Table 2. Relationships among Student Attitudes (Pearson correlation; p -Value. n = 176.)

	Helps Most	Helps Me	More If Graded	Uncomfortable	Like Talkers	Often in Class	Feel Good	Play Favorites	Quantity Easy
Helps Me	0.729 <i>0.000</i>								
More If Graded	0.206 <i>0.006</i>	0.293 <i>0.000</i>							
Uncomfortable	-0.117 <i>0.120</i>	-0.128 <i>0.090</i>	-0.080 <i>0.290</i>						
Like Talkers	0.235 <i>0.002</i>	0.288 <i>0.000</i>	0.062 <i>0.414</i>	-0.044 <i>0.559</i>					
Often in Class	0.408 <i>0.000</i>	0.516 <i>0.000</i>	0.197 <i>0.009</i>	-0.233 <i>0.002</i>	0.342 <i>0.000</i>				
Feel Good	0.379 <i>0.000</i>	0.410 <i>0.000</i>	0.211 <i>0.005</i>	-0.041 <i>0.589</i>	0.340 <i>0.000</i>	0.393 <i>0.000</i>			
Play Favorites	0.002 <i>0.983</i>	0.107 <i>0.159</i>	0.175 <i>0.020</i>	0.028 <i>0.711</i>	-0.105 <i>0.165</i>	0.067 <i>0.377</i>	0.189 <i>0.012</i>		
Quantity Easy	0.106 <i>0.160</i>	0.209 <i>0.005</i>	0.057 <i>0.453</i>	-0.108 <i>0.155</i>	0.108 <i>0.152</i>	0.113 <i>0.137</i>	0.139 <i>0.066</i>	0.167 <i>0.027</i>	
Quality Easy	0.113 <i>0.136</i>	0.189 <i>0.012</i>	0.028 <i>0.713</i>	-0.000 <i>0.996</i>	0.059 <i>0.435</i>	0.093 <i>0.222</i>	0.193 <i>0.010</i>	0.079 <i>0.297</i>	0.581 <i>0.000</i>

The statement regarding talking often in class was significantly and positively associated with the belief that participation in class helps most students and themselves, participation would be greater if it positively affects a student's grade, the "liking" of students who talk up in class, and the favorable feeling that results from a professor making a positive comments about one's participation. As one might expect, agreement with the statement about the frequency of participating in class increased as the comfort level with participating in class increased. There was no association found in the frequency of participation and the belief that professors often play favorites when calling on students in class and the belief that judging the quantity or quality of participation is easy.

The belief that a student would participate more often in class if it had an advantageous effect on his or her grade was positively associated with the belief that participation helps students and others learn the material and that favorable comments by a professor regarding participation made them feel good about themselves. Participating more often if participation was graded was also positively associated (although weakly) with the belief that professors often play favorites when calling on students in class. Note that on average students neither agreed nor disagreed with the statements regarding the ease of judging the quantity or quality of participation.

DISCUSSION

Grading class participation has been widely researched and can be a form of performance and authentic assessment, where critical outcomes in terms of student attitudes and behavior changes are more effectively measured than using traditional methods such as standardized, objective testing, which tends to measure knowledge and skills (Travis 1996).

Using class participation as a component of course grading may be more appropriate, however, in certain educational settings and with certain types of students than with others. According to Grasha and Yangarber-Hicks (2000) students can be classified as competitive, collaborative, avoidant, participant, dependent, and independent. Professors generally adopt a variety of teaching styles: expert, formal authority, personal model, facilitator, or delegator. Consequently, assessing and grading class participation may be ideal for the student who has the participant learning style and a professor who is a

facilitator or delegator, whereas a student with a dependent learning style may not fare well. In a study of adult learners in several classroom settings, it was found that nearly 92% of all interactions per session were made by roughly five "talkers" (Howard 1998). In the same study, nontraditional students (those 25 years and older) dominated discussions in classes comprising both nontraditional and traditional students (those less than 25 years old). Whereas American students are encouraged to make comments or ask questions throughout their education, international students may have been taught that interrupting or questioning a professor is impolite or even insulting (Balas 2000). Given the American culture's valuation of the articulate extrovert, the frequency of verbal contributions rather than the content can become the criterion for judging participation (Brookfield 1990).

Many researchers have studied the relationship between a variety of classroom factors and class participation. In a survey of 49 professors and 1,059 students it was found that class participation was affected most by student confidence and by how the class as a whole was structured and perceived. It has been found that male students are more likely than female students to offer comments or raise questions in their classes, which may put female students at a disadvantage in classes where participation is a component of final grades (Fassinger 1995). Weaver and Qi (2005) studied the influence of formal and informal structure, student attributes, and self-reported participation and found that faculty-student interaction, the perception of the professor as the authority of knowledge, fear of peer disapproval, para-participation (e.g., sit in front of the class and talk with professor before or after class), age, and confidence directly and indirectly influenced class participation.

This study is limited to traditionally-aged marketing students at a four-year, private liberal arts college as subjects; the results may or may not be applicable to non-traditional students, all subject areas, or at other educational institutions. The study's ten-statement Likert scale instrument was administered in this exploratory study to allow the survey to be completed in a short period of time. Survey responses are assumed to provide interval data for purposes of statistical analysis.

There are many avenues of further research in the area of class participation. First among them is to develop other statements that could be used in a similar survey instrument that provide higher levels

of discrimination among levels of agreement; the responses to four of the ten statements in this study were not significantly different from neither agreeing nor disagreeing. The survey could be administered to students in areas other than marketing to compare students with varying interests. The attitudes toward professors' judging participation is an area of future research by surveying students who have completed courses where participation is a major component of final course grades.

CONCLUSIONS

This exploratory study highlights students' attitudes toward participating in class. Students are motivated to participate in class by their belief that participation will help them and others better learn course material. Participation in class can be encouraged by making it a component of final course grades. Those who do participate in class appreciate positive comments from the professor when participating and are "liked" by their peers.

Professors of undergraduate marketing courses can apply the findings of this exploratory research:

1. Ensure that classroom pedagogy includes an opportunity for class participation; students believe that participating helps them and others in class better learn course material. Participation can many take forms and is appropriate in most courses and topics. Calling on students for factual data and to express opinions is common. Interaction among students with the professor taking the role of facilitator can be very effective in covering topics where diversity of opinions is advantageous, such as ethical issues. Group exercises that culminate in a brief presentation and class discussion may be appropriate in many situations.
2. Establishing class participation as a component of course grading will encourage greater participation, but care should be taken to ensure that the rubric used to evaluate participation is clear and meaningful and takes into consideration that not all students may be physically or culturally adept at participating at the same levels as others. Students in this study did not agree or disagree with the statements concerning the judgment of the quantity and quality of class participation being easy. Consequently, professors should state verbally and in the course syllabus unequivocally what constitutes noteworthy participation. Judging participation and recording evaluations during class can be cumbersome and distracting; jotting

notes directly after class about which student contributed to class by what means ensures consistency and provides the basis for determining that portion of final grades (and reconciling possible grade disputes). Students should be informed of their level of participation periodically and given ample opportunity to discuss the matter with the professor.

Rather than making participation a portion of the course grade, extra credit can be used effectively to increase student participation. Establishing a token economy where students are rewarded for participation with tokens (other rewards, such as candy, might be used) that are traded for extra credit on an exam has been shown to increase participation and decrease the time from when the participation was initiated (questions asked to the class in general) and when students responded (Boniecki and Moore 2003).

Using class attendance as part of determining a student's participation grade is worrisome, especially if increasing attendance is the goal; professors can find themselves in the sometimes awkward position of having to determine what is an acceptable absence and the validity of students' claims. Even without rewarding attendance, simply asking students to sign an attendance sheet at the beginning of class has been found to increase both attendance and overall course performance (Shimoff and Catania 2001).

3. Create a positive classroom environment where students are encouraged to participate. Making a positive comment about a student's participation makes him or her "feel good" and will encourage more participation from the particular student as well as others. The study found that students "like" students who talk up in class. Call on students one after another from a class roster to avoid the perception of playing favorites. When calling on students give them ample time to think and respond. Show respect for the student's mental processes; do not treat class as if it were a quiz show with a clock ticking down the seconds before a buzzer signals and the professor exclaims, "Sorry. Time's up. Let's go to our next student."

Outside the classroom, professors can encourage communication and trust that can lead to greater participation by encouraging office-hour visits, actively engaging in email correspondence, and

expressing an interest in students' scholarly and career ambitions (Weaver and Qi 2005).

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POWERPOINT BASED LECTURES IN BUSINESS EDUCATION: AN EMPIRICAL INVESTIGATION OF PERCEIVED NOVELTY AND EFFECTIVENESS

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ABSTRACT

Little empirical research exists in business education investigating if students find PowerPoint's use as novel or effective and when its use is warranted. Anecdotal information exists in the practitioner literature about the use of PowerPoint (PPT) (cf., Harris, 2004; Norvig, 2003; Wineburg, 2003), but to a lesser extent empirical evidence exists in the college instructional setting. In this empirical study, we explore students' perceived novelty to ascertain whether this variable is the lynchpin in PowerPoint's impact on perceived learning, classroom interactions, and student behaviors. From our findings, we offer insights to help instructors modify and improve their presentation of course content, and suggest several areas for future research.

Regarding PPT's effect on student behaviors, Frey and Birnbaum (2002) showed that 15% of students claimed they were less likely to attend the class when PPT notes were posted. Contrarily, Szabo and Hastings (2000) found that PPT lectures increased lecture attendance. These mixed findings point to the need for additional research regarding student behaviors that faculty should anticipate when using PPT in their courses.

As part of a study on faculty and student perceptions regarding PPT, undergraduate business students at an urban university in the mid-south were sampled. Additionally, business faculty at three AACSB accredited universities were surveyed. PPT's impact on classroom interactions was viewed more favorably than that of traditional lecture by those judging the technique as highly novel.

Students have positive attitudes toward PPT lectures, positive perceptions of the organizational skills of professors who use PPT, and believe that PPT has a favorable impact on their ability to take notes, recall content during exams, and hold attention during class. It is especially worth noting that the level of boredom increases as perceptions of novelty decline. Two-thirds of the faculty surveyed use PPT to some degree in their courses. Our findings suggest faculty teaching in quantitative disciplines were less likely to use PPT than were those teaching in management, marketing, and economics.

The results of this study suggest that the degree of novelty students associate with PPT based teaching influences perceptions of PPT's impact on cognitive learning, classroom interaction, as well as other student behaviors and attitudes. Specifically, those who perceive the use of PPT as being more novel are more inclined to attribute positive outcomes or report positive attitudes as a result of PPT usage in business education.

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THE READABILITY OF ONLINE PRIVACY POLICIES: CAN CONSUMERS UNDERSTAND?

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ABSTRACT

The purpose of this study was to examine the readability of online retailer privacy policies, using generally accepted indices of reading ease and grade level. Privacy policies of America's largest retail web sites were analyzed. Based upon sales volume and merchandise categories significant differences in the published online policies were found. Descriptive data indicate a preponderance of the web sites currently post policies that require a high-level of cognitive processing, and reading at levels higher than the average reading level for U.S. consumers.

INTRODUCTION

Retailers are finding more and more consumers looking to the on-line environment as an alternative to traditional shopping venues. E-tailing.com ("e-facts", 2004) reports that ecommerce in 2004 reached \$117 billion up 26 percent over the previous period with approximately 90 million people visiting at least one retail web site in the lead up to Christmas of 2004. Other statistics that further support the growth of the e-tailing industry as reported by e-tailing.com include:

- 73 percent of adults are online
- 7 percent of adults online are over age 65
- 39 percent did not go to college
- 16 percent have incomes less than \$25,000
- 93 percent of shoppers often do research online before buying
- 44.7 percent of retailers use 3 channels: store, catalog, and Internet
- 99 percent of shoppers said customer service was at least somewhat important when deciding to make a purchase

In a press release May 24, 2005, Shop.org (Krugman and Tolley, 2005) reports that of 137 retailers, 2004 online sales rose 23.8 percent to \$141.4 billion and predicts an increase of 22 percent for 2005. Burns (2005) reported that retailers saw a 24 percent increase in sales in 2004, with growth projected to be another 22 percent in 2005. This is significantly more than the growth rate for the traditional retailer which Burns reported to be 7 percent. In 2004, online sales accounted for 6.5 percent of total retail sales, up over 1 percent from the previous year.

Online sales in 2005 are predicted to account for at least 7.7 percent. In order to take advantage of this growth, retailers must ensure consumers their site is protected and offers a level of security designed to protect sensitive information.

Hodge and Mattox, (2003) determined that fears related to privacy had a significant negative impact on online shopping. Almost half of the consumers surveyed in a TRUSTe-sponsored survey, would limit their online shopping because they did not trust online retailers with their personal information, while about 5 percent reported they would not shop online at all, due to privacy concerns. Milne and Culnan (2004) report that privacy notices are read as part of an overall strategy to reduce risk of participating in online E-commerce. Privacy notices provide a means for reducing the consumer's risk. The published privacy and/or security notice may provide information that will help the consumer decide whether to disclose personal information. Although most companies provide privacy notices, there is no standardization with regard to format or content (Milne and Boza, 1999).

A majority of consumers feel that privacy notices are too long to be useful and contain confusing legal language (Milne and Culnan, 2002). Privacy policies should provide information to help consumers make better choices, much the way that product labels help inform consumers about products as they make choices among competing products, and avoiding products that present some type of risk.

Solomon (2001) reports the average reading level in the United States to be eighth to ninth grade and some experts recommend critical information for

daily living to be scaled back to sixth-grade level. This author suggests sites remain simple and free of “gobbledygook” that could be difficult to process at any level. Solomon cites the National Institutes of Health recommendations for plain language:

- Use language appropriate for your reader
- Include only necessary details
- Use the active voice
- Use personal pronouns, such as “we” and “you”
- Use short sentences and paragraphs
- Use tables, lists, and other easy-to-understand features

Gunning Fog, Flesch Reading Ease, and Flesch-Kincaid are reading level algorithms that can be helpful in the design of websites to ensure the content is readable. Readability is a measure of how easy content is to read and comprehend. Although this helps measure the readers’ ability to understand, it does not measure comprehension, level of interest, or the enjoyment (Studio, 2005). The Flesch-Kincaid reading scale may serve as a screening device to let the web site designer know whether the writing style for the site is appropriate for the target audience based on grade level.

The Flesch-Kincaid Readability Test has become a government standard (“Flesch-Kincaid Readability Test”, 2005). Most states require insurance forms to score 40-50 on the test. As a rule of thumb, scores of 90-100 are considered easily understandable by an average fifth grader. Eighth and ninth grade students could easily understand passages with a score of 60-70, while passages with results of 0-30 are best understood by college graduates. *Reader’s Digest* has a readability index of about 65, *Time* magazine scores about 52, and the *Harvard Law Review* has a general readability score in the low 30s.

METHODOLOGY

This study answers a call for future research by Kunz and Cheek (2004), to examine the readability of privacy policies, and follows the research conducted by Milne and Culnan (2002). Privacy policies of web retailers were sampled from *Internet Retailer’s Top 300 Guide to America’s Largest Retail Web Sites*, (Love and Peters, 2004). The Top 300 Guide ranked web sites based upon sales, thus site number one has the highest online sales, and site 300 the lowest dollar sales. Additionally, *Internet Retailer* grouped the retailers into categories by the type of merchandise sold. This

research examines the readability of online privacy policies based upon ranking by sales and category of merchandise sold.

The web site of each retailer in the Top 300 Guide was visited and the privacy policy located and downloaded into a Microsoft® Word file. A total of 284 privacy policies were found and recorded. Sixteen of the web sites included in the Top 300 Guide either did not have a privacy policy posted, or were non-functioning web sites at the time the data were collected. The policies were then analyzed using the readability statistics tool in MS Word. The Flesch Reading Ease score and the Flesch-Kincaid Grade Level score were recorded for each of the 284 privacy policies.

Flesch-Kincaid Reading Ease, (Institute of Education Sciences, 2005)

The formula for the Flesch Reading Ease score is:
 $206.835 - (1.015 \times ASL) - (84.6 \times ASW)$

Where:

ASL = average sentence length (the number of words divided by the number of sentences)

ASW = average number of syllables per word (the number of syllables divided by the number of words)

The formula rates text on a 100-point scale, with higher scores meaning the document is easier to read. The MS Word software indicates that most documents should aim for a 60-70 score.

Flesch-Kincaid Grade Level, (Institute of Education Sciences, 2005)

The formula for the Flesch-Kincaid Grade Level score is:

$(.39 \times ASL) + (11.8 \times ASW) - 15.59$

Where:

ASL = average sentence length (the number of words divided by the number of sentences)

ASW = average number of syllables per word (the number of syllables divided by the number of words).

The Flesch-Kincaid Grade Level rates text on a U.S. school grade level. Thus a 6.0 rating indicates that a sixth grader should be able to understand the documents. The MS Word software indicates that most documents aim for a score of 7.0-8.0

RESEARCH HYPOTHESES

It is proposed that privacy policies on higher rated web sites will be more readable, resulting in the following hypotheses:

Hypothesis 1a: Privacy policies on higher ranking web sites will exhibit higher Flesch Reading Ease Scores.

Hypothesis 1b: Privacy policies on higher ranking web sites will exhibit lower Flesch-Kincaid Grade Level scores.

Furthermore, it is also proposed that the readability of privacy policies will differ across the merchandise categories, resulting in the following hypotheses:

Hypothesis 2a: The Flesch Read Ease scores of privacy policies will differ across merchandise categories.

Hypothesis 2b: The Flesch-Kincaid Grade Level scores of privacy policies will differ across merchandise categories.

RESULTS

Frequencies and Descriptive Data

Flesch Reading Ease scores ranged from 15.0-78.1. However, only three sites had scores of 60-70, with ten additional sites rating in the 50-59 range. Thus basic review of this statistic indicates that 13 of the 287 sites had privacy policies that could be considered easy to read, and 275, or almost 96% of the privacy policies posted were not written in a manner that is easily understood by U.S. consumers.

Flesch-Kincaid Grade Level scores ranged from 5.5-12.0. However, again the majority of the policies examined were written at a high-level of comprehension. Two hundred and thirty policies scored a 12.0 grade level. Only five policies were written below the eleventh grade level, and fifty policies were rated at the tenth-eleventh grade level. Again, very few of the privacy policies were easy for consumers to read and understand.

Hypotheses Testing

To test the first set of hypotheses the data set was grouped into three categories of high, medium, and low ranking sites by classifying the top 100-ranked sites (1-100) as high-ranking, the second 100 (101-200) as medium, and the remaining 100 (201-300) as low-ranking sites. The individual mean Flesch Reading Ease and Flesch Grade Level for each of the three sales rank categories are presented in Table 1. The Flesch Reading Ease scores of the three ranked groups were compared using a one-way ANOVA. No significant difference was found ($F(2, 282) = .0478, p > .05$). The Flesch Grade Level Scores for the three ranked categories were compared using a one-way ANOVA. A significant difference was

found ($F(2,282) = 3.477, p > .05$), as shown in Table 2. Tukey's HSD was used to determine the differences in the group means. This analysis revealed that the mean Flesch-Kincaid Grade Level score for rank group, 3 was slightly lower, 11.6 than the other two rank category scores, of 11.9 each. Thus hypothesis 1a: privacy policies on higher ranking web site will exhibit higher Flesch Reading Ease Scores was rejected. However, hypothesis 1b: privacy policies on higher ranking web sites will exhibit lower Flesch-Kincaid Grade Level scores, is accepted.

In order to test the second set of hypotheses, one-way ANOVA tests were computed for both the Flesch Reading Ease scores and the Flesch-Kincaid Grade Level, comparing each of the twelve merchandise category groupings provided by the Top 300 Guide. The individual mean Flesch Reading Ease and Flesch Grade Level for each of the twelve merchandise categories is presented in Table 3. The one-way ANOVA comparing the Flesch Reading Ease scores across the merchandise categories found a significant difference ($F(11, 273) = 2.228, p < .05$), as shown in Table 4. Tukey's HSD was used to determine the nature of the differences between the merchandise categories. This analysis revealed that the mean Flesch Reading Ease score for category 2, music, was higher than category 1—apparel/merchandise, 6—gifts, 10—food. The one-way ANOVA comparing the Flesch-Kincaid Grade Levels of the twelve merchandise categories, found no significant difference ($F(11, 273) = 1.257, p > .05$). Mean scores for each of the twelve categories is presented in Table 2. Thus, hypothesis 2a: The Flesch Read Ease scores of privacy policies will differ across merchandise categories is accepted, but hypothesis 2b: The Flesch-Kincaid Grade Level scores of privacy policies will differ across merchandise categories is rejected.

SUMMARY AND SUGGESTIONS FOR FUTURE RESEARCH

A visual analysis of the merchandise categories and respective Flesch Reading Ease and Flesch-Kincaid Grade Level scores indicate that the scores are heavily skewed with a single or several outliers. For example, 52 of 67 sites in the Apparel/Merchandise category had a 12.0 grade level privacy policy, and only 3 of the 27 department stores had a grade level other than 12.0. Only three of the sites scored a Flesch Reading Ease score of 60 or higher, with one at 60, one at 61, and one scoring 78. Using less stringent standards, slightly more than one third, 34%, rated a score of 40 or higher. Clearly

a large percentage of the dataset had scores that indicate they were written to higher comprehension standards. While the data analyses found statistically significant differences, it should be noted that the actual score differences were relatively small, and overall a descriptive review of the data shows the majority of the privacy policies do NOT exhibit high readability.

Rosen and Purinton (2004) found that a simple design is most effective. These authors recommended a minimalistic approach to the design of a site, eye-catching, but appropriate with graphics and information to draw the surfer into the site. The site should avoid information overload. It is likely that this same strategy could improve the overall effectiveness of the privacy policies provided by the retailer. Auger (2005) found that the amount and quality of two-way communication between a customer and the commercial organization was positively associated with overall performance of the site, but not the number of visitors.

If retailers are to be successful in developing this market channel, attention to Web site features and ease of navigation through the site will be fundamental. According to Auger (2005) over 200 million websites may be expected by the end of 2005. This increasing number of sites highlights the importance for retailers to understand and develop the best designed sites to attract and retain their customers.

Based upon what we know about the consumers' level of involvement in the search process, consumers are not likely to spend a significant amount of time on sites unless they are highly involved with the purchase. Privacy policies that are easy for the consumer to understand can lead to lower perception of risk and encourage shopping online. Online retailers may be designing the content of their privacy policies in an attempt to meet regulatory requirements, but not in a manner that makes them "user friendly." However, this being said, it appears that these retailers are still quite successful in the online channel. Something else must be at play. Perhaps overall site design, familiarity with the product/brand, or ease of site use has a significant impact on consumer patronage. Future research could investigate other components of web site design, such as navigation tools, product information, and content customization and/or risk reduction cues. Additional research might investigate interactivity of the site components and customer loyalty/retention initiatives, such as: sweepstakes, newsletters, and charitable tie-ins. Recognizing that

every web site visit is an opportunity to engage the consumer, retailers should design their e-tail site to create a more positive customer experience.

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Table 1
Mean Scores by Rank Category

categories of 300	Flesch Reading Ease			Flesch-Kincaid Grade Level		
	Mean	N	Std. Dev.	Mean	N	Std. Dev.
1.00 (high)	36.940	97	6.5149	11.858	97	.5423
2.00 (medium)	36.842	96	6.2528	11.860	96	.3723
3.00 (low)	37.819	92	9.4738	11.642	92	.9212
Total	37.191	285	7.5083	11.789	285	.6542

Table 2
Analysis of Variance for Flesch-Kincaid Grade Level scores by Ranked Category

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.925	2	1.463	3.477	.032
Within Groups	118.631	282	.421		
Total	121.556	284			

Table 3
Mean Scores by Merchandise Category

CLASS	N	Flesch Reading Ease		Flesch-Kincaid Grade Level	
		Mean	Std. Deviation	Mean	Std. Deviation
Apparel / Merchandise	67	36.220	7.8000	11.815	.4743
Music	13	43.977	12.3247	11.277	1.7852
Computers	24	37.604	6.3665	11.763	.4547
Health/Beauty	11	34.873	7.4275	11.909	.3015
Food	12	35.350	5.6370	11.933	.2309
Gifts	29	35.666	5.9787	11.855	.4231
Hardware	8	37.725	4.8623	11.850	.4243
Home Décor	30	40.030	6.3806	11.783	.5925
Dept. Stores	27	36.815	5.7998	11.963	.1214
Office Supplies	4	29.750	4.1122	12.000	.0000
Sports	33	36.888	7.5537	11.773	.7989
Hobbies/Entertainment	27	37.900	8.5968	11.615	.8570

Table 4
Analysis of Variance for Flesch Reading Ease scores by Merchandise Category

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1319.116	11	119.920	2.228	.013
Within Groups	14691.437	273	53.815		
Total	16010.553	284			

ENTERPRISE WEBLOG SOFTWARE AND DYNAMIC PLANNING: OVERCOMING BARRIERS TO STRATEGIC IMPLEMENTATION

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ABSTRACT

As the competitive availability of data and information increases so does the need for dynamic development and implementation of strategic marketing plans. The advent of enterprise weblog software brings with it the technical ability to collect and disseminate information to and from those responsible for both the development and implementation of strategic marketing plans.

INTRODUCTION

As companies attempt to deal with the societal and environmental changes that abound, it becomes necessary for them to react quickly to the many forces that they face. Successful corporations are those that attempt to create synergy between newly acquired information and strategic planning processes. This type of learning organization is not new. Peter Senge (1990) covered it quite extensively in his treatise, *The Fifth Discipline*, as did Bob Garrett (1990) in *Creating a Learning Organization*. However, there has been less emphasis on examining how learning organizations manage strategy implementation. While solid strategic plans may be built on data available at the time of the planning (a somewhat static process), dynamic implementation requires a real-time sharing of information. The newly acquired information might lead to a change in tactics to accomplish a strategic goal, or on some occasions, it might necessitate a modification of the goal itself, resulting in *emergent* strategies. "Emergent strategy itself implies learning what works-taking one action at a time in search for that viable pattern or consistency." (pg. 4, Christensen & Dan 1999) In this vein, companies are expecting the unexpected and they are prepared to be resilient when faced with difficult circumstances.

Historically, those responsible for strategy development were made aware of new information through face-to face meetings, e-mails, external publications, or phone calls. While information has been disseminated via these traditional means of communication, emergent strategy planning calls for

a more immediate means of sharing information. This paper will discuss how a technological advancement, enterprise weblogs, can be used as a tool to aid in the gathering and sharing of real time information for strategy execution.

An Introduction to the Weblog Phenomenon

A significant advancement available today is web logging or blogging, a powerful technological resource that can be used to transcend the typical communication boundaries. A blog is essentially a website with new information posted on an ongoing basis. On an individual level, blogs are commonly used as a means to record personal information and/or to create personal journals. "Blogging is an Internet phenomena whereby individuals post their thoughts or causes on a website and link them to any number of information sources or other weblogs." (Ericson 2002) This form of discourse can cover a spectrum of topics including social updates, business, politics, the arts, entertainment, and or intellectual debates.

Blogs are sometimes considered social software. Basically, social software can be defined as a tool that supports actual human interaction within a virtual environment. Weblogs tend to be somewhat centralized and deeply personal. An individual or a small group will identify a topic and post their reflections on that specific topic or on a number of topics. As such, a blog provides tremendous insight into an individual's or small group's thought processes. Individual blogs have slowly migrated to the corporate space, with a growing number of companies approving of

employee blogs (Conlin & Park 2004). This has the potential of increasing the personal relationship between the company and its employees and possibly between the company and its customers. Some companies also sponsor corporate blogs, perhaps with postings by the top executives, managers, and/or employees. Within corporate blogs, individuals can post news stories about their product industry, status of various tests within particular divisions, customer visit/phone call notes, solicitations for ideas and/or help, or employees can brainstorm about strategic issues. Both employee blogs and corporate blogs appear on public websites.

Enterprise Weblog Software

Unlike employee and corporate blogs, enterprise weblogs are restricted to intranets for the purpose of speeding up the “real-time” sharing of information. Enterprise weblog software incorporates features of both personal weblogs. Enterprise weblog software categorizes information by date and time and it also merges multiple workspaces into a system. Individuals within a corporate setting need more structure and direction when viewing information that has been collected across an organization. As such, information in enterprise weblog software is not only categorized by time, but also by subject matter, level of importance and/or level of priority.

While weblogs or blogs tend to contain information that is personally relevant to the writer, the creation of corporate weblogs or enterprise weblog software serves an alternative purpose. Enterprise weblog software enables corporations to collect, update, and disseminate information in real time. This software eliminates some of the boundaries that have impeded successful strategy implementation. Individual corporate units are then able to contribute information into one database that serves all of the different functional units. Synergy is created across units and information becomes more available and accessible. The availability of information to multiple departments within a corporation increases the opportunity for others to buy-in. Ultimately, buy in leads to consistent execution (Sterling 2003; Bradford 2002).

Enterprise Weblog Software and Emergent Planning

While individuals in the public sector have recognized the power of informal communication that is possible via personal blogs, the adoption of “blogging” within corporations has been rather

tentative. Historically, corporate exchange has not facilitated free and open dialogue between counterparts. These separate and isolated exchanges may pose significant threats to an organization’s ability to manage corporate-wide strategic planning (Christensen & Dann 1999). Enterprise weblog software has emerged as a tool that corporations may use to identify and respond to unanticipated forces in a calculated manner. This can be critical as cutting edge corporations are not usually those that operate within the confines of black and white strategic mandates.

STRATEGIC PLAN IMPLEMENTATION BARRIERS ADDRESSED BY ENTERPRISE WEBLOG SOFTWARE

Charan and Colvin (1999) state 70 percent of the problems facing management result from bad strategic execution, not bad strategy. Research aimed at explaining strategic implementation failure rates, estimated to be as high as 90 percent, has identified numerous barriers that can severely impede implementation efforts (Freedman 2003; Sterling 2003; Kaplan & Norton 2001; Clark 2001; Beer & Eisenstat 2000). Enterprise weblog software, used in the support of a dynamic planning process, can address many of these issues and dramatically enhance *both* strategic plan development *and* implementation. By addressing barriers to strategic implementation, enterprise weblog software can have a significant impact on corporate performance by enhancing a firm’s ability to involve employees at all levels of the organization.

Through this tool, separate parties may be able to bridge the gaps that can exist due to divisions commonly found in multi-functional organizations. By integrating both concepts into the strategic planning process, firms can, in essence, reengineer the manner in which they conduct strategic planning and execute their plans. The following barriers to strategic implementation can be specifically addressed with dynamic planning initiatives supported by enterprise weblog software.

Poor Channels of Communication (Sterling 2003; Freedman 2003; Clark 2001; Attaran 2000; Beer & Eisenstat 2000) - At the heart of any successful strategic implementation initiative is the proper communication of the plan and its details, as well as on-going communication efforts throughout the plan’s implementation process. The distribution of information to the right audiences at the right time optimizes an implementer’s ability to consume

information and apply it to his/her particular area of responsibility. The communication pathway is bidirectional and complicated when implementers work in different locations, when implementation teams are large, or when information access is limited. With enterprise weblog software, select stakeholders throughout the organization receive information and respond back with comments, questions, and their own work or analysis. It allows users to build upon both new information and the collective knowledge of the past (Dawson 2003).

An enterprise weblog software program supporting dynamic planning initiatives enhances communication issues by providing an advanced model used to publish information from all sources, including web pages, office documents and memos. It serves as a journal to record an individual's documentation, progress, insights, etc. It makes these findings available dynamically to other stakeholders throughout the organization on a "permission to have access" basis. Enterprise weblog software addresses communication issues and numerous other strategy implementation barriers identified in the literature. A well developed system can record items from various sources, record items for review or reference, extend dialog, save copies of messages, web pages, and so on. It can remove many of the communication barriers that inhibit both strategic development and implementation initiatives and allow for a virtual seamless transmission of data and/or information.

Failure to Understand the Plan, Process, or Progress (Freedman 2003; Attaran, 2000; Beer & Eisenstat 2000) – Plans developed by senior executives can be lengthy, detailed, vague, and difficult to understand. Enterprise weblog software, used in conjunction with a dynamic planning process, allows users transparent access to not only explanations of a plan's details, but it also describes how the plan might impact specific job responsibilities. Regular, on-going access to metrics and the measurements of implementation progress can keep implementers focused and motivated.

Properly designed enterprise weblogs do more than simply publish approved postings, they also allow for comments so planners and implementers can monitor what readers are saying about them (Brockmeier 2003). The flow of issues, ideas, and knowledge stemming from multiple nodes within the organization are invaluable if a dynamic approach to strategic development and implementation is to be achieved. In a dynamic planning environment, direction does not come solely

from line/supervision, but from contacts in other departments, divisions, and/or subsidiaries.

Poor Coordination Across Functions (Beer & Eisenstat 2000) – In order for a cross-functional team to be effective it is imperative that team members participate in or "overhear" enough of what is transpiring in the marketplace and internally in order to respond in an efficient and appropriate manner. The use of weblog software significantly enhances cross-functional communication, invites involvement, and garners buy-in. Team members can transparently share information from a wide variety of internal and external sources including personal notes, articles, trade show information, email messages, databases, etc. and keep up-to-date on a real time basis. Stakeholders from across the company can be aware of customer related activities on a truly dynamic basis, and respond quickly and effectively to customer needs and wants. With enterprise weblog software, the speed of implementation can be increased dramatically and reaction time reduced in a similar fashion.

Timeliness, Unanticipated & Frequent Market Changes, Competitor Responses to Strategic Initiatives (Sterling 2003) - As enterprise weblog software and dynamic planning enhances both the collection and almost immediate dissemination of information to stakeholders, implementers have not only quick access to vital insights, but also the ability to explore data and information whenever it is relevant. To help gather and use competitive information, enterprise weblog software incorporates features that collect, organize, and share strategic competitive intelligence information from many sources. As Tim Simonson, CEO of Traction Software (a premier producer of enterprise weblog software) states, "By creating a deep archive of shared information, business teams are able to convert collected information to actionable knowledge faster than would otherwise be possible using email or traditional content management systems" ("Competitive Intelligence..." 2002).

The software is designed to address five key steps of the competitive intelligence and research cycle including:

- **Planning:** The software provides a flexible topic and content labeling structure for easy organization.
- **Collection:** The software provides easy capture of content from many sources email,

Web content, external news feeds, business analytic systems or authored contact reports.

- **Analysis:** Users can add comments to call out key points, or label items of interest such as competitors, credibility of source, key intelligence topics, and geographical references maximizing the value of the information.
- **Dissemination:** Information collected can be automatically published via a user-specific daily email newsletter or secure intranet-based project news pages.
- **Retrieval:** Information contributed over time builds a deep and valuable archive that can be easily searched by permissioned users (“Competitive Intelligence...” 2002).

By making data and information readily available, enterprise weblog software such as Traction Software can help firms avoid serious implementation pitfalls well before serious damage is realized.

Lack of Focus, Strategic Drift, Strategic Dilution

Verifying and communicating the progress that is being made toward specific corporate goals and reinforcing the chain of command are essential steps in the implementation of any strategic plan. On-going managerial commentary gives credence to power, influence, and performance. A well-designed enterprise weblog software program can provide frequent reminders of corporate objectives, direction, progress, and barriers. Employees can better prioritize their tasks and focus on those activities which offer the greatest return. Through enterprise weblog software, information can be easily collected, distributed, and managed by specific projects or topic (Langhan 2003). In particular, the reporting of negative news regarding corporate performance can also be eased through the use of enterprise weblog software. Employees can be exposed to potentially negative information in “smaller doses” through daily exposure to the corporate weblog.

Laissez-Fair Senior Management, Poor Top Management Support, Lack of Management Commitment, Failure to See Need (Freedman 2003; Clark 2001; Beer & Eisenstat 2000) -

An enterprise weblog software program offers management a venue and an opportunity for the explanation of a plan’s strategies and tactics. Because time and other corporate resources are finite,

so are viable explanations for both the implementation of strategic plans and reasons explaining past performances. An enterprise weblog software program allows employees a conduit for questions to management, and almost immediate responses by either management personnel or peer groups with an understanding of the situation. Management can also expect significantly more bottom-up input on proposed actions. An enterprise weblog software program is designed to solicit chains of responses that travel both up, and down in an organization, as well as horizontally.

Day-to-Day Needs Take Precedence, Priority (Clark 2001) - Frequent, even daily, reminders of personal responsibilities are required in the implementation of a strategic plan. An enterprise weblog software program can assist employees in the prioritization of their responsibilities and in turn insure management of a business initiative’s progression down a more direct path. Implementers must be assured, however, that an enterprise weblog software program is not merely another addition to a “corporate to do list.” In other words, employees must see the benefits associated with utilizing an enterprise weblog software program when fulfilling *essential* corporate responsibilities.

Properly implemented enterprise weblog software, used in conjunction with a dynamic planning program can significantly impact the priority issues present with today’s businesspeople. However, both programs must be supported by top management with regular reminders to their staff and implementers throughout the organization. Top management must, in effect, lead the charge and demonstrate the importance of both initiatives and clearly illustrate the positive impact these initiatives can have on corporate performance.

SUMMARY

Never before has industry had both the availability, and need, for data and information at a moment’s notice. Strategic marketing plans can be rendered almost useless due to competitors’ programs, advancements in technology, or other changes in the market. Firms must be willing and able to plan for the unexpected, and to adopt tools that enable dynamic marketing planning.

The advent of enterprise weblog software brings technological abilities that enable the adoption of a dynamic planning process and in so doing, address many of the barriers associated with the implementation of marketing plans. By incorporating

both dynamic marketing planning initiatives and enterprise weblog software, firms will be better able to position themselves in a competitive marketplace.

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THE ROLE OF SYSTEMATIC DISTORTION IN THE DIFFUSION OF SELF-SERVICE TECHNOLOGY-BASED PRODUCTS

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ABSTRACT

Consumers' preexisting perceptions or biases may cause them to systematically distort their evaluation of products for which they have little knowledge about. The resulting distortion is based on beliefs regarding how certain product attributes should go together. This article looks at the role of systematic distortion in the adoption of new self-service technology-based products.

INTRODUCTION

Studies have shown that human perception is often guided by prior beliefs (Edward and Smith 1996; Koehler 1993). These prior beliefs, however, may lead to personal bias and perceptual errors. One type of error occurs when an individual systematically distorts his or her evaluation of a person or a product because of misguided inferences or incomplete information. These systematic errors appear to occur because of misconceptions as to what personal or product attributes tend to go together.

The purpose of this article is to look at systematic distortion from the product perspective and discuss how this phenomenon may impact the adoption and usage of a self-service technology-based product like an interactive kiosk. This article also discusses ways to best promote new technology-based products to different types of adopters in order to minimize the likelihood of systematic distortion occurring.

LITERATURE REVIEW

Systematic Distortion Hypothesis

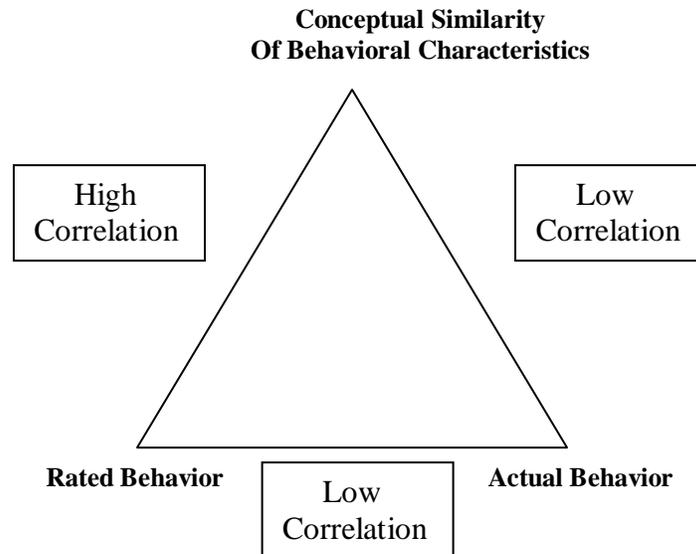
The systematic distortion hypothesis suggests that human perceptions are influenced more by factors internal to an individual than by the actual data available for observation. For example, under difficult memory conditions (i.e., situations where limited information is known), individuals distort their evaluations of other people due to (a) preexisting ideas of "what behaviors goes with other

behaviors," (b) retrieving conceptually affiliated memory items which are easier to remember than individual memory items, or (c) both (Shweder and D'Andrade (1979). The implication is that human perceptions are under the influence of preexisting conceptual schemas. However, these schemas may be erroneous, thus resulting in systematic bias and perceptual errors.

Figure 1 depicts the basic assumptions of the systematic distortion hypothesis. An individual rating/recalling the behavior of another is influenced by two types of information: (1) the actual behavior of the person, and (2) the observer's own implicitly held conceptualizations as to what behaviors "go together." The systematic distortion hypothesis predicts that the latter will have a greater influence on human perception.

The systematic distortion hypothesis argues that rated behavior is almost entirely under the influence of preexisting conceptual schemas as to what behavior goes with other behaviors. Moreover, rated behavior corresponds to actual behavior only to the extent that preexisting conceptual schemas happen to coincide with actual behavior. Research suggests that conceptual schemas are more likely to be used when raters lack knowledge about a particular individual, or when there is a delay between the observation and the rating of performance, thus the performance evaluation is primarily memory-based (Murphy and Balzer 1986; Woehr, Day, Arthur, & Bedeian 1995).

FIGURE 1
Systematic Distortion of Individual Behavior



Product Diffusion

Product diffusion is generally defined as the process by which the adoption of an innovation spreads. The assumption is that not all consumers will adopt a new innovation at the same rate. The widely accepted “Rogers’ curve” identifies five types of adopting consumers based on the relative timing of their adoption of new products (Rogers 1983). The categories of adopters include Innovators, Early Adopters, Early Majority, Late Majority, and Laggards. The Innovators are characterized as venturesome and are the first to adopt a new idea or product, while the Laggards tend to be suspicious of new products and are the last group of consumers to adopt a new innovation.

The speed at which new technology is diffused throughout a target market is dependent upon the following characteristics: 1) *relative advantage* it offers over existing products, 2) *compatibility* with existing values and needs of potential adopters, 3) *complexity* in understanding and using a new product, 4) *trialability* of the new technology on a limited basis, and 5) *observability* to others (Rogers 1983).

According to McDonald, Corkindale, and Sharp (2003), product diffusion is of interest in marketing research because of the potential to

increase the efficiency of new product marketing efforts:

- by identifying those members of the target market most likely to adopt early,
- by shedding light on the nature and size of the potential market for new products,
- by providing insight into how to increase the “innovativeness” of a population or market, and
- by indicating the time of adoption by various proportions of the population.

Self-Service Technology-Based Products

The importance of self-service technology in the retail environment has increased significantly over the last decade (Dabholkar and Bagozzi 2002). For example, Mohr and Shooshtari (2003) argue that retailers today must have an e-commerce infrastructure to complete effectively. Moreover, technology-based interactions are expected to become an increasingly important ingredient for long-term future success in the delivery of services for retailers (Bitner, Brown, and Meuter (2000).

Not all consumers, however, choose to use new self-service technology to facilitate retail transactions. The desire to use self-service technologies is often influenced by the level of

technology anxiety exhibited by consumers (Meuter, Ostrom, Bitner, and Roundtree 2003). Bobbitt and Dabholkar (2001) report that consumer attitudes will have a strong, direct, and positive effect on intentions to use technology-based self-service.

Common self-service technology-based products being used today by retailers include: 1) telephone-based technologies and interactive voice response systems, 2) direct online connections and Internet-based interfaces, 3) interactive freestanding kiosks, and 4) video or CD technologies (Bitner, Ostrom, and Meuter 2002). Specific examples of self-services would include automated hotel checkout, banking via ATMs or by telephone, self-scanning checkouts at grocery or discount stores, and Internet shopping.

Hills and Sarin (2003) report that technology-based industries have high levels of technological and market uncertainty, as well as competitive volatility. Similarly, Mohr (2001) identifies technology-based products as having the following characteristics:

- a high degree of market uncertainty, marked by customer anxiety about how to use the product and what needs it will fill,
- a high degree of technological uncertainty, marked by ambiguity over whether the product will function as promised, whether it will be delivered on time, and potential unintended/unforeseen consequences,
- a high degree of competitive volatility, in which new technological breakthroughs are frequently introduced by industry outsiders, whose innovations and business strategies often change the rules of game,
- - 75 - rapid obsolescence of products, where innovations supercede prior versions of a product, and
- the presence of network externalities, in which the value any particular customer gets from adopting the new innovation is exponentially related to the number of other adopters.

Systematic Distortion of Self-Service Technology-Based Products

It is reasonable to assume that many of the processes that affect person perception may also affect product perception. Thus, a consumer may systematically distort his/her evaluation of a product similar to how a rater may distort his/her evaluation of an individual's behavior. Russo, Meloy, and Medvec (1998) suggest that consumers may distort

product information as a result of a trade-off between accuracy and a reduction in effort, the preservation of consistency, or the maintenance of a positive mood.

Figure 2 depicts the systematic distortion hypothesis for new self-service technology-based products. A high correlation between Rated Product Attributes and Conceptual Similarity of Product Attributes is hypothesized. By contrast, a low correlation is hypothesized to exist between Rated Product Attributes and Actual Product Attributes. Moreover, a low correlation between Conceptual Similarity of Product Attributes and Actual Product Attributes is also hypothesized.

For example, a consumer may observe the following characteristics for a new self-service technology-based product such as an interactive freestanding kiosk:

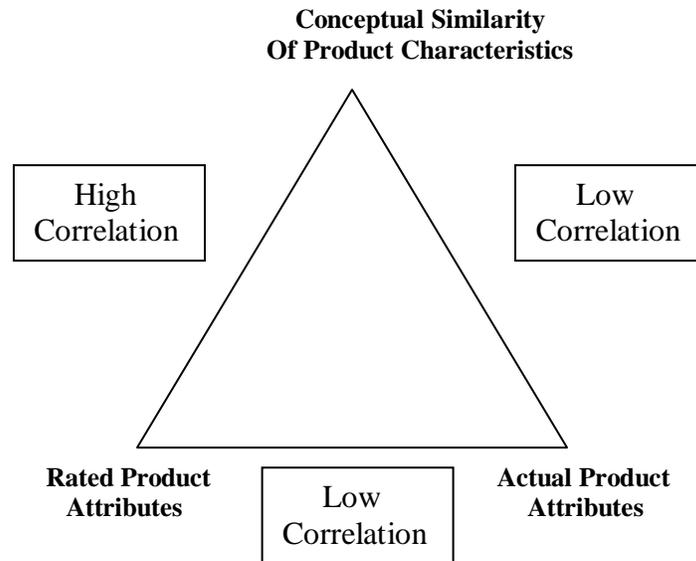
- 1) The kiosk is all computer based.
- 2) Purchasing a product through the kiosk is done without any human interaction.
- 3) A list of instructions on how to use the kiosk is on the front of the kiosk.

Thus, the consumer has observed the interactive kiosk as using computer technology, very impersonal, and requiring the reading and understanding of a list of instructions. When asked later by a family member or friend about the ease of understanding the list of instructions at the kiosk, the consumer's memory may be systematically biased. The consumer may believe new self-service products or innovations which utilize computer technology and have no sales person available to answer questions are difficult to use. Therefore, because of the consumer's preexisting perceptions or biases, the consumer may systematically overestimate the difficulty of using the kiosk when responding to the family member or friend.

DISCUSSION

As the diffusion process suggests, not all new products or innovations are adopted throughout a target market at the same rate. Some new innovations are diffused fairly quickly, while others are adopted at a much slower rate. In general, the more complex a new innovation is, the more reluctant most consumers are to try it without first gathering additional information. This, in turn, slows down the diffusion rate for the new product as a whole. Innovators may adopt the product early on, but other types of adopters will usually seek out more information and evaluate the product more thoroughly before making a purchase decision.

FIGURE 2
Systematic Distortion of New Self-Service
Technology-Based Products



On a similar note, not all new products or innovations have the same likelihood of being distorted by consumers. Products that are somewhat complex seemingly have a greatly likelihood of consumers distorting their evaluations of product attributes than do products that are simple and easy to use. This is due to the fact that conceptual schemas are more likely to be used when an individual lacks knowledge about a particular product. Unfortunately, these conceptual schemas allow for more opportunities to distort or bias an evaluation of a new product or innovation.

Based on the assumptions above, one could argue that self-service technology-based products are likely to be diffused throughout a target market at a slower rate than many other products. Moreover, they are probably more prone to systematic distortion than many other products. As a result, when designing and promoting these types of products, marketers need to be aware of the key attributes that most consumers will use to evaluate the products. In addition, marketers should try and assess the likelihood of perceived conceptual similarity between key attributes. This could be accomplished through the use of a simple survey.

Advertising could then be used to educate consumers on how to evaluate product attributes for a particular self-service technology-based product.

Advertisements should provide complete and accurate information regarding possible misconceptions of product attributes. McDonald et al. (2003) reported that early adopters rely less on mass media for product information than later adopters. This suggests that advertising could play a major role in reducing systematic distortion for the both the Early Majority and the Late Majority adopters by providing them with complete and accurate information about the characteristics of the self-service technology-based product.

Marketers should also be aware of how dominant product characteristics consumers may use to evaluate a new innovation may change across different groups of adopters. For example, in the interactive kiosk situation Innovators may be more concerned with convenience and price as it relates to purchasing products via the kiosk. On the other hand, the Early Majority consumer might be more interested in ease of use (understanding the instructions) of the kiosk, as well as security issues. Promotional effort could then focus on different product characteristics depending upon which type of adopter the promotion is aimed at.

SUMMARY

Consumers' preexisting cognitive structures or beliefs may cause them to systematically distort

their evaluation of new products. This distortion may be caused by preexisting beliefs regarding what product attributes go together. Moreover, the likelihood of systematic distortion occurring seemingly increases with the complexity of the product as consumer knowledge about product attribute relationships tends to be limited. An important implication of consumers distorting their evaluation of new technology-based products is that the acceptance/diffusion rate of these products into a target market may be impacted negatively due to inaccurate product evaluations.

Marketers introducing new complex products or innovations, such as self-service technology-based products, need to be diligent about providing adequate information regarding product attributes. In addition, it is imperative for marketers to be aware of the informational sources (e.g., mass media, opinion leader, etc.) that different types of adopters use to evaluate products and to focus their promotional efforts towards these informational sources.

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THE EFFECT OF DIFFERENT SALES COMPENSATION STRATEGIES ON SALES PERFORMANCE IN THE OFFICE PRODUCTS INDUSTRY

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ABSTRACT

The purpose of this study is to examine the effect of particular compensation strategies on sales results and profitability. A total of 94 owners of office product dealers were surveyed. The results of the study indicate that OPI dealers view a compensation structure emphasizing commission incentives rewarding the selling of high gross margin products as more effective than other methods.

INTRODUCTION

We believe that there are three key areas of motivation for people. The first is fear motivation. This is implemented through the use of intimidation, power and threats. In many ways this is the easiest form of motivation to exercise. The effects tend to be short-term only; and the danger is "when the cat's away the mice will play." A second method is causal motivation. We describe this as working toward a cause. People work for someone or something they believe in. In many ways, this is the highest form of motivation, but not necessarily the most commonly incorporated.

The third form of motivation is incentive motivation. Incentive motivation is the form of this study. This type of motivation can include reward or tangible incentives such as compensation, salary, commission, bonus, expenses, premiums, etc. Additionally, incentives can be intangible such as formal recognition, awards, plaques, sales standings, input from boss, etc. The specific aspect of this study focuses on the tangible, financial aspects of incentives.

Literature Review

The primary objective of a sales incentive plan is to motivate the sales force, first to sell more, but also to engage in particular desirable selling activities. If the sales force does not clearly see that the plan pays for performance, however, the plan will not motivate at all (Luo, 2003). If the basic goal of the compensation systems is to consistently motivate salespeople, the goal does not appear to be met. According to the S&MM 2004 Compensation Survey, a majority of sales executives (64%) rate

their current pay plans as only "somewhat successful." Only 15% of sales managers give their compensation plans high marks, and 21% state that their plans are very ineffective (Cohen, et al 2004).

In a study dealing with product sales, Schwepker and Ingram (1994) observed that a positive relationship between competition and job performance existed among industrial salespeople. They determined that the method of compensation has no real effect on the competitiveness-performance relationship. However, the net amount of compensation does matter. Using data from 286 firms in 39 industries, Coughlan and Narasimhan (1992) found that the proportion of salary to total pay is positively associated by sales volume, seniority of the salesperson, the presence of career-path programs at the firm, and educational levels. In turn, there is a negative association between salary and the number of calls required to close a sale.

Cravens, et al (1993) has found that sales managers across multiple industries have taken into account in only a limited way the impact of role there is a limited amount of incentive compensation in sales force control systems. They suggest that field sales management provide more attention on compensation on sales control systems. Relatedly, Stiffler (2005) has identified a need for increased consistency and simplicity to the incentive - compensation plans in the pharmaceutical industry, particularly when two different companies merge.

Ross (1991) points out that quota setting is a key aspect of sales management. He suggests that when performance against quota is a significant factor in salespersons' compensation, the quota itself

affects the salespersons' call selection decisions. He believes that salespeople who perceive themselves to have no chance to attain quota are more likely to make risk-averse decisions. The opposite is also true with salespeople more likely to make quota being willing to make risk-seeking decisions prospects. Those with a chance to make quota select those prospects that provide the best opportunity of making quota.

Schwepker and Good (2004) caution that in a results-oriented environment, the sales quota basis of many compensation systems can push sellers and managers in a direction that is inconsistent with customer-oriented selling. Their results indicate that sales quotas can negatively affect sales force customer orientation based on sales managers' responses to salespeople's selling behaviors. However, a company's proactive ethical climate was found to positively influence sales force customer orientation. In a related research study, it was concluded that a company may encourage ethical behavior and desire the salesperson to act only in the customer's best interest. However, the firm's actual valued behavior, as shown through its compensation system, may undermine or even contradict a pro-customer message given to salespeople (Settle and Kurland, 1998).

Mott (1993) provides some key recommendations for developing compensation strategies for companies that have strong commission structures. Create incentives in such a way that achieving strong earnings requires selling volume and strategically important products and/or customers. Seek reasons to reward beyond top-line revenue to make sales incentive compensation more profit oriented. Make the incentive formulas more challenging through the use of thresholds, so those salespeople who achieve below quota performance receive significantly less income.

Braksick's book *Unlock Behavior, Unleash Profits*, as reviewed by Weeks (2002), claims that positive consequences (which include money, recognition, awards, and management feedback) are four times as powerful as antecedents (training, past events, goal statements, etc.) in motivating behavior. This suggests that actual results are more powerful than plans to obtain results. American Salesman (2004) conducted a survey with 6,000 participants in regards the effectiveness of sales training. It was determined that participants in sales training forget half of what they learn within five weeks. A total of 39% of the participants viewed incentive

compensation for new behaviors as an important part of making new training more relevant.

Methodology

A total of approximately 500 owners of office product dealerships were emailed a survey addressing compensation issues concerning their sales force. The survey included a total of 24 compensation related questions, including three open ended questions. A total of 94 of the 500 surveys were completed on-line. The on-line survey request was sent out by a provider of office products materials to office product dealers. One of the motivations of the study was to provide office product dealers with compensation strategic information about the office product industry as a whole.

Results of the Study

Key Frequency Findings

The total range of dealer sales volume by dollars: 94 responses: 64% of the respondents were under \$3 million – \$5 million in volume, 36% were \$5 million – over \$20 million.

Sales volume per employee: 94 responses: 78% of the responses were under \$150k – \$250k, 22% were \$250k – over \$350k

How many full time employees does your company have? 93 responses: 25% of the dealers had 1-10 outside salespeople, 49% had between 11 – 20, and 26% had between 21 – 30 with the remaining 19% with over 30 employees.

How many full-time outside salespeople? 94 responses: 87% were 1-10 outside salespeople.

Sales compensation structure for outside salespeople, selling at least one year? 92 responses, 45% dealerships salary + commission/bonus, 52% were commission/bonus only.

Sales compensation structure for salespeople, selling less than one year? 90 responses, 73% were salary + commission/bonus, 20% were salary only, 7% incentive only.

Commission for outside salespeople? 91 responses, 58% were paid on a sliding scale based on GP%, 14% were paid on straight commission.

Average annual sales per outside salesperson? 88 responses, 68% of sales people were estimated to sell between \$250k-\$750k, 23% sold over \$750k.

What is your overall GP % on sales? 93 responses: 59% of dealerships have a gross profit level of 28% or greater, 34% have a GP between 24 – 27%.

Overall, how effective do you view your compensation plan? 89 responses: 64% dealers stated they were not effective to somewhat effective, only 36% of the dealers viewed their compensation structure as quite to highly effective.

How effective do you view your compensation plan for driving new account sales from experienced salespeople? 88 responses, 92% were not effective to somewhat effective; only 7% viewed their compensation structure effective – very effective at gaining new accounts.

What income is required to attract a quality outside sales candidate in your market w/2-5 years exp.? 92 responses, 71% were \$20k – \$35k, 26% were \$36k – \$45k, only 4% over \$46k.

Significant Statistical Correlations:

There were a number of significant correlational associations ($p < .01$) that are worthy of being addressed.

“How effective do you view your compensation plan in terms of driving new account sales from your more experienced or veteran salespeople?” was correlated with “What is the approximate sales volume per employee?” The results show that if you view your compensation plan as effective in terms of driving new account sales your sales volume per employee is higher.

“How would you best describe your sales compensation approach for outside salespeople that have been selling for at least one year?” was correlated with “What income level is required to attract quality outside sales candidate w/2-5 years experience?” The finding indicates that dealers with compensation plans that are more commission oriented (as compared to salary or salary plus bonus) recognize that higher income levels are required to attract quality sales candidates.

“What is your average gross profit on sales?” was correlated with “How would you best describe your sales compensation approach for

outside salespeople that have been selling for less than one year.” The data suggests that the overall average gross profit was **HIGHER** when compensation plans for new salespeople were more commission driven – rather than predominantly salary driven.

“Overall, how effective do you view your compensation plan in terms of obtaining desired performance from your sales team?” was correlated with “What is the average amount of annual sales per outside salesperson?” When compensation plans were viewed more effective the average sales per outside salesperson was significantly higher.

“Overall, how effective do you view your compensation plan in terms of obtaining desired performance from your sales team?” was correlated with “How effective do you view your compensation plan in terms of driving new account sales from experienced salespeople?” The result indicates that when compensation plans were viewed more effective in terms of obtaining desired performance they also led to higher levels of effectiveness in driving new account sales.

“Overall, how effective do you view your compensation plan in terms of obtaining desired performance from your sales team?” was correlated with “What income level is required to attract quality outside sales candidate w/2-5 years experience?” The finding shows that more effective compensation plans were connected to higher income levels needed to attract quality outside sales candidates.

Qualitative Open Ended Responses

What satisfies you most with your current compensation structure?

In reference to **profitability**, dealer owners made the following comments: “It puts profit responsibility on the rep...If they sell at higher GP they will make more...Only pay for profitable sales...salespeople are motivated by gross profit...Incentivizes our people to sell at higher margins...It's based on profit dollars...Pays on a floating scale of gross profit.

The issue of **effectiveness** was a topic that the dealers grouped together with the following statements in regards to their current compensation structure: “It offers a fair rate of return for those willing to work...We do monthly incentives, contests, etc. that keep reps motivated and drives increase in new customers...We can tailor it to

achieve the desired results i.e., new account development or GP growth...It pays for performance...Rewards long-term salesperson the most...It drives new account revenue.

The third category that came out of the study with what dealers like most with the existing compensation structure deals with **consistency and simplicity**. Comments include: “Consistency – hasn’t changed in 15 years...It’s easy to administer...It’s easy to understand...Easy to measure...It’s not complicated...Easy to administer and clear to sales reps...Easy to calculate commissions.”

What satisfies you least with current compensation structure?

There were two specific categories that were generated by the dealers when they considered what they liked **least** about their compensation structure. The first category relates to the topic of **new business** and includes the following statements: “responses relate to topic of new business: “Not really driving new business...Reps satisfied to ride book of business...Lacks incentive for acquiring new business...Inadequate incentive to grow business...It doesn’t reward new business...Once a salesperson has several customers it’s easy for them to coast...Lack of drive for new business.”

The second category addressed the frustration that dealer owners have with the **lack of motivation** of some of their sales people. The comments include: “Doesn’t adequately motivate desired behavior...There doesn’t seem to be enough incentive to do more...maybe salespeople are too comfortable?...Does not motivate the salespeople...The salespeople are not hungry enough...Sales reps can be a little complacent...Salespeople comfortable with income level, unmotivated...It does not motivate some of long-term salespeople.

There were several more comments addressing **multiple causes of concerns** about the concern with the current compensation structure. They include: “It has no relationship to our sales goals. It doesn’t drive new sales, improved profit margins or new product lines...Non-ability to steer sales of certain categories...It rewards aggressive salesperson as well as lazy salesperson...Requires higher degree of management involvement ...Limits salesperson desire to be competitive in tight pricing situations...Does not lend itself to bid business. Low margin business is ‘buried’ in the GP

dollars...Length of time too long, before forcing salesperson to commission only...Not sure it will attract the best salespeople...Obtaining good candidates for new position...Salespeople who do not work out, end up leaving after their guarantee is up, wasting my time.”

Discussion of the Findings

From the results of the study, we discovered (as one might expect) that there is no “one size fits all” compensation plan. Different dealers have different goals for their business such as account growth, new account acquisition, or maintenance.

Several dealer owners/executives say that they’ve done a poor job of aligning compensation with their organizational goals. What specific sales skills, activities, and behavior will be needed to achieve the goals of account growth, new account acquisition? We believe that effective sales compensation is only a piece of the puzzle. In addition, dealer owners need to understand and coach the fundamental selling skills and regularly work in-the-field with salespeople by visiting key accounts. They need to dealers and managers that have a basic understanding of margin management and be able to pass that knowledge to the sales force.

Our findings did indicate that:

- Current compensation plans of many of the dealers may not attract good, quality sales candidates.
- New sales people that are responsible for bringing in new accounts will initially have a lower percentage of gross profit compared to experienced sales people that have already built accounts.
- Dealers are hesitant to change comp plans for fear of salespeople leaving their company...
- Dealers are hesitant to change comp plans for fear of salespeople leaving their company...
- There is a general level of dissatisfaction with capability of compensation plan to drive specific sales behavior related to business goals
- A high number of respondents are most satisfied with a gross profit GP oriented compensation plan

Based on our analysis, we suggest sales management take into consideration the following compensation strategic recommendations:

- Offer a bonus or added compensation for a new account's first 90 days of business.
- Commission floor based on margin may lead to avoidance of selling low margin products
- Pre-determine the extent that a salesperson has in making margin parameters when dealing with customers?
- Examine the actual activities that salespeople perform for their compensation?
 - Are they required to perform typical customer service duties?
 - Handling & resolving every day problems
 - Order transactions
 - Sourcing products
 - Deliveries
 - Do salespeople have adequate time to prospect for the level of new account activity that sales management seeks?
- Assess a salesperson's bottom 10-20% of their current customer base and ask...
 - #1. Is the account fully penetrated?
 - #2. Is the customer being regularly called on?
 - #3. Is their opportunity for someone who has time to develop the account?
- Reward current salespeople for helping a new salesperson take over small/ average existing accounts by sharing commissions for 3 – 6 months.
- Invest in the success of new salespeople.
- Give a new salesperson a base of accounts to get them started.
 - pay commission on those accounts.
 - plus a base salary to make up difference.
 - Helps them "learn the business."
 - Invest in the company generation of leads and pass on those leads to new salespeople recognizing that the expectation of 100% cold calling is challenging.

In conclusion, we provide the following sales compensation structural recommendations:

- Compensation plans must change over time
 - what worked in the past probably won't work today
- The compensation plan should support three fold corporate initiative of:

- Acquisition (gain new customers)
- Growth & Retention (expand business with current customers)
- Win-back of lost customers
- Straight commission drives sales behavior towards quick easy sales, with less ability of management to direct toward specific objectives. Straight salary will drive a more stable, service oriented behavior with less motivation. Develop a variable income plan based on results that can be accurately measured.
- Compensation plans need to be linked to profitability.
- Compensation plans must attract and retain quality salespeople. The cost of being tolerant of high levels of turnover is much higher than what is indicated on an income statement.

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APPLICANT PERCEPTIONS OF THE GENDER EFFECT DURING THE SELLING PROCESS

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ABSTRACT

This paper examines students' perceptions of the gender effect during each stage of the selling process. The survey results show significant gender effects during some stages of the selling process for the entire sample, for female students, and for male versus female student comparisons.

INTRODUCTION

Even though females have proven to be successful in the traditionally male-dominated field of selling, women still face some barriers in gaining entry to some selling jobs (Fugate, Decker and Brewer 1988; "Pink Ghetto in Sales" 1988). Several prior studies (Comer and Jolson, 1991; Russ and McNeily, 1988; Swan and Futrell, 1978; Swan et al, 1984) of women in sales situations suggest that stereotypes of women in selling still exist from both potential customers and from managers. A study by Comer and Jolson (1991) showed that, according to sales managers' perceptions, the more a saleswoman's behavior resembles the negative gender stereotype, the less effective her selling performance. Much of this problem is caused by sales managers' beliefs in gender stereotypes (Kanuk 1978). However, a fundamental question is; to what extent are negative (positive) gender stereotypes predictors of, or even associated with, ineffective (effective) selling performance? Also unclear is whether gender stereotyping impacts the recruitment of women candidates for sales positions.

Previous research (Crosby et al., 1990; Smith, 1998) suggests that gender similarity between sales persons and customers is positively related to the quality of the sales person/customer relationship and sales performance. Crosby et al. (1990) found that same-gender relationships seem to be associated with greater relationship investment, more open communication, and greater trust and satisfaction within relationships. These findings support conventional wisdom that exchange relationships are

easier to develop with similar others (Churchill et al., 1997). On the other hand, an empirical study by Dwyer et al. (1998) showed that female salespeople were just as effective as male salespeople, and gender similarity was not a significant factor in sales performance. Regarding gender similarity and performance, their study found that the male-female and female-male mixed dyads significantly outperformed gender-matched pairs. In fact, their results showed females selling to males (a mismatch) performed higher than the matching female-female dyads, and exceeded the performance of male-male and male-female dyads. In addressing the question of "Does difference matter," Jones et al. (1998) found that consumers appear to be more accepting of salespeople who are "dissimilar" to themselves, which contradicts some assertions in the popular press (Lucas 1996). They concluded that "difference" made no difference.

Several theories or paradigms have been developed that propose to explain the gender effect on sales performance. These theories or paradigms, which served as the foundation for many empirical gender studies in the selling field, are Social Identity Theory (Tajfel, 1982; Tajfel and Turner, 1986); Self-Categorization Theory (Turner, 1982, 1985); and the Similarity-Attraction Paradigm (Byrne 1971; Byrne and Neuman 1992; Graves and Powell 1995). Advocates of Social Identity Theory state that belonging to a group creates a psychological condition that confers social identity and a collective representation of self-identity and behavior; as a result, an individual's self-identity formation is partly a function of group membership. Therefore,

demographic similarity should have a positive effect on sales performance by increasing interpersonal attraction and increasing cognitive bias.

Proponents of the Similarity-Attraction Paradigm state that individuals tend to be attracted to, or seek membership in, groups that are (demographically) similar to themselves. This theory implies that there would be a perceived attraction between a salesperson and a buyer, based on perceived similarity. Finally, those who support Self-Categorization Theory state that individuals take socially defined categories into account when making evaluations about others, where those characteristics that are similar to self would likely be considered as positive. McNeilly and Russ (2000) point out that since demographic characteristics such as age and gender are observable and accessible, they are useful for self-categorization. The Self-Categorization Theory implies that demographic similarity (or difference) could have a significant effect on expected performance. These theories suggest that individuals maintain a positive self-identity by seeking to maximize intergroup distinctiveness and to perceive out-group members as being less attractive (Jackson et al. 1992; Kramer 1991). The implications of these theories is that salespeople will primarily target prospects (and feel more confident during the sales presentation) that are similar to themselves (i.e., same gender).

The main objective of this study is to investigate applicant (business student) perceptions of gender effects during different stages of the selling process. Unlike prior studies in the selling field where the focus was on the gender effect on sales outcomes, this paper examines the gender effect at each step of the selling process. Since selling is a process with successive stages, understanding the gender effect at each stage of selling could provide additional insight into the nature of gender effects in the sales field. Therefore, the specific objectives of the study are whether or not applicants perceive that they will: (a) confidently introduce themselves to male or female buyers; (b) make presentations to male or female buyers; (c) answer questions from male or female buyers; (d) overcome objections from male or female buyers, and (e) engage in a trial close and successfully close the sale with male or female buyers.

In order to examine applicant perceptions of gender effects on the various stages of the selling process, comparisons will be made for all respondents, male respondents, and female respondents, as well as comparisons of male versus

female respondents. The measurement of these research questions and others are addressed in the methodology section of this paper. This paper is important because we believe it may be the first paper to address gender effect issues from the applicant's point of view. Understanding applicants' perceptions of these issues could provide a different perspective on gender issues in recruiting for sales positions. This could be helpful for companies in their recruiting processes and strategies.

METHODOLOGY

In order to accomplish the study objectives, a research instrument (questionnaire) was developed, which was adapted from Hardin et al. (2002) and further modified and improved to meet the objectives of this study. The survey instrument included a number of questions to examine students' (as potential applicants) perceptions of the gender effect during the selling process. Students were told that the selling process consisted of several steps. They were instructed to assume that they were giving a sales presentation and were asked several questions concerning their perceptions of their efforts concerning how successful they thought they would be in dealing with male versus female potential buyers in each step of selling process.

The survey instrument was submitted to several academicians with significant experience in the sales field and sales development. After the survey instrument was improved with their suggestions, it was pre-tested with students as respondents. The pretest provided very useful input for improving the survey questions and establishing the face validity of the constructs (Churchill, 1979; Churchill and Iacobucci, 2005; Narver and Slater, 1990). These survey questions were measured on a semantic differential type of scale ranging from -5 to 5, where a score of -5=definitely males, a score of 0=equally likely, and a score of 5=definitely females. On the actual survey, the negative signs were omitted in order to eliminate any potential confusion and/or association with negative numbers. The survey also included several demographic questions, such as gender, age, year in school (class) and major.

The above described survey instrument was administered to business students in the colleges of business at five universities in the United States, three of which were state universities while the other two were private universities. Before conducting the survey, marketing professors at several U.S. universities were contacted and asked if they would be interested in participating in our study by

administering the surveys in their classes. The professors who agreed to participate in the study were asked to randomly select two of their classes and administer the survey to all the students in the classes. A special effort was made to select general business classes so that the study would include students with different majors as well as different classification levels. These classes were considered as clusters, and every student in each selected class was surveyed, which is called one-stage cluster sampling (Churchill and Iacobucci, 2005). This process produced 385 useable surveys for analysis purposes. These five universities, located in various parts of the United States, should offer a fairly good representation of business students across the United States. Since business (especially marketing) students are more likely to seek sales jobs, the responses from these students should provide useful information to help accomplish the research objectives of this study.

Respondent Profiles

Selected profiles of the respondents show that 51.4% of the respondents are male and 48.6% are female. The average age of respondents is 23.7 years of age. A distribution of student classification indicates that 1.0% are freshmen, 5.5% are sophomores, 28.2% are juniors, 39.9% are seniors, 24.3% are graduate students, and 1.0% are other. In terms of majors, 27.9% are majoring in marketing, 24.8% in management, 13.1% in accounting, 11.0% in finance, 1.6% in economics, 1.0% in computer science, 1.8% in management information systems, and 18.2% in other. While the survey was intended to include students from different business majors by targeting general business courses, the distribution of the majors shows that marketing and management majors are the largest groups of respondents, followed by accounting. However, since these majors seem to be the most popular majors at U.S. business schools, the results might be a reflection of, and consistent with, the general distribution of majors in business schools.

RESULTS

The main objective of this research is to investigate applicant perceptions of the gender effect during the different steps/stages of the selling process. In order to test whether there is any gender effect during any of the selling stages, a one sample t-test was conducted where the test value = 0. The analyses were conducted for all students (male and female students) and the results are presented in Table 1. Since the scale used in the study ranged from “-5=definitely males” to “5=definitely females” with “0=equally likely,” the sign of the mean shows

the direction of any gender effect, and the t-significance would indicate if the gender effect was statistically significant. Based on the results of the one sample test for all responses, students perceive that they would be most successful in making presentations to female buyers (mean of .41, $p < .01$), and answering questions from female buyers (mean of .30, $p < .01$). It appears that students feel they would be equally successful with male or female buyers in introducing themselves, engaging in a trial close, or closing the sale. These results suggest an existence of a perceived gender effect (bias) during some stages of selling process where students feel they would be more successful with female buyers than male buyers.

In addition to a gender effect for all students (potential applicants), separate analyses were conducted to examine whether there were gender effects for male students and female students separately, and the results are presented in Table 1. The results for male students indicate that the mean scores are not significant for any of the selling steps. These findings suggest that male students feel they will be equally successful in their selling efforts during the selling process to both male and female buyers in each stage of the selling process. In Table 1, a similar analysis for female students shows that females seem to feel they will be more successful in making presentations to female buyers (mean of .77, $p < .01$) and answering questions from female buyers (mean of .68, $p < .01$). Since the mean scores for other selling steps are not significant, these results suggest that female students feel equally successful in their selling efforts during the selling process to both male and female buyers.

Finally, the study compared male vs. female student perceptions of the gender effect during each step of the selling process, and the results are presented in Table 2. Comparisons of the mean scores for the steps during the selling process suggest that there is no significant difference between male and female students in confidently introducing themselves to either male or female buyers ($p = .569$); overcoming objections from male or female buyers ($p = .502$); engaging in a trial closing ($p = .140$); and successfully closing the sale ($p = .464$). The positive signs of the means for making a presentation indicate that both male and female students feel more successful in giving sales presentations to female buyers. It appears that female students feel that they will be significantly more successful (mean of .77) than male students (mean of .09) in making sales presentations to female buyers ($p < .01$).

Table 1: American Students' Perceptions of Gender Effect in Selling Process

	All respondents			Male respondents			Female respondents		
	Mean	St. Dev.	p-sign.	Mean	St. Dev.	p-sign.	Mean	St. Dev.	p-sign.
Confidently introducing yourself to male or female potential buyers?	-0.05	2.11	0.679	-0.11	2.04	0.440	0.01	2.18	0.946
Making the sales presentation in which you introduce the product and explain why it should be purchased, etc.?	0.41	2.00	0.000	0.09	1.82	0.504	0.77	2.11	0.000
Answering any questions the client might have?	0.30	1.79	0.001	-0.04	1.76	0.776	0.68	1.75	0.000
Overcoming various objections to or reasons for not buying the client might have?	0.19	1.98	0.066	0.26	1.95	0.062	0.13	2.01	0.398
Engaging in trial closing (that is, attempting to actually make the sale at various times during the presentation)?	-0.02	1.97	0.834	0.13	2.01	0.354	-0.16	1.90	0.244
Successfully making or closing the sale?	0.02	2.03	0.859	0.09	2.06	0.550	-0.07	2.00	0.658
Scale: Definitely Males -5 -4 -3 -2 -1 0 1 2 3 4 5 Definitely Females									

The results also indicate a significant difference between male and female students in answering questions from buyers ($p < .01$). A negative sign of the mean for male students indicates that they seem to feel they would be more successful in answering questions from male buyers, whereas the positive sign of the mean for female students indicate that they feel they would be more successful in answering questions from female buyers.

DISCUSSION AND IMPLIATIONS

This study investigates gender effects during each step of the selling process from the perceptions of potential applicants (business students). The results of the study indicate that the entire sample of students feel they will be more successful with female buyers than male buyers in making sales presentations, answering questions, and overcoming objections. Regarding the other stages of the selling process, students feel they will be equally successful in their selling efforts to male and female buyers.

The results by gender indicate that male students believe they will be equally successful with both male and female buyers at each stage of the selling process. These findings suggest no gender

effect for male students during the selling process. However, the study found the existence of a gender effect for female students during two steps of the selling process. It seems that female students feel they will be more successful with female buyers than male buyer in making sales presentations and answering questions. Some of these results are not supported by the Similarity-Attraction Paradigm (Byrne 1971; Byrne and Neuman 1992; Graves and Powell 1995), Social Identity Theory (Tajfel, 1982; Tajfel and Turner, 1986); Self-Categorization Theory (Turner, 1982, 1985). These theories suggest that individuals tend to be attracted to, or seek membership in, groups that are (demographically) similar to themselves. The implication is that there would be a perceived attraction between a salesperson and a buyer based on perceived similarity. This study found no gender effect for female students during most of the stages of the selling process. The results, therefore, provide limited support for these theories, where female students believed they would be more successful with female buyers during only two stages of the selling process. The implication is that in selling to male and female buyers, male students would be successful during all stages of the sales process, while female students would be successful during certain stages.

Table 2: Comparisons of American Male vs. Female Applicant Perceptions of Gender Effect in Selling Process					
	Male Applicant		Female Applicant		p-sign.
	Mean	St. Dev.	Mean	St. Dev.	
Confidently introducing yourself to male or female potential buyers?	-0.11	2.04	0.01	2.18	0.569
Making the sales presentation in which you introduce the product and explain why it should be purchased, etc.?	0.09	1.82	0.77	2.11	0.001
Answering any questions the client might have?	-0.04	1.76	0.68	1.75	0.000
Overcoming various objections to or reasons for not buying the client might have?	0.26	1.95	0.13	2.01	0.501
Engaging in trial closing (that is, attempting to actually make the sale at various times during the presentation)?	0.13	2.01	-0.16	1.90	0.140
Successfully making or closing the sale?	0.09	2.06	-0.07	2.00	0.464
Scale: Definitely Males -5 -4 -3 -2 -1 0 1 2 3 4 5 Definitely Females					

The comparisons of male students vs. female students found significant differences between the two genders for only two stages of the selling process. The results show that both male and female students feel they will be more successful in making sales presentations to female buyers. While the findings for female students support the predictions of the Similarity-Attraction Paradigm (Byrne 1971; Byrne and Neuman 1992; Graves and Powell 1995), Social Identity Theory (Tajfel, 1982; Tajfel and Turner, 1986); Self-Categorization Theory (Turner, 1982, 1985), the findings for male students contradict these theories. Also, there is a significant gender effect between male and female students regarding answering buyer questions, which support the above theories. This finding indicates that while male students feel they will be more successful in answering questions from male buyers, female students will be more successful answering questions from female buyers. Some of these findings are also consistent with the findings of Crosby et al. (1990), who reported that same-gender relationships seem to be associated with greater relationship investment, more open communication, and greater trust and satisfaction within relationships, but some findings are not consistent with Crosby et al. (1990). Similarly, the results regarding some stages of the selling process are consistent with those of Dwyer et al. (1998) and Jones et al. (1998), who reported that

female salespeople were just as effective as male salespeople, and gender similarity was not a significant factor in sales performance. For other steps in the selling process, the results are not consistent with the findings of Dwyer et al. (1998) and Jones et al. (1998). Contrary to the Access and Legitimacy Paradigm (Thomas and Ely, 1996), these results suggest that companies should probably not try to match their recruiters' gender with their buyers' gender.

The overall goal of the research was to investigate applicant (business student) perceptions of gender effects during the selling process. Understanding student perceptions of gender effects at each stage of the selling process, rather than the sales outcome, could provide a different perspective that could have several managerial implications for companies in developing their sales force recruiting strategies as well as designing their sales training programs. The first managerial implication deals with sales efforts during the selling process. Since both male and female students believe that they would be successful with both male and female buyers during all but a few steps of the selling process, matching the gender of the target market with the gender of a salesperson should not be a major factor in the recruiting/hiring decision. Companies may not gain any advantage by matching the gender of salespeople

with buyer gender as suggested by the Access and Legitimacy Paradigm (Thomas and Ely, 1996). To the contrary, companies could attract and recruit more applicants from both genders that are well qualified for sales jobs, which could have a positive impact on the firm's sales force productivity.

The second managerial implication is that companies could identify potential gender effects for each stage of the sales process, rather than considering the gender effect on sales outcomes as suggested by prior research (Dwyer et al., 1998, Jones et al., 1998). This would allow companies to have a better understanding of the gender effect on their sales and design special training programs to deal with specific problem areas. For example, the results show a significant gender effect for female students who seem to feel more comfortable with female buyers in making sales presentations and answering the questions. Once this is identified, companies can design training programs to improve female students, success in these areas in dealing with male buyers.

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A MEASUREMENT OF SALES PERFORMANCE IN PHARMACEUTICAL REPRESENTATIVES: A PROPOSED STUDY USING BEHAVIORAL ASPECTS OF SELF-EFFICACY

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ABSTRACT

A sampling of 110 pharmaceutical sales representatives was used to measure general self-efficacy, specific self-efficacy, behaviors and sales performance. Results showed that :the self-efficacy of behaviors getting, giving, using and planning are positively correlated with the performance of these behaviors. Increased self-efficacy of behaviors actually proved to decrease performance of those behaviors, yet the increase in behaviors resulted in increased sales performance. The findings of this study indicated that the specific self-efficacy model provides a significant explanation of sales performance, as opposed to the general self-efficacy model.

INTRODUCTION

Background

Walker, Churchill and Ford (1977) developed an integrative model of the antecedents and consequences of sales performance, by incorporating behavioral science perspectives. Walker, Churchill and Ford's model was the foundation for extensive research into sales force motivation. In 1985 Ford, Hartley and Walker prepared a meta-analysis of 393 studies and 36 dissertations to determine the level of predictability of sales performance. The purpose of this research is to give management a usable model, which will allow them to predict and manage levels of productivity within their sales force.

Self-efficacy Theory

Self-efficacy theory was introduced by Albert Bandura in 1977, in the psychology literature. General self-efficacy, and its impact on sales performance, has been researched and measured by various authors (Lee and Gillen (1987), Donahue (1996), Barling and Beattie (1983)), with mixed results as to the correlation between general self-efficacy and sales performance.

Barling and Beattie (1983) in their study of insurance sales representatives determined that general self-efficacy has a strong correlation with the level of sales performance. Barling and Beattie did not measure specific areas of self-efficacy, they chose to measure on a general level. The general self-efficacy model was used in this study as a rival model to test

against the effectiveness of the specific behavioral self-efficacy model.

The process of training to increase levels of self-efficacy can be achieved through what Bandura (1977) classifies as vicarious experience, (the modeling of an experience with a clear outcome.) Several successful studies such as Gist, Schwoerer and Rosen (1989) and Caplan, et.al (1989) have effectively raised self-efficacy level through training.

Prior to this study, efficacy measures to determine sales performance have been established on a general level. This study has attempted to determine whether a positive correlation exists between behavioral specific self-efficacy measures and levels of sales performance. Previous research has indicated a need for further analysis as to the correlation of self-efficacy to sales performance.

Plank and Reid (1994) developed their model of salesperson effectiveness, entitled, "An Alternative Framework of Salesperson Performance and Effectiveness." This model began the research process of authors Reid, Plank, Minton and Pullins over the course of the past eight years studying behavioral classifications for the measurement of sales performance (1994, 1996, 1997, 1998, 2002). Reid and Plank (1997) established four salesperson behavioral classifications: getting, giving, using and planning.

Tabbner (2000) and Reid, Pullins and Plank (2002) have recently completed research on the concept of

salesperson adaptation, communication behaviors and sales performance. Tabbiner (2000) explored adaptive behaviors, in correlation with Plank and Reid's four communication behaviors, to determine sales performance in the healthcare industry.

Theoretical Framework

Drawing on the work of Bandura et. al (1977, 1982, 1986, 1989, 1997), and Plank and Reid, et.al. (1994, 1996, 1997, 1998, 2002), this study tests the association between self-efficacy behaviors and the measurement of sales performance.

Research Problem

Is there a significant relationship between a sales representative's behavioral self-efficacy, as measured specifically by the behaviors of getting, giving, using and planning, and their level of sales performance? This question leads to the specific research questions addressed in this study. Does the breakdown of self-efficacy, into specific behavioral categories of getting, giving, using and planning, provide an accurate framework for predicting levels of sales performance? Is the breakdown of self-efficacy into the categories of getting, giving, using and planning a better predictor of sales performance than the global model of general self-efficacy?

Measures

To test for the level of predictability of the self-efficacy of behaviors model, a survey was developed which measures general self-efficacy, specific self-efficacy, behaviors and sales performance. Due to the high level of professionalism and personal selling involved in the pharmaceutical sales position, and the researcher's familiarity with this position, it was thought that a survey of this nature would provide an adequate sample.

The general self-efficacy section of the questionnaire was borrowed from Donahue (1996). This section asked the individual to answer questions with regard to their general level of self-efficacy. They were asked to answer either yes/no to the question and then rank their feelings of general self-efficacy on a seven point Likert scale, with 1 being the lowest level of self-efficacy and 7 being the highest level of self-efficacy. This section of the survey contained 22 questions.

The specific behavior section uses Tabbiner's scale (2000) which was developed from Plank and Reid's (1994) classification of behavioral categories. This

study utilized Tabbiner's survey to measure the specific behaviors of the sales representative as well as the specific self-efficacy of behaviors. The ranking is a Likert type scale, with a reversed range from 1-5, with 1 being high confidence of behavior and 5 being low confidence of behavior.

The behavioral specific self-efficacy questions were stated in such a way that the respondent needed to indicate their confidence with the specified behaviors and the phrase, "How I feel about my ability to" precluded each survey question. The same Likert type scale was used with a range from 1-5, with 1 being high confidence and 5 being low confidence. The strength of the individual's actual behavior as well as their self-efficacy in each of the behaviors was determined by totaling the confidence ratings.

Performance was measured by a self-report scale, slightly modified from Wang (2000). The questionnaire asks the respondent to compare their performance to themselves as well as to others in the organization. A total of ten questions were utilized, which responses ranged from 1-7, with one being low performance and 7 being high performance.

While it is generally thought that self-report scales are acceptable, especially in light of the multidimensional scale developed by Behrman and Perreault (1982), they are not without their p variance in the measures and a skewed view, usually positive of their performance.

The usage of a comparative format for measuring performance was expected to provide some relief from the problems of both lack of variance and positive skewness, but will not deal with the possible differences of performance perceptions of the doctors and the representatives. Wang (2000) reported a coefficient alpha of .83 for the four items, which is a reasonable internal consistency.

Due to the nature of the sales representative position, it is often very hard for a manager to give an accurate measurement of performance. It is believed that this measurement tool has captured the necessary information to measure sales performance. For classification purposes, five demographic questions were asked of the sales representative, ranging from gender to company size. The respondents were widely dispersed across all sizes of companies. The average level of experience of the respondents was 7.94 years, with the average number of products promoted 3.83.

Sample

The data for the study were collected via a mail questionnaire, which was hand delivered to pharmaceutical sales representatives as they were working in their territories. Postage paid envelopes were provided and the representatives were asked to complete the survey and return it to the researcher within two weeks. A total of 950 surveys were distributed with a usable response of 110, in all a response rate of 11.89%. A low level of response was attributed to the length of the survey as well as the heightened level of confidentiality instituted by the pharmaceutical industry. The nature of the distribution process did not allow for a follow-up mailing for non-respondents. The total timeframe for collection was two months from distribution. All surveys were counted, and the final number distributed was calculated along with the final number received. Due to the continuous and lengthy method of data collection, it was not possible to check for non-response bias using the method suggested by Armstrong and Overton (1977).

Hypotheses

The following are the hypotheses, which were tested for in this paper. Hypotheses 1-4 measure the first segment of the model, the specific self-efficacy of behaviors to the actual behaviors. The second set of hypotheses 5-8, measure the impact of the actual behaviors upon sales performance. Finally, hypothesis 9 measures the difference between the specific self-efficacy model and the general self-efficacy model. For reasons of analysis, the hypotheses are stated in the null form.

H1: The higher specific self-efficacy of giving behaviors, the actual performance of giving behaviors will be lower or remain unchanged.

H2: The higher specific self-efficacy of getting behaviors, the actual performance of getting behaviors will be lower or remain unchanged.

H3: The higher specific self-efficacy of using behaviors, the actual

H4: The higher specific self-efficacy of planning behaviors, the actual performance of planning behaviors will be lower or remain unchanged.

H5: The higher actual performance of giving behaviors, sales performance will be lower or remain unchanged.

H6: The higher actual performance of getting behaviors, sales performance will be lower or remain unchanged.

H7: The higher actual performance of using behaviors, sales performance will be lower or remain unchanged.

H8: The higher actual performance of planning behaviors, sales performance will be lower or remain unchanged.

H9: The predictive value of the specific self-efficacy model is either lower than or equal to the predictive value of the global/general self-efficacy model.

Data Analysis

To begin, the parameters of both models were broken down into twelve scales. These scales were then individually summed and the alpha coefficient, mean and standard deviation were obtained for each scale. The results of the coefficient scales indicated that these were reliable and valid construct measures. All scales had a coefficient alpha level above .9 or better.

Simple and multiple regression analysis helped to determine the percentage of predictability and regression correlation of each of the behavioral specific self-efficacy and general self-efficacy variables to the variable of performance. The goal of this research was to determine if a specific measure of self-efficacy proved to be more predictive of sales performance than a general/global model.

Results of Hypotheses Testing

Hypotheses 1 – 8 were tested using simple regression, ANOVA, and measures of coefficients. In hypotheses 1-4, the variables of self-efficacy of getting, giving, using and planning were regressed against the behaviors of getting, giving, using and planning, resulting in significant levels of R squared and adjusted R squared. Due to the inverse nature of the behaviors and self-efficacy scale (1- High and 5 – Low), failure to reject the null hypothesis for hypotheses 1- 4 was confirmed when the beta coefficient and t coefficient were positive. Results indicated that all four classifications of self-efficacy of behaviors have an impact upon the actual behaviors of getting, giving, using and planning. The revealing fact was that the correlation between the eight sets of variables is actually reversed. An increase in the self-efficacy of getting, giving, using and planning results in a decrease in the actual behaviors of those four variables. Beta levels ranged from .864 (giving), .73 (getting), .856 (using) and .718 (planning). The results from this study indicated that the higher an individual's belief in their abilities (self-efficacy), with regard to the behaviors of getting, giving, using and planning, the less they actually perform these behaviors.

The second set of hypotheses, H5 – H8, measure the second half of the model. These hypotheses are measured to determine whether a correlation exists between the actual behaviors of getting, giving, using and planning, and sales performance. Results indicate that there is a positive relationship between an individual's actual behaviors of getting, giving, using and planning, and their level of sales performance. The greater an individual's behavior, the greater their performance.

Hypothesis 9 states that the predictive value of the specific self-efficacy model is better than the predictive value of the general self-efficacy model. Initial testing of this hypothesis by regressing the level of general self-efficacy against the level of sales performance, resulted in an R squared of .006 and an F statistic of .661. Due to the low level of correlation between the two variables, it seemed apparent that there is very little relationship between general self-efficacy measures and actual sales performance.

To test hypothesis 9 more extensively, two sets of simple regression equations were calculated. The first set of equations tested for the relationship between general self-efficacy and the four behaviors of getting, giving, using and planning. The second set replicated the results from hypotheses 1-4 by calculating the relationship between getting, giving, using and planning and their corresponding behavior. Given that it was confirmed in hypothesis 5-8 that the behaviors of getting, giving, using and planning are predictive of sales performance, it was necessary to confirm which measure of self-efficacy was more predictive of actual behaviors. The results from the simple regression analyses (Table 2) indicate that the specific self-efficacy measures are more predictive of the sales behaviors getting, giving, using and planning, and thus are more predictive of actual sales performance. Results of R-squared values ranging from .002 to .006 for general self-efficacy indicate that there is no predictability using the general self-efficacy model. The second set of simple regression equations replicate the results from hypotheses 5 – 8, revealing R squared values above .5, indicating more predictive values.

Results of this analysis indicate that the specific self-efficacy model is a more accurate predictor of behaviors, and thus sales performance, than the general self-efficacy model, thus rejecting the null for hypothesis 9

Managerial Implications

It is proposed that management will be able to use this tool in the recruitment process as well as the development of training programs to determine effective sales representatives or insight into areas of training needs. Application is not limited to the pharmaceutical industry. All organizations with a professional sales force will benefit from this study.

Limitations of the Study

The following limitations apply to this study:

1. This study represented the pharmaceutical industry exclusively. Generalization of the results may be limited to industries with similar professional sales encounters
2. The sales representatives in this study were responsible for reporting their own levels of sales performance levels. Controversy exists over the accuracy of self-report measures.
3. Due to the various measurements necessary to perform this study, a survey containing 108 questions was utilized. A survey of this length requires a large time commitment on the part of the respondent, and may prove to inhibit the number of completed questionnaires.
4. The distribution process used in this study may have led to a low level of responses.
5. The range of the scales for each section of the questionnaire may have proven to be confusing to the respondent. A large percentage of the returned surveys contained crossed out answers for the specific self-efficacy and behaviors sections.
6. Pharmaceutical companies are under a high degree of watchfulness by the Food and Drug Administration. Because of this increase in watchfulness, pharmaceutical companies are very hesitant to share any type of information with those not affiliated with their organization.
7. This study was limited by the four sales behaviors of getting, giving, using and planning. Other elements of the sales performance mix were not considered.

Recommendations for Future Research

This research can be extended into many other areas to benefit overall sales performance.

1. Given that this study was performed using the pharmaceutical industry (which is highly regulated by the FDA), performing this same research in other industries may provide additional knowledge and insight.
2. Integrate other demographic or sales performance measures into the model to develop a measure that provides greater explanation.

3. Extend research vertically, beyond the sales representative, to include other positions such as customer service and sales management.
4. Extend research into other varieties of sales positions, such as those not considered professional. Determine whether the notion of specific self-efficacy varies by the type of selling position.
5. Break down self-efficacy further to provide a more specific model that takes into consideration management's perspective.
6. Performing a single company study as opposed to a multiple company study may provide further research possibilities.

The intent of this research was to increase the explanatory power of self-efficacy and sales performance. This study has furthered the general self-efficacy research done by individuals such as Katherine Donahue (1996), Lee and Gillen (1989) and Barling and Beattie (1983), while also integrating the specific behavioral aspects developed by Reid, Pullins and Plank (2002).

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HEDONIC-EXPERIENTIAL EFFECTS: INSIGHTS OF THE CREDIBILITY AND EFFICIENCY IN WORD-OF-MOUTH COMMUNICATIONS

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ABSTRACT

Word-of-Mouth (WOM) communications provide consumers with information about how the actual consumption experiences are like as reported by real users, and thus, considered to be highly credible and objective information source for decision-making. This research challenges the current status of WOM as one of the most effective and efficient sources of information by examining the possible biases in the way people sample information in communications with others.

First, we examine whether exchanging information for the purchasing decision is the only purpose that people engage in WOM. People may have fun or build social supports for their previous choices from WOM rather than merely exchange diagnostic products' information. Furthermore, since people derive utilities from the social-exchange itself, they may share more short-term hedonic information rather than long-term utilitarian aspects of products to maximize pleasures from consumption experiences. Consequently, information that is interesting to talk about may be over-sampled compared with diagnostic information, and perhaps generate unjustified WOM advantage for products with more hedonic attributes; thus, such over-sampled information from WOM may facilitate myopic consumer choices. Second, we investigate whether people are able to maximize the informational content of WOM when effective-information exchange is the goal. According to the information-sampling model in Social Psychology, conversations are dominated by the information that members hold in common before discussions and the information that supports members' existing preferences. Clearly, over-sampling of common, but under-sampling of unique information in WOM communications may increase consumers' herding behaviors into subsets of products or services that may not be the best choice for at least some customers.

In an experimental study, participants are randomly divided into two conditions: Individual-choice and individual-choice with WOM. Participants are asked to choose ads for proofreading and earn money. The hedonic versus utilitarian nature of information is manipulated within and across two ads categories: Personal ads dominated by hedonic attributes and furniture ads dominated by utilitarian attributes. In general, furniture ads have more spelling errors and participants can obtain higher payments by selecting them; however, personal ads are more interesting to discuss. Common versus unique information is manipulated between subjects where different hedonic or utilitarian information subsets are either commonly or uniquely distributed. WOM communications are audio-taped for further content analysis. All subjects are asked to fill out a brief questionnaire before dismissal.

Our results suggest that individuals are more likely to communicate hedonic information characterized by affective and sensual consumption experiences than utilitarian information. This tendency increases when hedonic information is common. Such experiential social effects resulting from a biased sharing of information are magnified via WOM, and lead to the social indulgence – consumers herd into pleasure-oriented choices. More importantly, WOM makes individuals feel more confident about their choices besides simply transmitting information for decision-making. To the best of our knowledge, this research is the first attempt to understand the actual credibility and efficiency of WOM. Our results will help marketers to communicate product information in a way to produce positive WOM, and consumers to re-evaluate the actual credibility of WOM information.

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REFERENCE GROUP INFLUENCE IN THE CONSUMPTION OF PUBLIC SERVICES

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ABSTRACT

One way to build a brand towards social values is by leveraging brand equity through the association to public services. A public-private collaboration provides a strategy for doing this where a private firm supports the implementation of public policy in exchange for associating their brand to a public service, and as a result companies are perceived as public service providers. Firms, therefore, need to both understand consumers of public services and know what kinds of public services could be better to associate their brands to. This article suggests that analyzing reference group influence is helpful in determining which kinds of public services are convenient for companies to leverage their brands with. An adaptation and extension of previous studies is used in order to examine reference group influence on both product and brand decisions of public services.

A three dimensional structure of reference group influence -informational, utilitarian, and value-expressive- is used as the basis for understanding the motivational influences that determine the consumption of a public service when associated to a private brand. Public services are classified based on two dimensions, as *publicly consumed* versus *privately consumed* -privately consumed public services are those that only close family and relatives are aware you use, and publicly consumed public services are those that other people are aware you use-, and as *primary* versus *secondary* -primary public services are those for which no additional payment is necessary for consumption, and secondary public services are those for which an additional payment is necessary. Four public services categories result: public-primary (PUP), public-secondary (PUS), private-primary (PRP), and private-secondary (PRS).

The model developed in this article helps recognize the most adequate kinds of services by identifying which public services citizens perceive as primary and which as secondary, and which they perceive as publicly consumed and privately consumed. As greater reference group influence is a consequence of a greater degree of involvement in the consumption of a service, an opportunity arises for a brand to establish itself as a dissonance reducer. Given this, public services with a higher degree of reference group influence, due to a higher degree of involvement, will be better accepted than public services with a lower degree of reference group influence when provided in association with a private firm's brand. Determining the level of reference group influence over the consumption of different kinds of public services, therefore, helps indicate which services are more adequate to provide under a public-private collaborative scheme.

A 2 (cities) x 2 (product vs. brand) x 4 (public service categories) three-factor design was used. In this model, context (i.e., city) is the between-subjects factor, while type of influence and category are the within-subjects factors. During the first stage of the study, a list of public services was classified. During the second stage, reference group influence over the consumption of a selection of public services was measured both in Mexico City and Barcelona. The data were analyzed using a mixed factorial MANOVA that included the city (Mexico City vs. Barcelona), the type of influence (product vs. brand), and the category (PUP vs. PUS vs. PRP vs. PRS) as independent variables; and the informational, utilitarian, and value-expressive measures as dependent variables. The results confirm previous studies, and support the hypothesized differences in reference group influence between publicly and privately consumed and primary and secondary public services. Therefore, it can be concluded that it will make more sense for private companies to associate with public services that are both secondary and publicly consumed.

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SOCIAL IDENTITY: SPORTS FANS AND THE IMPLICATIONS

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ABSTRACT

An extreme social identity with sports leads to a prioritization of both time and financial resources towards this preferred social identity. However, findings in this exploratory study involving sports identity as a framework indicated that extreme identification with one group did not distract from the importance of other group memberships.

INTRODUCTION

The primary goal of many marketers is to nurture consumer identification with their product or service. In order to develop an emotional connection with consumers marketers have recognized the importance of relating to the consumers' self-concepts. Social identities have been acknowledged as a meaningful paradigm for self-concept research (Reed 2002). Social identity theory states that an individual's self-concept is derived from their membership in a social group along with the value they attached to membership in that group (Tajfel 1982).

As an example of how the concept of social identity may be a factor in consumer behavior, sports marketing can be used as a paradigm. For example, sports teams and athletes, as well as participation in sports, are often characterized by high levels of consumer involvement and increasingly provide individuals with a sense of social attachment. Sports marketers have recognized the opportunity to channel this involvement by consumers into various brand loyalties to products and services.

Social identity could prove to be an important variable in consumer behavior motivation, yet little is known about how the intensity of a social identity attachment and its potential impact on consumption behavior. What are the implications of an intense social identity and the individual's allocation of scarce resources; namely temporal, financial and emotional resources? Do 'fanatics' in any social identity trade-off other social identities to feed that intense commitment? What can be learned about the impact of social identity and its intensity on consumer behavior? By utilizing sports fans as an

example, what can be learned about the value of social identity as a motivational variable?

SOCIAL IDENTITY AND SPORTS MARKETING

While social identity has been found to impact participation in culturally-oriented organizations, such as museums (Bhattacharya, Hayagreeva and Glynn 1995), the implications for sports marketing has also been noted (Underwood, Bond and Baer 2001). Many consumption opportunities exist in sports marketing for fans to categorize themselves in relation to their social identity and to symbolically self-complete (Richardson and O'Dwyer 2003). Research has documented that corporate sponsorships produced increased purchase intentions when social identity with the event is high (Cornwell and Coote 2005), and sports events offer high visibility and spectator enthusiasm which results in consumer brand loyalty (Coleman, Kelkar and Goodof 2001). Thus, social identity as a sports fan provides an opportunity to investigate the implications on social identity on behavior, in general, and marketing-related behavior, specifically.

Of particular interest to many marketers are what has been coined as 'product constellations', or collection of products that are instrumental in the definition and maintenance of a social identity (Solomon 1988). Product and service consumption combine to produce a cluster of purchases that allow the consumer to define, communicate and enact social roles (Solomon and Assael 1988). People use consumption to maintain their social identities and to define their relationships with others, especially those people and things consumers love (Ahuvia 2005).

In the United States, 40% of the population participates in an athletic activity at least once a week and the culture places value on entertainment, competition and accomplishment (Mason 2005). However, despite the prominence of sports in our culture little is known about what contributes to the motives of consumers to identify with sports (Sukhdail, Aiken and Kahle 2002). Clearly research concerning both social identity and sports marketing are pertinent to marketing strategy development.

STUDY OBJECTIVES

In order to investigate the impact of social identity on consumer behavior, social identity through sports provided an arena for the study. The following study objectives were pursued:

- To identify how those with intense social identity differ from those with lesser social identity in regards to expenditures of both time and financial resources.
- To determine if intense social identity in one area impacts the importance of other group memberships.

METHODOLOGY

An instrument was developed and administered to collect pertinent data concerning social identity and other behaviors from a convenience sample of college students. The resulting data was analyzed for findings related to the study objectives.

To measure the respondents' identification with their favorite sports team, the six-item five-point 'Identification with Organization' scale by Bhattacharya, Hayagreeva and Glynn (1995) was utilized. In addition, on a ten-point semantic differential scale, anchored by 'not very good' to 'a superstar' respondents were asked to rate themselves on their past personal experiences playing sports. This measure was used to incorporate a sense of 'jock identity', which has been previously found to impact various social behaviors (Miller, Farrell, Barnes, Melnick and Sabo 2005).

In order to determine the importance of social groups to the respondents a five-point semantic differential scale anchored with 'very important' to 'not very important' was used. The following groups were included and measured for membership importance: your family, friends, church, school clubs, fellow employees and sport teams. Membership in a Greek organization was also ascertained along with work status; including

whether the respondent worked as well as the average number of hours a week they typically worked. The intent of these questions was to determine if respondents with high social identity with sport teams neglected other group involvements.

The instrument also had a measure for number of hours a week spent watching sports on TV, playing sports and surfing the web or reading about sports. These measures were included to ascertain the time commitment afforded by respondents. In terms of commitment to student learning responsibilities three measures were included, specifically: 1) GPA, 2) hours a week spent studying, and, 3) number of hours currently enrolled that semester were measured.

In terms of consumption behavior, several questions were included to measure expenditures. The most one would spend to see a special sporting event was measured, as was how far the respondent would be willing to drive to see a special sporting event. Recognizing the viability of the sports apparel market (Fowler 1999), amount spent annually on sports apparel representing a team/event was measure. Favorite sports and sports teams were also measured.

To complete the profile demographics, such as age, gender and major, were measured. A measure of gender was included, as research has indicated that gender identity impacts responses to many marketing tactics, such as ad processing (Maldonado, Tansuhaj and Muehling 2003), and many sports marketers are recognizing that females represent a potentially lucrative market (Applebaum 2003).

A sample of 257 respondents was collected. Respondents were asked to participate while on campus during a high traffic lunch period by senior level marketing students. This convenience sample was deemed appropriate as the study is exploratory in nature and respondents found on a college campus would represent an attractive market for many sports marketers. Identification with sports was used as it represented an example of a social identity which was pertinent for the study population and contributory for this exploratory research.

The resulting sample was 53% male, 47% female with an average age of 22. On average, the respondents were enrolled in 13.8 hours during the semester the data was collected and represented all colleges on campus. Thus, the sample was deemed representative of the study population.

In order to develop a profile of 'extreme fans' a mean score on the 'Identification with Organization' scale was tabulated (m = 15.5). Those respondents who scored higher than 20, or well above average, on the scale were categorized as 'extreme fans'. Seventy-two respondents, or 28.7%, were categorized as 'extreme fans' for further analysis. The remaining 179 respondents were categorized as 'others'.

FINDINGS

Once extreme fans were identified, a profile of the respondents with the highest level of social identity with their favorite team was developed. Extreme fans were 76% male and represented the majority of 5's in the 'Identification with Organization' scale (See Table 1). The proportion of individuals who strongly agreed with the statements in the scale clearly indicate that a segment of the sample strongly identify with sports and sports teams. In our culture sports are a very viable and strong source of role identity for a segment of the population.

Whereas, the overall sample mean was 15.5 on the identity scale the mean score for the extreme fan was 23.8. The lesser involved fans, or 'others', produced a mean score of just 12.2. The individual questions produced some interesting insights. How strongly the extreme fan identify with their favorite sports team is indicated in the question they gave the highest mean score to (m=4.28), which was, "When I talk about my favorite team, I usually say *we* rather than *they*". A relatively low mean score (m=3.85) given to "I am very interested in what others think about my favorite team" may indicate that the extreme fan does not need the social confirmation of others. Social identity may be a privately intense concept not necessarily requiring public confirmation and support and this may explain the relatively low mean score extreme fans gave to the question "If a story in the media criticizes my favorite team, I would feel embarrassed". Future research should investigate the relationship between degrees of social identity and private and public self-consciousness.

Table 1
Identification with Organization

	Overall #5's	mean	Extreme #5's	mean	Other #5's	mean
When someone criticizes my favorite team, it feels like a personal insult.	24	2.66	23	4.00	1	2.12
I am very interested in what others think about my favorite team.	29	2.67	26	3.85	3	2.20
When I talk about my favorite team, I usually say <i>we</i> rather than <i>they</i> .	46	2.67	41	4.28	5	2.02
My favorite team's successes are my successes.	25	2.46	24	3.96	1	1.85
When someone praises my favorite team, it feels like a personal compliment.	31	2.73	27	4.10	4	2.18
If a story in the media criticizes my favorite team, I would feel embarrassed.	20	2.31	18	3.62	2	1.78
Total Score		15.50		23.80		12.18

In terms of membership importance in various groups, extreme fans and 'others' did not produce many significantly different mean measures of importance (See Table 2), perhaps indicating that extreme sports fan are just as interested in maintaining other group memberships as other individuals and do not forsake social contact for their sports involvement. Not surprising, however, the extreme fan group rated group membership in sport teams significantly higher, by a wide margin, than 'others'. In addition, rankings of the included social groups, by highest mean importance scores to lowest, produced some interesting findings. The extreme fan ranked friends highest, while the 'other' ranked family highest and sport teams dead last. Perhaps 'others' are also more involved in school clubs than the sports fan because they have interests outside of sports.

Other differences in the extreme fan's behavior from 'other' were noted. The extreme fan identifies with sports on many levels. Self-perception of oneself in terms of personal experiences playing sports differed for extreme fans from 'others'. The extreme fan rated themselves as a 7.2 on a superstar scale, whereas 'other' rated themselves as a 6.1 (t-test sig. .003). Actually participating in sports, at a self-pleasing level, is important for the extreme fan. Social identity for the extreme fan is fulfilled by both participation in sports, which they believe they are better than average at, and by identification with sports teams.

The extreme fan gets a great deal of enjoyment from following their favorite sports team, a 9.2 on a ten-point scale anchored by '1 very little' to '10 very much' versus a 6.8 for 'others'. This high level of enjoyment can be exploited. Marketers

outside of sports as well can benefit from the enjoyment consumers perceive from identification with groups and organizations by merchandising products and related services through this social identity with the group.

In terms of time commitments, the extreme fan spends significantly more time, per week, both watching sports on TV (7.6 vs. 3.7 hours/t-test sig. .000) and playing sports (7.0 vs. 3.5 hours/t-test sig. .000). While the extreme fan spent more time surfing the web and/or reading about sports per week than 'others', it was not significantly more (4.5 vs. 3.6 hours/t-test sig. .327). Significant time commitments are given by those with an intense social identity with sports activities.

Extreme fans were significantly younger than 'others' (21.2 vs. 22.2/t-test sig. of .012). Perhaps this indicates that social identities evolve as life-phase obligations change. Extreme fans, on average, were taking fewer semester hours (13.2 vs. 14.1/t-test .035). Self-reported GPA's, however, were not significantly different across groups and amount of time spent studying was not significantly different. In addition, extreme fans were less likely to work, either full or part-time (39% of extreme fans vs. 25% of 'others' were jobless/chi-sq sig. .02). However, if the extreme fan did work they worked, on average, as many hours a week as 'others', which was approximately 23 hours a week.

In short, the extreme fan was more likely not to work, to take fewer hours of classes and spend more time watching sports on TV and playing sports. Clearly time trade-offs are being made. Strong social identity can lead to prioritization of time in favor of the preferred social identity.

Table 2
Group Membership Importance

Group	Extreme	Other	Sig.
Your Family	4.64	4.67	0.82
Friends	4.66	4.62	0.70
Church	3.64	3.53	0.57
School Clubs	3.10	3.05	0.79
Fellow Employees	3.21	3.29	0.63
Sport Teams**	4.16	2.81	0.00

** Sig. at .05 level, or less/t-test

In terms of consumption behavior, the extreme fan is much more likely to spend more than 'others' to see a sporting event (See Table 3). Twenty-one percent of the extreme fans were willing to pay over \$200 to see an event while only 8% of 'others' would be willing to spend over \$200 for that event. Almost half of the 'others' stated they would only be willing to spend a maximum of \$50 to see a special sporting event. The extreme fans displayed a more diverse response to this question.

Forty percent of the extreme fans would be willing to travel over 300 miles to see a special sporting event (See Table 4), but only 13% of 'others' would be willing to travel that distance. The majority of 'others' would not travel over 100 miles to see an event. Again, the time commitment to a social identity may be coming into play with the

difference responses as traveling a long distance to attend an event represents a significant time commitment as well as an opportunity at the sake of other group memberships and commitments.

While the majority of all respondents state they spend \$50, or less on apparel representing a sports team/event (See Table 5), the extreme fan does tend to spend more. Over 14% of the extreme fans have spend over \$200 a year on apparel related to sports compared to one percent of 'others'. Given willingness to spend higher amounts on tickets and apparel, extreme fans represent an attractive market segment for sports marketers. It is clear that all marketers can benefit from products and services becoming components of a product constellation for a social role to which the consumer identifies.

Table 3
Most Willing to Spend on Event

Amount	Extreme	Other
Zero	0	5%
\$1-50	25%	46%
\$51-100	17%	28%
\$101-150	19%	7%
\$151-200	18%	6%
over \$200	21%	8%

Chi-square Sig. .000

Table 4
Most Willing to Drive

Distance	Extreme	Other
0 miles	1%	4%
1-50 miles	10%	22%
51-100 miles	11%	17%
101-150 miles	8%	14%
151-200 miles	15%	15%
201-250 miles	10%	10%
251-300 miles	4%	5%
over 300 miles	40%	13%

Chi-square Sig. .000

Table 5
Annual Expenditure on Sports Apparel
Representing Team/Event

Amount	Extreme	Other
zero	7%	28%
\$1-50	33%	41%
\$51-100	21%	18%
\$101-150	14%	9%
\$151-200	10%	2%
over \$200	14%	1%

Chi-square Sig. .000

CONCLUSIONS AND IMPLICATIONS

By using sports identity as a prototype, the influence of social identity on various aspects of consumer behavior was noted. Specifically, intense social identity in one area will not necessarily discredit the importance of other potential group memberships and identification. However, an intense attachment to a group identity will lead to time priorities in favor of that group activity and involvement.

Marketers who understand the importance and strength of social identity as a consumer motivation variable can utilize this concept to develop identification with their product or service. Much can be learned from the success of sports marketers. Marketers of all products and services should not discount the importance of fostering a sense of belongingness among consumers and to developing a relationship with the organization and its products. Consumers who identify strongly with a group membership will not only spend more time involved with this interest but will purchase products and services related to that group and will presumably have greater loyalty, less defection and will likely create positive word-of-mouth, all desirable marketing outcomes.

Consumers who identify with an organization and its products should be nurtured. Any opportunity to encourage consumers to publicly display their social identity through association with and organization and its products should be exploited and merchandise allowing this should be made readily available. All types of merchandise with relevant logos and messages would be attractive to those with a strong social identity with that organization. Just as a Red Sox fan will proudly wear a jersey with that team's logo imprinted on it a loyal Diet Coke fan could be just as likely to wear an

identifying shirt. In short, marketers benefit on many levels by developing and encouraging consumer identification with their product or service.

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IMPACT OF SIMILARITY IN RESOURCES ON MARITAL POWER

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ABSTRACT

This study investigates the effect of marital partners' similarity in resources on power in purchase decision-making. Hedonic theory is applied to assess the relative importance a partner places on his or her spouse's resources such as income, education, and occupation in determining marital power. The findings reveal that if spouses are similar with respect to a particular resource, then that resource is not a predictor of marital power. Instead, other resources in which the partners are non-equal will determine husband/wife power in purchase decision-making. There appears to be a hierarchy in terms of which resources are valued most among spouses with regard to marital power.

INTRODUCTION

Study of marital power is important to our understanding of the family decision-making process. Research in this arena has focused on power outcomes, that is, examining who has greater relative influence in selection of product attributes and spousal decision processes (Davis and Rigaux 1974; Webster 1994). Noticeably, the guiding framework for analyzing both power outcomes and processes has been based primarily on resource theory, proposed by Blood and Wolfe (1960). Resource theory holds that the spouse who contributes more resources (particularly income, occupational prestige, and education) to the marriage will have more power in relatively important life dimensions (Blood and Wolfe 1960). Early studies in marital power area suggest that husbands dominated major decisions because they possessed more resources (e.g. Burns and Granbois 1977). However, the gap between husband and wife resources has been closing at an accelerating rate (Monthly Labor Review 2005). It appears that though partners are similar with respect to resources, one partner (usually husband) is reported to have more decision-making power than the other (Webster 1994), thus questioning the underlying tenet of resource theory. In the interest of expanding our knowledge of marital decision-making power, it is necessary to examine the reasons for imbalance in marital power when partners are similar in resources. Therefore, the purpose of this article is to provide an explanation for imbalance in power when partners are similar in one or more resources. This study employs the concept of hedonic theory to

examine how similarity in spousal resources will relate to marital power.

Resource Theory

Application of resource theory to explain marital power has produced mixed results. A few studies have found no relation between decision power and resources (Straus and Hotaling 1980; Sexton and Perlman 1989). On the other hand, the following studies have found support for resource theory. For example, a positive relationship has been found between resources such as education, job status, social class, and income and relative influence in purchase decision making (Rosen and Granbois 1983).

Although these studies advance our knowledge regarding the applicability of resource theory, the focus of much of past research is narrow. For instance, the great majority of past research assumes that significant differences exist in partners' resources, and that the various resources (e.g., income, occupational prestige, and education) are relatively equivalent to one another in determining marital power. Further, it is uncertain what effect similarity in partners' resources (such as income) has on decision-making power and if similarity in a particular resource negate the explanatory power of that resource? Another flaw in the related research is that all past studies failed to examine the relative importance of resources on power. This article will address these issues by applying a technique stemming from hedonic theory.

Hedonic Theory

The primary proposition of hedonic theory is that an individual's utility for a good is based on the attributes that good possess, and the utility of the attributes can be measured separately. The hedonic theory is useful to determine the price or value of a good by allowing for a quality-adjustment of each individual characteristic of the good under consideration. A quality-adjustment methodology provides a relative importance rating to individual attributes. This method is useful because it provides a means of determining value when two subjects are similar on some attributes, but differ on other features. Further, the application of hedonic theory or a quality-adjustment technique helps in assessing the extent to which the factors on which the subjects are dissimilar affect price or value (Rosen, 1974).

With respect to purchase decision-making, each partner in a couple has a collection of attributes or resources that are related to marital power. When partners are similar in a given resource, the central prediction of hedonic theory is that resource will not have a significant impact on decision-making power. This theoretical perspective provides a legitimate starting point for gaining additional insights into marital power. Therefore, we apply hedonic theory to determine the role of resources on marital power in purchase decision-making when partners are unequal in power, but maintain relative similarity in resources.

Hypotheses

Prior research has yielded contradictory findings regarding the nature of the relationships between resources and marital power. The conflict exists because past studies have examined the effects of resources in absolute terms instead of in perceived importance terms. With hedonic approach, whereby resources are quality-adjusted according to the importance one's spouse places on the resources, a significant relationship will exist between resources and purchase decision-making power. It also follows that once all resources are quality-adjusted, the higher level of power will lie with the spouse that has greater cumulative resources.

H1: A significant positive relationship will exist between marital power and resources (income, occupational status, and education) when each resource value is quality-adjusted.

H2: When resources are quality-adjusted, the spouse with greater cumulative resources will have a significantly higher level of marital power.

Hedonic theory states that the characteristics that distinguish subjects--products, services, or individuals--will significantly predict the quality, or value (e.g., marital power) of one subject relative to others. Thus, the hedonic model suggests that if equality exists on one or more of the resource bases, then a higher level of marital power will be determined by another resource that distinguishes the partners.

H3: If spouses are equal on a given resource parameter (income, occupational status, or education), the comparative values of the other (non-equal) resources will have a greater significant affect on marital power.

It is suggested that when two partners are similar with respect to income, occupational prestige, and education, these partners will not be similar in relative influence. It is because the marital power is potentially determined by factors other than income, education, and occupation. For instance, relative influence or power may be caused by other antecedents inherent in the couple (Webster 2000) as well as by resources outside the relationship (Blau 1964). Thus,

H4: If partners are equal on all resources (income, occupational prestige, and education), one partner will still possess more decision-making power.

When spouses are equal on one resource parameter, which of the remaining resources will serve as the stronger predictor of marital power? Hedonic theory coupled with social exchange theory (Emerson 1962) provides theoretical grounding for a possible explanation. It appears that the occupational prestige, which is considered as foundation of three aspects of power (i.e., one's ability to contribute resources, one's need for his or her spouse's contributions, and one's authority) is a dominant predictor of marital power (Bernard 1981; Hood 1983).

Therefore, it seems logical that the perceived status of one's occupation will serve as a more valued resource than income or education. In comparison to occupation, income does not necessarily accord one status, social contacts, and self-esteem--which are all important with respect to power. Further, a relatively high level of education does not necessarily link to income, status, and social contacts. Thus, in a situation where partners are equal in terms of education, occupation prestige is likely to constitute a more valued resource than income; and when spouses are equal in terms of income, occupation prestige is likely to serve as a more valued resource than education.

H5: In situations where spouses are similar in terms of education, occupation prestige will constitute a more valued resource than income.

H6: In situation where spouses are similar in terms of income, occupation prestige will serve as a more valued resource than education.

Hedonic Model Development

The hedonic price equation that will be used in this study begins with an ordinary least-square regression equation in the following form:

$$Y_i = \hat{\alpha}_0 + \hat{\alpha}_1(X_1) + \hat{\alpha}_2(X_2) + \hat{\alpha}_3(X_3) + \hat{\alpha}_i$$

where: Y_i is the measured level of marital power, X_1 is the level of income, X_2 is the level of education, X_3 is the perception of occupational status, and $\hat{\alpha}_0$, $\hat{\alpha}_1$, $\hat{\alpha}_2$, and $\hat{\alpha}_3$ denote unknown parameters to be estimated. Following the approach of Parsons and Schultz (1976), a quality-adjustment factor is added to the model. This quality-adjustment factor, $\hat{\epsilon}_i$ is used to measure the perceived value of each resource within the spousal relationship. Next, the hedonic equation is expressed in logarithmic format to prevent the occurrence of diagnostic problems associated with heteroscedasticity and autocorrelation (Murray 1999). The modified equation is as follows:

$$\ln Y_i = \hat{\alpha}_0 + \hat{\alpha}_1 \ln(\hat{\epsilon}_1 X_1) + \hat{\alpha}_2 \ln(\hat{\epsilon}_2 X_2) + \hat{\alpha}_3 \ln(\hat{\epsilon}_3 X_3) + \hat{\alpha}_i \quad (2)$$

In order to test the theoretically hypothesized relationships, additional qualitative terms were added to the hedonic equation. Gender (X_4) was included through a single dummy-coded (binary) variable, in this case females = 0, and males = 1. Then, multi-class qualitative indicators to represent marital partnerships where exists equality on all three resource parameters, equality on the education parameter, equality on the income parameter, and non-equality on all three parameters were added.

H2 calls for the testing of significant power differences for spouses relative to differences in each of the three resource parameters. Therefore, three variables consisting of the interaction between gender and each resource, [$(X_4 X_3)$, $(X_4 X_2)$, $(X_4 X_1)$], were added to the hedonic equation. H3 calls for testing of the significance of the interactions of an "education equal" class with the education resource parameter ($X_6 X_2$), and the "income equal" class with the income resource parameter ($X_7 X_1$). Testing of H4 requires an interaction term consisting of the qualitative indicator variables of gender and "equality on all resources," ($X_4 X_5$). H5 hypothesizes that equality in term of education will result in occupation being a more significant predictor of power than income. This requires the testing of differences in beta coefficients for occupation and income for the

class of respondents who are equal on education. Testing of H5 can be accomplished through the addition of two interaction terms ($X_6 X_3$) and ($X_6 X_1$). H6 states that when equality exists for income, occupation will become a stronger predictor than education. This requires two additional interactions between the "income equal" class and the education and occupation resources ($X_7 X_3$) and ($X_7 X_2$). The completed hedonic regression equation for this study is as follows:

$$\ln Y_i = \hat{\alpha}_0 + \hat{\alpha}_1 \ln(\hat{\epsilon}_1 X_1) + \hat{\alpha}_2 \ln(\hat{\epsilon}_2 X_2) + \hat{\alpha}_3 \ln(\hat{\epsilon}_3 X_3) + \hat{\alpha}_4 \ln(X_4) + \hat{\alpha}_5 \ln(X_5) + \hat{\alpha}_6 \ln(X_6) + \hat{\alpha}_7 \ln(X_7) + \hat{\alpha}_8 \ln(X_4 X_3) + \hat{\alpha}_9 \ln(X_4 X_2) + \hat{\alpha}_{10} \ln(X_4 X_1) + \hat{\alpha}_{11} \ln(X_6 X_2) + \hat{\alpha}_{12} \ln(X_7 X_1) + \hat{\alpha}_{13} \ln(X_4 X_5) + \hat{\alpha}_{14} \ln(X_6 X_3) + \hat{\alpha}_{15} \ln(X_6 X_1) + \hat{\alpha}_{16} \ln(X_7 X_3) + \hat{\alpha}_{17} \ln(X_7 X_2) + \hat{\alpha}_i \quad (3)$$

where, X_5 is the qualitative indicator of a sub sample that is equal on all resource parameters, X_6 is the qualitative indicator of a sub sample that is equal on education, X_7 is the qualitative indicator of a sub sample that is equal on income, ($X_4 X_3$) is the interaction of gender and occupation, ($X_4 X_2$) is the interaction of gender and education, ($X_4 X_1$) is the interaction of gender and income, ($X_6 X_2$) is the interaction of "equality on education" and education, ($X_7 X_1$) is the interaction of "equality on income" and income, ($X_4 X_5$) is the interaction of "equality on all resources" and gender, ($X_6 X_3$) is the interaction of "equality on education" and occupation, ($X_6 X_1$) is the interaction of "equality on education" and income, ($X_7 X_3$) is the interaction of "equality on income" and occupation, ($X_7 X_2$) is the interaction of "equality on income" and education, and $\hat{\alpha}_0 - \hat{\alpha}_{17}$ denote unknown parameters.

Sample and Measurement

The sample consisted of married couples from the southeastern region of the United States. A sample of 488 partners (244 couples), representing various ages, incomes, occupations, and education, completed the survey via telephone. After editing the completed questionnaires, 396 responses were deemed usable thus providing a final sample of 198 couples. Marital power was measured using a validated five-point scale (Davis 1970) with anchors "1 = husband decides" to "5 = wife decides." The study examined purchase decisions for automobiles, housing (e.g., where to live, rent or own, etc.), major appliances and furniture. The responses can be summed to represent overall marital power for these product categories (Davis 1970; Webster 1994). Respondents were also asked to indicate their income, occupation, and education. Occupational prestige was measured by using standard scale scores for detailed occupational classifications (Trieman

1980). The variables were then quality-adjusted by asking respondents to assign from 0 to 100 points to indicate the degree to which they found the particular attribute prestigious when thinking about their spouse.

Findings

Because the hypotheses 3-6 required identification of partners that are equal on education, income, or all resource parameters, it was first necessary to classify the respondents into four classes. The four classes established include a group which was significantly equal on all quality adjusted resource parameters, a group that was equal on

education, a group that was equal on income, and a group that was different on all resource parameters. Estimates of the regression parameters are reported in Table 1. The estimated regression model ($p < .01$, *crit. F* = 15.481, *adj-R*² = .332) was significant. Further, regression coefficient estimates for quality-adjusted income ($\hat{\alpha}_1 = 3.27$, $p = .001$), education ($\hat{\alpha}_2 = 3.56$, $p = .008$), and occupation resources ($\hat{\alpha}_3 = 7.19$, $p = .000$) are significant. Therefore data confirms H1, which hypothesizes a significant positive relationship between quality-adjusted resources and marital power.

TABLE 1

Hedonic Regression Results for the Effect of Resources in Purchase Decision Making

Regression Coefficients (n=396)				
Variable Name/Description	Regression Coefficients	Estimated Regression Coefficients	Standard Error	p-value
Intercept	$\hat{\alpha}_0$	43.0664	7.678	.000
Income	$\hat{\alpha}_1$	3.27	.90	.001
Education	$\hat{\alpha}_2$	3.56	.45	.008
Occupation	$\hat{\alpha}_3$	7.19	2.52	.000
Gender	$\hat{\alpha}_4$	-22.90	8.09	.005
Equality on all parameters	$\hat{\alpha}_5$	10.48	7.87	.072
Equality on education	$\hat{\alpha}_6$	16.17	8.98	.084
Equality on income	$\hat{\alpha}_7$	6.88	6.17	.046
Gender x occupation	$\hat{\alpha}_8$	6.08	5.01	.000
Gender x education	$\hat{\alpha}_9$	4.33	1.29	.000
Gender x income	$\hat{\alpha}_{10}$	7.21	2.55	.001
Equality on education x education	$\hat{\alpha}_{11}$.996	15.106	.947
Equality on income x income	$\hat{\alpha}_{12}$.355	.002	.116
Equality on all resources x gender	$\hat{\alpha}_{13}$	3.36	2.29	.063
Equality on education x occupation	$\hat{\alpha}_{14}$	4.83	1.30	.046
Equality on education x income	$\hat{\alpha}_{15}$	4.13	3.14	.003
Equality on income x occupation	$\hat{\alpha}_{16}$	3.62	2.56	.014
Equality on income x education	$\hat{\alpha}_{17}$	2.65	1.77	.049

Further, the results show that gender is significant ($\hat{\alpha}_4$, $p = .005$), with a negative estimated regression coefficient ($\hat{\alpha}_4 = -22.90$), indicating females have significantly more power than males. A look at the parameters describing the interaction effects for gender and occupation ($\hat{\alpha}_8 = 6.08$, $p = .000$), education ($\hat{\alpha}_9 = 4.33$, $p = .000$), and income ($\hat{\alpha}_{10} = 7.21$, $p = .001$), clearly demonstrate that the male has greater levels of each of the three resource parameters. Contrary to H2, therefore, the spouse (the wife in this case) with lower cumulative resources possesses more power in purchase decision-making.

H3 calls first for the testing of significant interaction between classes where spouses are equal

on a given resource and the resource parameter itself. Analysis was able to identify classes that were equal with regard to income and education, and however, equality in occupations was not identifiable from this sample. It is noted from Table 1, that the given interaction effects (“equal on education x education,” and “equal on income x income”) are not significant ($\hat{\alpha}_{11} = .996$, $p = .947$; $\hat{\alpha}_{12} = .355$, $p = .116$), thus suggesting that when spouses are equal on a resource parameter then that resource is not related significantly to marital power. To lend further support to this hypothesis, it is necessary to examine whether the resources on which spouses are unequal significantly relate to power when there is equality in

education or income. An examination of the significance of occupation and income for spouses equal on education shows that both these resource parameters are significant predictors of marital power, ($\hat{\alpha}_{14} = 4.83, p = .046$; $\hat{\alpha}_{15} = 4.13; p = .003$). Similarly, when spouses are equal on income, then the unequal resources (occupation and education) are significant predictors of marital power ($\hat{\alpha}_{16} = 3.62, p = .014$; $\hat{\alpha}_{17} = 2.65, p = .049$). Thus, H3 is supported.

To test H4, the variable representing individuals who are equal on all three resources was utilized. The variable categorizing this class ($\hat{\alpha}_5$) is significant ($\hat{\alpha}_5 = 10.48, p = .072$) at the significance level of 0.10 only. The “equal on all parameters x gender” interaction term ($\hat{\alpha}_{13} = 3.36, p = .063$) is significant at alpha level of 0.10 only. Therefore, H4 is only marginally supported.

To test H5 and H6, the variables representing individuals who are equal on education (X_6) and income (X_7) are utilized. These hypotheses required assessment of the relative strength of parameter coefficients. To accomplish this task, a procedure described by Cohen and Cohen (1983, p.111) was employed. Specifically, a one-tailed z-test, in accordance with the direction of the hypotheses, is conducted to compare the path coefficients across conditions. H5 can be tested by examining the value of the slope coefficients for each of the respective interaction terms, “equality on education x occupation ($\hat{\alpha}_{14}$),” and “equality on education x income ($\hat{\alpha}_{15}$).” The slope for occupation was significantly ($z = 3.32; p = .01$), greater than that for income, ($\hat{\alpha}_{14} = 4.83 > \hat{\alpha}_{15} = 4.13$). Thus, lending support for H5. Additionally, the slope for occupation was greater ($z = 2.64; p = .01$), than that for income ($\hat{\alpha}_{16} = 6.62 > \hat{\alpha}_{17} = 2.65$). Thus, supporting H6.

DISCUSSION

This study demonstrated that the resources of income, occupational prestige, and education - ‘after being quality-adjusted’ -significantly relate to marital power. Further, the findings reported here reveal that if spouses are similar with respect to a particular resource (e.g., income), then that resource will not be significantly related to power. Instead, other resources that differentiate husband and wife (such as occupational prestige and level of education) dictate the power holder in purchase decision-making. This study also found that a significant difference still exists in marital power between husband and wife. A surprising finding was that females have significantly more power in purchase decision-making than males. It is possible that other antecedents (e.g., a personality trait such as

aggressiveness) are influential in determining decision-making power. Further, it was revealed here that there is a hierarchy in terms of which resources are most valued among married couples. In this case, when spouses have equal educational backgrounds, occupation becomes a more valued resource than income. Conversely, when income equality exists, the spouse with the more prestigious occupation enjoys a power advantage. However, the application of hedonic theory to the resource-power relationship resulted in some surprising findings. The most surprising finding is that the spouse who has a higher level of cumulative resources is not necessarily the one with more decision-making power. However, a possible explanation for this finding is that compared to socioeconomic factors, marital power may depend more on antecedents such as purchasing involvement, personality, cultural ideology, or one's relative commitment to the relationship (least-interest hypothesis).

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GENDER DIFFERENCES ON THE INTERNAL DIMENSION OF CATEGORY STRUCTURE: A CASE OF BRAND TYPICALITY

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ABSTRACT

In recent months, considerable media attention has focused on how men and women differentially acquire, process, and store information. Although researchers from varied academic disciplines have explored gender differences in information processing, relatively scant attention has been directed toward exploring the cognitive structures that guide this processing. Thus, this research purports to examine the internal structure of categories from the vantage point of category membership. Specifically, by utilizing the construct of product/brand “typicality,” interest lies in determining if the genders differ in their assessments of category member similarity. Consequently, the nature (i.e., composition) of these similarity assessments, as well as their relative dispersion within a specified product category, are investigated.

The notion that category member nonequivalence may be influenced by an individual difference variable (e.g., gender) has received little attention in the literature. As a result, this research considers the idea that perceptions of product/brand typicality may be mediated by the gender of the perceiver. Support for this supposition is based on the notion that males perceive and organize information in a highly, broad-based fashion. Consequently, the process by which they assign category membership tends to center around broad, salient, over-arching characteristics. As a result, it is argued that male category structures will tend to possess more members that are perceived as similar to one another based on the ability of members to meet the minimum criteria necessary to qualify for category membership. In other words, upon encountering a basic or subordinate-level category, it is anticipated that males will perceive more members as being prototypical of the category if they possess the minimum number of salient attributes required for category membership. Thus, it is suggested that males’ typicality judgments of various products/brands within a category will be closely aligned with one another (i.e., less dispersed). Additionally, it is also hypothesized that males will attend more to elements of commonality between category members than items of distinction in assessments of product/brand typicality.

In the opposite vein, females have been shown to organize information along highly detailed lines of distinction. Thus, upon encountering a basic or subordinate-level category, it is anticipated that for a given list of potential category members, females will perceive more members as being *less* prototypical of the category than males. In other words, because females are believed to possess category structures that are highly restrictive and less inclusive, judgments of typicality will be *more* dispersed within a given category, (at a specified level of abstraction), than that exhibited by males. Consequently, it also hypothesized that females will attend to both elements of commonality and elements of distinction in assessments of product typicality.

Based on the above argument, empirical testing provides preliminary evidence to suggest that viable gender differences on the internal dimension of category structure do indeed exist. As a result of this finding, there are likely to be significant marketing implications for how males and females build consideration sets and how decisions are made amongst product/brand alternatives during processes of choice.

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RECIPROCAL EFFECT OF BRAND EXTENSIONS: A LITERATURE REVIEW

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ABSTRACT

Under the current conditions of fierce competition, high costs, and demanding customers, companies need to increase the efficiency of their marketing expenses. One popular strategy which companies use to build and leverage equity is using brand extensions. Brand extension has been defined as the use of a brand to introduce products in different categories outside of the parent brand category. It is used as a means of achieving higher sales growth rates, higher ROI, and advertising and promotion efficiencies. Brand extensions have been the core of strategic growth for a variety of firms since the 80s. After a brand is extended, information revealed about the extension cannot be insulated from the brand's other products. Information about the extension is constantly disclosed from customers' own experience, unanticipated events, and ongoing advertising and other promotional messages. This information can have positive or negative effects on the brand, and the company cannot completely anticipate or control these effects. However, negative information related with brand extension can lead to negative perceptions toward the brand. Therefore, it is critical for managers to have a better understanding of the effect of brand extension on the parent brand, especially its negative effects. This paper focuses on the negative impacts of brand extension toward the parent brand by reviewing the literature on the reciprocal effect of brand extensions. The research were chosen based on two criteria: 1) empirical-based and 2) recently published in premium journals.

Overall, the prior research on reciprocal effects of brand extension provides a general overview of different research streams. The investigation on positive reciprocal effects reveals that brand extensions can increase the perceived quality of the parent brand, can reduce perceived uncertainty, and can increase advertising efficiency and choice probability. On the other hand, negative effects are mainly due to either failure of the extension product or the lack of fit between the original brand and the extension. Evidences show that the incongruity between the original parent brand and the brand extensions may lead to negative feedback effects. Additionally, although the negative feedback effects of the extension failure has been discussed in the literature, only a few studies have empirically examined the potential negative effects of brand extensions caused by extension's negative information. The only two studies to date that specifically examine how knowledge of the negative information of a brand extension affected consumer attitudes toward the family brand name. Both of them found no significant effect

It raises important issues with regard to the lack of strong empirical findings for negative reciprocal effects of brand extensions. The need to further explore the phenomena of brand dilution is imminent. Research methods also need to be improved. Using real consumer samples, using detailed product information during the experiment, and exposing the respondents multiples times to improve reliability and validity are recommended.

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A COMPARATIVE APPROACH TO STRATEGIC MARKETING PLANNING FOR NOT FOR PROFIT AND FOR PROFIT CORPORATIONS

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ABSTRACT

A major concern of social / community service businesses is the decision to be a not for profit NFP or FPO for profit organization. The conception is that the NFP has a greater marketing advantage than the FPO Marketing methods of a NFP in relationship to FPO are reviewed.

BACKGROUND

A. Some Legal Issues

The corporate reporting systems and in the finance reporting vary slightly along with the dissolving of the entity if needed. One of the major legal concerns is the distribution of profits, the payment to trustees and board members and the accounting system. And the non-payment of taxes on the city, state and federal levels. All states require addition paper work when incorporating, and specific statements as to the methods of operation, methods of fund raising and the distribution of funds.

The Federal government regulations are under the Internal Revenues Service. The basic forms required are: Tax Exempt Status for your organization (#557 and later editions) Form 1023 and 872-C; Form 8718; and other corresponding forms from the State and City governments.

B. Some Accounting Issues

The accounting issues are a complex as the legal issues. The basic rules are everything must be authorized and then the accomplishment must be in writing and in a binder. Expenses must have receipts, and no board member can be an employee or a contractor for services.

Unless the board specifically authorized a program, an expense, an appointment, or a contract for services, it can not be done. All income must be acknowledged in writing and be kept in a specific ledger for constant inspection. Government funding requires additional record keeping.

As many not for profits are funded with governmental grants and private contribution, the demand from recipient is not as great as stockholder and private banks that finance a profit enterprise.⁵ The failure of many not for profit corporations is the in ability to think, act and market their services as a profit corporation. Not for profit does not mean it is a public entity and governed by the public administration laws and regulations, just the IRS rules.

INTRODUCTION

Creating a strategic marketing plan for a non-profit organization can be more complex than strategizing for a for-profit organization, it "is not unlike developing products or services in the for-profit market, particularly as nonprofits look to more innovative methods to earn revenue from products and services," (McNamara,1999). There remain various differences between when developing a marketing strategy for NPO (non-profit organizations) and FPO (for-profit organizations) that require further analysis to successfully implement a marketing plan. Aside from the obvious financial and employee resource limitations associated with NPO's, marketing strategies are often aimed at more than one primary target audience i.e. recipients of the services, as well as potential individual donors and funding sources, which greatly complicates the strategic marketing efforts. This situation should be address by three separate and coordinated marketing plans to unite into one message while addressing

each specific market. It is important to note, that in view of increasing “competition between charitable nonprofits for diminishing financial resources,” (Hoffman, 2001) non-profits “have finally grasped something consumer advertisers have known have known for years,” (George, 2005); that to remain competitive, even within the non-profit sector, one must differentiate their product and service to position their services in a way that makes them widely accessible.

DIFFERENCES BETWEEN NPO AND FPO MARKETING STRATEGIES

While NPO’s and FPO’s both seek a similar outcome as a result of their marketing efforts, to increase gross revenues, increase services, and be accepted as offering excellent services, increase visibility for obtaining additional funds and donors and volunteers. There are several core inconsistencies that tend to make NPO marketing campaigns more complicated. One of the most significant variations involved in marketing the services of an NPO is determining the proper target market. “For a commercial organization, the user and buyer are one and the same,” however for NPO’s, “the people providing the funding and the people using the service may be completely separate groups,” (Roy, 2005). This issue requires careful analysis and planning, since “branding” and advertising efforts may be dissimilar due to the distinct demographic and psychographic differences between both target audiences groups: service users, organization donors and government grants. Further complicating this situation is that many “charitable nonprofits stop at defining their primary constituency, i.e., that target market for which their program is designed,” (Hoffman, 2001) rather than marketing “products and services to a wide range of target groups,” (Helmig, Jegers and Lapsley, 2004).

Separate financial procedures are making marketing NPO and addition burden as the government inspects on a regular basis making operations more complex. More often than not, NPO’s do not have the financial resources that FPO’s do, which leads many people to question the “value” or ROI involved resulting in a common belief that “marketing activities [for NPO’s] are still perceived as undesirable, too expensive, and a waste of stakeholders’ money,” (Helmig, Jegers and Lapsley, 2004). Irrespective of investor attitudes towards NPO marketing, financial support is generated from several sources, “(a) donations from those who actually use the programs, and (b) contributions from others who approve the programs and who want to,”

(Hoffman, 2001) support the progression of said programs. And the possibility of government grants.

SIMILARITIES BETWEEN NPO AND FPO MARKETING STRATEGIES

The three separate target marketing plans should be researched and planned to allow for the similarities and differentials, but to have a unified plan to support the business plan and mission statement. “Successful marketing is about visibility and differentiation,” (Roy, 2005) regardless of what sector a company operates in, and to maximize profits in the increasingly competitive marketplace, firms must strive to appeal to potential consumers on many levels. An integral component of the strategic marketing plan is the positioning of the product or service. Product/service positioning, “is the foundation for all marketing initiatives,” (Roy, 2005) regardless of profit motives. “Positioning lays out what services your organization provides,” who they are provided too, “and how your organization is different from related organizations,” (Roy, 2005). It is no longer sufficient to tell your target audience that “your organization is amazing; you have to provide a way for them to see and understand for themselves,” (Gottlieb, 2002), which can often be accomplished through promotions, public relations or various forms of public service advertising communications, directed to the three target markets.

One of the growing trends in providing consumers with “value-added” services can be seen in the “dramatic improvements in customer service as customers become more discerning in their selection of products and services,” (McNamara, 1999). The idea of providing excellent customer service as a method of differentiating oneself from competing organizations materialized as companies began to realize that “the best source of customers for new products and services are current customers,” (McNamara, 1999), which demands keeping current customers content to maintain high levels of retention.

Each of the three marketing programs must include a plan for retention, expansion from volunteer and donor base and key issues for a changing mission statement to keep up with current issues that confront the donors, funders and government changes for new initiatives for funding mission statement. Other commonalities between NPO and FPO strategic objectives include obtaining valuable market data through primary and secondary research, and target audience analysis. This is more complicated in the NPO sector due to “larger”

audience numbers among numerous other interested and non interested parties. Non interested parties are those who criticize using various tactics to be included or spout their own personal agenda.

Potential donors, recipients, and government agencies are concerned about public opinion, as tax free money is being used to support the not for profit. The introduction of Customer Management Relations (CRM) software supports each of the three prime markets for specific targeted messages.

CONCLUSION

“The evolution of marketing and the expansion of its application into all subsystems of,” (Ozretic-Dosen and Martinovic, 2003) society has forever impacted marketing strategies for both non-profit and for-profit organizations. The emergence of “cause-related” marketing as a significant component in the NPO marketing strategy, has greatly changed public opinion regarding NPO/corporate business alliances, and has managed to benefit all involved parties. Although similarities are present among marketing effort used for both NPO’s and FPO’s, there are several highly visible differences that require careful consideration when creating a strategic marketing plan for an NPO in an effort to maximize ROI with the limited availability of financial resources. The matrix offered could assist in developing a strategic marketing plan for the three major target markets.

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SIMILARITIES AND DIFFERENCES IN MARKET ORIENTATION TOWARD STUDENTS AND EMPLOYERS OF STUDENTS IN PRIVATE AND PUBLIC UNIVERSITY BUSINESS SCHOOLS

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ABSTRACT

Among a number of various strategic orientations that a business may adopt such as market orientation, production orientation, or selling orientation, the market orientation strategy has been well documented in the marketing literature. The market orientation strategy is based upon the acceptance and adoption of the marketing concept. The market-oriented business recognizes the importance of coordinating the activities of all departments, functions, and individuals in the organization to satisfy customers by delivering superior value to the customer. The market-oriented business continually monitors customer information, competitor information, and marketplace information to design and provide superior value to its customers. Theory and empirical research suggest that greater levels of market orientation result in a greater ability of the organization to reach its objectives, in other words, higher levels of market orientation leads to better performance. Literature on market orientation however is just beginning to emerge in the area of market orientation in the nonprofit sector such as churches, healthcare, and colleges and universities. This paper extends the current research on the use of the market orientation strategy by investigating market orientation levels within college and university schools of business in the United States and comparing their levels of market orientation to levels of previously studied for profit businesses. Additionally, analysis is conducted to determine if market orientation differs between public university business schools and private university business schools. Deans of business schools in the United States were surveyed by way of a national mail survey. All of the deans were from colleges or universities that held membership in either the Association to Advance Collegiate Schools of Business (AACSB-International) or the Association of Collegiate Business Schools and Programs (ACBSP). These two organizations are both accreditation sources for schools of business. The national survey was responded to by 223 business school deans. The market orientation scores of the responding deans were compared to scores reported in the literature for business managers and also comparisons were made between public school deans and private school deans. Each respondent was asked to provide market orientation information about two specific customer or stakeholder groups which included students and employers of students. The results of the research indicated that market orientation was significantly higher in the business organizations than in the schools of business. However the research also yielded that differences existed in many cases between public school and private school deans in their reporting of market orientation. The paper presents details of the research process and findings and discusses the implications of the research for schools of business.

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THE BUSINESS OF SUPPLY AND DEMAND FOR DIGITAL LITERACY: COMMUNICATING A COMMUNITY ENTERPRISE'S META MESSAGE IN CIVIC ENGAGEMENT

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ABSTRACT

Digital Literacy is an ongoing Meta Message to meet common language needs of providers and consumers working to improve lives of average and Digital Divide persons through daily access to Internet-based government and consumer services. It illustrates NFP-led 5 year vision for use of message in Illinois.

INTRODUCTION

Marketing communications play a key role in the demand and supply for products and services as well as public policy. Mothers Against Drunk Driving and the anti-smoking movements started with small interest groups that were geographically isolated from national markets but succeeded to convince the nation to pass strong drunk driving laws and anti-smoking legislation. How did these small groups accomplish such an enormous task? They created a meta message to stimulate the demand for new public policy and that demand ultimately created an ample supply of new public policy as well as consumer services to the market. Digital literacy is similarly designed to communicate an equally effective and on-going consumer and provider action-based meta message, with related common understanding of results for particular kinds of persons, and to move beyond the global problem-based meta message created by the "digital divide" which tends to have a usefulness or "meta message half life" limited to a "period of crisis" of perhaps 5 years in the public attention span.

Digital divide and digital literacy are both meta messages. The concept of "digital divide" came into general use around the time of the federal Telecommunications Act of 1996, when policy makers needed a name to describe the problem of millions of people being left behind the technology boom, because they did not have the Internet capacity or skills capability to gain access to the tools of the exploding digital economy. M. Warschauer (2003) provides an excellent description of the times:

The concept of a digital divide gained headway in the mid-to-late 1990s, at the time that the Internet dot-com booms were under way in the United States. In a sense, the digital divide approach – which often emphasized getting people connected anyway they could at all cost so that they wouldn't be left behind – reflected the spirit of the times, based on the superficial understanding of the Internet's relationship to economic and social change. At the economic level, much emphasis was put on the so-called Internet economy, reflected in the wild surge of dot-com businesses, many of which went bankrupt after failing to earn a single dollar. At the societal level, the hottest idea was that of cyberspace, supposedly an entirely different plane of existence (e.g. Barlow, 1996). Both of these perspectives reflected the errant view that information and communication technology (ICT) was creating a parallel reality and it was necessary for people to make the leap across the divide from old reality to the new in order to succeed.

The meta message of the digital divide reflected the perception of the times – the creation of a new reality. The idea of a new reality was also reflected in many writings about the "new economy" where future earning expectations is weighted higher than asset value and customer base. Many may remember the trouble caused by the retired chairman of the Federal Reserve when he talked about "irrational exuberance." Do we have one reality or a new two-reality world as reflected by the term digital divide? Is the new digital technology causing social exclusion or are the post-digital technology conditions of

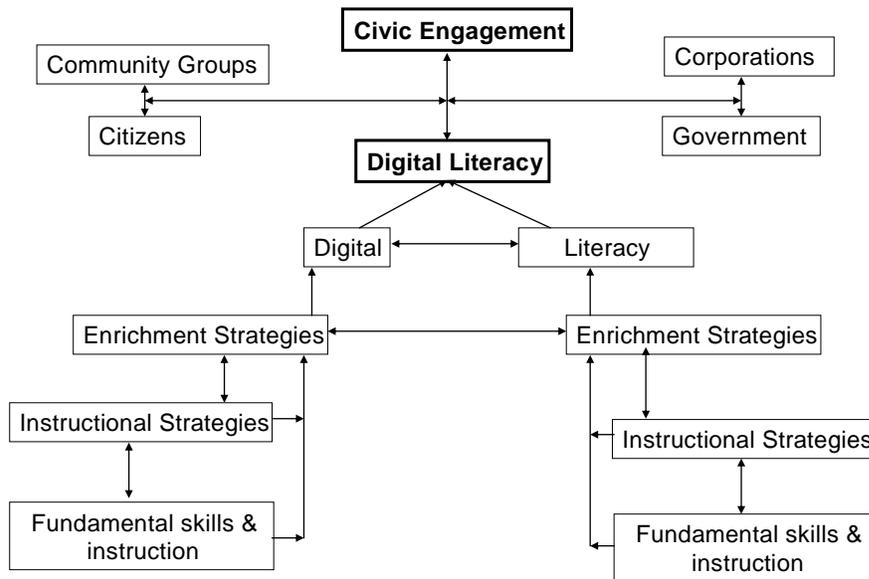
poverty, poor education, and illiteracy causing exclusion to today's digital technology. Oliver Moran (2005) uses Warschauer to succinctly state this key issue:

. . . the Internet through its sheer existence, without reference to what applications it may have, alters the order and form of social life and thus those that do not access it or are unable to use it risk social exclusion. The evidence to support such a claim is purportedly further strengthened by referring to the fact that those who are already socially excluded do not have access to such technology. Warschauer in part agrees with this claim, arguing that to be without access to information and communication technologies (ICT) is a form of social exclusion, but argues also the more sensible point that such a statement should also be read backwards. To bear many of the most obvious forms of social exclusion (e.g. poverty, educational disadvantage, illiteracy) will cause a person to be without or exclude them from access to ICTs and so simply providing access will not, in itself, solve persistent causes or problems of social exclusion.

The authors of this paper believe that there are two fundamental problems with the meta message communicated by the term digital divide. First, digital divide is a statement of a problem rather than a statement of the solution. Its popularity during the 1990s is understandable, because the digital divide accurately reflected the problem that policy makers perceived even though they were not sure of the cause. As stated above, it is more likely that the pre-existing condition of poverty, educational disadvantage, and illiteracy were the cause of the social exclusion yet "access" was given full treatment even though digital technology was not the cause of the social exclusion. Second, digital divide does not reflect the potential of the developing information and communication technologies (ICT). Certainly we are a humanitarian people and the digital divide appeals to that attribute. On the other hand, ICT is only in its infancy and has the potential to fundamentally change societal expectations and goals that we desire to achieve. It is based on an understanding of human nature and the use of human and electronic tool communication, similar to the use of paper and pencil (like ICT mouse or TV channel changer or simplified ATM kiosk keys) by most persons and typewriter (full keyboard and sophisticated graphic/visual management tools) for

perhaps about half the population at most. For these reasons, the meta message sent via digital divide should be understood to describe a time in history (historical shorthand for a condition) rather than an action principal, and replaced by the positive meta message. The authors recommend that digital literacy (rather than other general phrases such as digital opportunity, digital empowerment or digital inclusion, which suffer from a similar problem-focus policy language "half life") be its public policy replacement.

Digital literacy is defined in *A Report on the International ICT Literacy Panel* (May 2002) Digital Transformation: A Framework for ICT Literacy, as "using digital technology, communication tools, and/or networks to access, manage, evaluate, and create information in order to function in a knowledge society," and used as the Definition of Digital Literacy in a talk on Future of Digital Literacy by Anne Craig, Director, Illinois State Library on November 16, 2005 at the Abraham Lincoln Presidential Library in Springfield, Illinois. This ability to access, adapt, and create knowledge using information and communication technologies is the definition used by the Digital Literacy Research Consortium (DLRC), initiated by Chicago-based Midwest Technology Access Group, as its members believe that digital literacy is critical to social inclusion and civic engagement. DLRC's mission is to identify the social development challenges for the effective integration of communication arts into communities, institutions, societies, and people engagement in meaningful social practices. From this perspective, digital literacy overcomes the two major shortcomings of digital divide as noted above. Digital literacy is a statement of a powerful human nature solution, similar to the analog literacy of reading and writing, and suggests the potential of ICT to develop future applications that support social inclusion and civic engagement (that is, learning and remembering by documenting what one is actually engaged in doing and teaching others). Such capacity is practical, possible, measurable and communicable to and understandable by wide audiences, as members of society gain the comfort and confidence of use of second-nature Digital Literacy skills. This is similar to mastering a daily use of "everybody's second language" around the world in the 21st Century, as computer-based "speech and communication" use social networking tools which include relatively easy translation into multiple languages. The authors propose the following model of the role digital literacy plays in helping people attain civic engagement.



Eugene Fregetta, PhD, MTAG, June 2005

Digital literacy is useful language for average or lesser connected consumers, and for providers, of digital skills and telecommunication-based access, and for policy makers in looking at “residential and business consumer” demand side and supply side “voice, data and video providers” of telecommunication services by a “convergence” of means, including landline, cable, fixed tower and satellite transmission wireless, utility line or pipe (electricity, natural gas or water/sewer) Internet 1, 2 and 3 communications to parcels and mobil locations. Public policy programs including the major federal Telecommunications Act of 1996 and the Illinois Eliminate the Digital Divide Act of 2000 and Telecom Rewrite Act of 2001 included attempts by legislators to create a number of programs designed to have “supply side” providers as well as intermediary parties assist “demand side” markets (i.e. lesser connected individual consumers in urban and rural areas, and who needed to rely for Internet connections in schools, libraries, and Community Technology Centers. Recent fall 2005 discussion by primarily-U.S. but internationally-based Digital Divide Network (DDN), created in cooperation among many parties, including those participating in primarily-U.S.-based Association for Community Networking (AFCN) and national Community Technology Centers Network (CTCNet), noted that the phrase “digital divide” had been floating around for a few years in the early 1990’s before it became

the handle for talking about a variety of divides between “technological have’s” and “have-not’s” in both the general press and in crafting potential solutions. Back in the early 1990’s, the phrase Community Technology Centers was adopted by local centers in many states and serving a diversity of audiences with needs, brought together through project funding of National Science Foundation. Community Technology Center, or CTC, is another “term of art” that came to mean “after school, library or community centers” which provided no cost or low cost access to Internet and skill training services, along with other human services, and complemented the “in school or education” and distance learning instructional technology services.

Beginning in about the year 2000, the development of Digital Literacy as a meta message “term of art” in Illinois was born as part of a sustained multi-year in-person, on-line and public media conversation among parties seeking good language to talk with both the general public and with specialists about “how to bridge the digital divide” or “how to close information gaps” in particular rural, urban, suburban context in Illinois, a Midamerica state. The “message” is designed to enable both generalists and specialists, policy makers and technology service professionals, supply side telecommunication providers and ICT product/service companies and demand side

consumers, to understand each other. Understanding is needed in the conversation about the purposes and costs of strategies designed to “promote digital literacy as a second nature skill” similar to analog reading, writing and arithmetic, and to “achieve affordable everyday access to electronic tools” within a wider framework of “civic and economic productivity,” and to measure the results of levels of literacy on many kinds of consumers (youth, adults and seniors), enterprises (public, private, nonprofit) and other stakeholder/investors in Illinois, Midamerica, U.S. or throughout the world.

A simple language is needed to assist consumers in gaining skills and achieving the information, goods and services they need as our nation adopts a “digital government” framework, using consumer-friendly tools like Firstgov.gov websites and public awareness campaign activities to assist “everyday consumers.” Thus, the discussion in this paper will include both an awareness program about Digital Literacy for several audiences, and steps toward developing an Illinois-level consumer-friendly content service (such as those developed by library-related parties) to respond to the everyday consumer needs in Illinois.

In any use of language, especially in a “policy initiative, governmental or legislative problem-solving” context, there is often a “half life” of phrases which come into general use and then drop back as obsolete, take on a specific meaning, or come to be viewed as “solved,” until the next refinement of language is used. Beginning around 1999-2000, several phrases were used to illustrate a “problem-solving” focus, whether in an advocacy or in a social service sense. Bridging the Digital Divide Coalition and Digital Opportunity Coalition were used for networks-in-development. As a result of Ameritech-SBC merger (Illinois, Ohio, Michigan, Wisconsin, Indiana) the “community reinvestment” funds set aside to aid “demand side” consumers, the Illinois Commerce Commission appointed the Illinois Community Technology Fund in 2000. In 2000 the Illinois General Assembly created a demonstration grant program for Community Technology Centers called Eliminate the Digital Divide grant program, to support equipment, instruction and planning help. In 2001 the General Assembly used this language by “pouring over” private sector telecommunication funds from the Ameritech Illinois-SBC merger into 2 “demand side” programs: (1) the Eliminate the Digital Divide program administered by the then-named Illinois Department of Commerce and Community Affairs, and created a new (2) Digital Divide Infrastructure fund in the Illinois Commerce Commission to deal with the special needs of rural

areas without broadband providers. In fall 2002, Illinois Community Technology Consortium of 14 partner organizations, including Circuit Riders IT Resource Center, Chicago, Prairienet, Central Illinois, and SIU Carbondale Economic Development office, convened in Urbana, hosted by Laboratory for Community and Economic Development, UIUC Extension to brainstorm on how to define the kinds of Internet-related skills that would improve the lives of low income and other lesser connected persons, families and communities. UIUC Speech and Communication faculty member Noshir Contractor, a leader in analysis of email patterns to understand and assist persons in building and strengthen their social networks, was the keynote speaker. He spoke on the need for lesser connected audiences as well as average citizens to have electronic personal information management tools (such as Linked-In like tools) similar to business, professional and academic networks. The formal beginning of the term Digital Literacy is best traced to the beginning of 2003 as the new administration of now-named Illinois Department of Commerce and Economic Opportunity sought a definition of the “technological skills and outcomes,” as a combination of educational and workforce competencies that grant applications would need to provide and document in the Digital Divide program which at that time was providing about \$5 million per year and had a predictable revenue stream at least until 2005 (not subject to annual budget).

- A. Convening: 30 months of gestation of Digital Literacy as Meta Message
January 2003 to June 2005

In Illinois since 2003, a number of public officials, civic enterprise and community network leaders (including the Illinois Community Technology Consortium, now Coalition which recently celebrated its 2nd statewide conference in Springfield during November) have worked to define a solution methodology in terms of “technological skills” (basic ICT skills sufficient to use Internet and electronic tools, similar to basic reading and math skills and industry-based ICT competencies) or “digital literacy” similar to basic reading and handwriting analog literacy. In 2003, Illinois Community Technology Consortium adopted a logo (see at end) illustrating the elementary need to “practice” using electronic tools just like “handwriting practice” to develop a clear script. Digital literacy is understood by many public officials as “vital” for economic development, digital government productivity and consumer society. For example, public officials have come to understand

that all citizens need to be able to access a consumer-friendly FirstGov.gov (national) and linked state website, similar in feel to a home page or information kiosks. Thus, digital literacy means second-nature habit-based ease in using Internet linked tools, whether through a basic \$100 TV or Laptop, Information Kiosk or Library or Telecentro Workstation (most of any population) or full keyboard. During Community “Tech Day” in Springfield in May 2005, Illinois Community Technology Consortium adopted the phrase that “Digital Literacy Matters” in seeking funding by Illinois General Assembly of the Eliminate the Digital Divide Grant program, which has provided between \$3-5 million per year in small grants averaging \$35-40,000 since 2001. The phrase “Digital Literacy Matters” came from the metrics report and program description page of one human services Computer Lab in Chicago (OAI Inc., a Life Transition Assistance organization), which listed the number of unduplicated program participants and the average number of hours spent in the lab for each 6 month period.

B. Creating: 9 months of creation of Awareness Program in Digital Literacy
July 2005 – March 2006

At the end of June 2005, many parties across Illinois adopted a statement of principles that “digital literacy matters” to many audiences, youth, adults and seniors, with many physiological and psychological capacities for using Internet-linked tools in many languages, and in many ways. In summer-fall 2005, many parties worked with the DCEO Advisory Committee on Elimination of the Digital Divide to develop an Awareness Program on Digital Literacy and to develop Digital Literacy cooperative briefings for Community Technology Center staff by DCEO staff and members of Illinois Community Technology Consortium, including groups which had received Train-the-trainer grants from DCEO to assist other Centers. This Advisory Committee set up a special Marketing Sub-committee including members of the community to work on an expanded Awareness Program including increased DCEO graphic materials and website information, dialog with telecommunication companies concerning cooperative marketing in their inserts of announcements in customer phone bills of opportunities for individual citizens to make a contribution to the DCEO Eliminate the Digital Divide program (requirement established as part of Telecom Rewrite Act of 2001, and continued by Illinois General Assembly in May 2005 until at least June 2007), as well as a cooperative brochure on

“how to locate local CTC” plus “how to contribute.” Such brochures would be designed to be handed out in CTCs, libraries, offices of public officials and other “consumer information” places. The Advisory Committee with the help of Marketing Subcommittee drafted a legislative resolution saluting the value of Digital Literacy Matters Days, which was introduced in fall 2005 House of Representatives session to highlight the Joint Conferences in November in Springfield of Illinois Community Technology Coalition (2nd statewide conference) and Telecommunication and Economic Development/Telehealth (6th annual conference). During this period, Hurricane Katrina underscored the costs of breakdown of communication, especially for so-called Digital Divide populations and the need for Digital Literacy, for example as 10,000 email accounts were created in Houston Astrodome and Katrina relocates needed to communicate electronically with government, family and human services networks, including via integrated identity document services.

As part of the conference in Springfield, Illinois' Lt. Governor Pat Quinn issued a Declaration on the value of Digital Literacy and Community Technology Centers. At a reception at Abraham Lincoln Presidential Library for attendees of both conferences, and other guests, Illinois State Library Director Anne Craig gave remarks on The Future of Digital Literacy, including via 4,000 libraries in Illinois, linked with international definitions of ICT skills, complete with citations of standards, studies and websites. Websites included www.illinoisclicks.org funded by Secretary of State and Illinois State Library and www.finditillinois.org, along with local models of consumer interface websites including www.skokienet.org. As a part of the conference, there was discussion among telecommunication carriers concerning proposals to increase the numbers of phone bill inserts, and a 4th member of the DCEO Advisory Committee on Elimination of the Digital Divide was announced to represent rural Illinois concerns to participate in the February 2006 meeting of that statutory body in February 2006.

C. Communicating: Beginning an annual calendar for many audiences
December 2005 – December 2006

Beginning in December, the Awareness Program on Digital Literacy was ready for presentation for formal approval in February 2006, and staged implementation during 2006. Proposals for this Awareness Program have been prepared by

community-business-education-public Civic Tech network facilitated by Midwest Technology Access Group, Inc. (administrator for Illinois Community Technology Consortium 2002-05 and facilitator of Digital Literacy Research Consortium) and Illinois Community Technology Coalition as part of Civic Tech Healthy Community Four Seasons Calendar. The need for Digital Literacy is understood within a Safe/Healthy Community Calendar including meta messages on Keep Warm in winter, Clean Up Communities in spring, Keep Cool and Be Storm Ready in summer, and in Flu Drive in fall, as presented at December 2005 Winter Forum of UIC Great Cities program on Healthy Cities, in a presentation on Urban Preparedness and Healthy City. In this workshop, there was a consensus on the need for public health, safety and general government and community parties to undertake not-just-awareness but “Civic Engagement” Drives for involvement in understanding and planning for action in each of these everyday and emergency needs in Local Access Plan (LAP) areas. Such LAP areas, as recognized in National Weather Service’s Storm Ready certification program begin with areas of 2,500 residents up to 40,000 residents, which facilitate area-by-area and block-by-block social networking which is able to reach in person or by telecommunications every person in every parcel. The need to enable all citizens to be prepared and engaged requires that the meta message of Digital Literacy, often thought of as learning-based and workforce-based, needs to be activity involved in Civic Tech Healthy Life Calendar, too. After all, Digital Literacy Matters In times of community entry and emergency, including for lesser connected residents with special needs such as persons affected by Hurricane Katrina, which resulted in about 10,000 persons being relocated to Chicago, and needing a set of cooperative electronic document application processes of public and private agencies.

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Examples of Illinois Organizational Logos incorporating Meta Message that Digital Literacy Matters ...



THE EFFECTS OF RACE/ETHNICITY AND GENDER ON INTERNET COMMERCE SUCCESS FACTORS

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ABSTRACT

This study investigates the relationship between race and gender on Internet marketing, using Torkzadeh and Dhillon's (2002) scales that measure internet commerce success factors. Results of ANOVA show support for various hypotheses tied to gender and race. Findings are discussed in terms of internet marketing strategy and recommendations for future research are presented.

INTRODUCTION

There has been substantial growth in the use of the Internet by both individuals and businesses. In conjunction with the growth in Internet usage, there has been a significant increase in Internet commerce. While the U.S. has the greatest number of Internet users, Internet usage is growing in other countries and it is estimated, for example, that Asia will have over 188 million Internet users by 2004 (Liu, Marchewka, and Ku, 2004). As more consumers engage in online buying and online marketing efforts become a greater part of marketing strategy, there is a greater need to understand the medium, the use of the medium, and the individuals who are using the medium.

Culture, race/ethnicity, and gender are consumer characteristics that influence online buyer behavior. The impact of gender is easier to decipher, but some racial and cultural influences may not be so easily separated. The growing Hispanic market represents a potential lucrative target for marketers. Yet this market is under-tapped as a result of language and cultural issues, as well as some uncertainty with regard to the best way to reach them (Haegele, 2000). Asia's leading airlines, aiming to fare better online, considered participating in a joint network site with other carriers, yet worried about the reluctance of customers in the region to make credit card purchases on line (Coleman, 2000). A survey of on-line shopping in 27 countries found that "sharp national differences have emerged across Asia and that shoppers are not following patterns set in the U.S. (Manuel, 2000, p.1)." Is it cultural factors that cause these consumption and usage difference or is it other factors? Some would say that cultural issues

are overstated and that economics, geography, and the success of individual Internet operations are more influential (Manuel, 2000). Others suggest that differences noted in various racial categories may be the result of different cultural emphases (Schweikert, 2002).

As more and more businesses recognize the benefits of an online presence, there will be a proliferation of websites and web based activities. Internet based e-commerce allows for a global presence, "compressing time and space and permitting the duplication and sharing of scarce corporate resources" (Liu, Marchewka, and Ku, 2004, p.2). In going global, or when marketing in a country whose population is becoming increasingly diverse and multicultural, it is vital for a company to understand how the characteristics of the target will influence their use of technology and further, how technology should be used by a company to best meet the needs of those with particular characteristics. US companies that do not have a global web presence are reaching only 5 percent of the world's population, and less than 25 percent of the world's purchasing power (Singh, Xhao, and Hu, 2003). Yet web technology should be designed and used with care. In fact, technology developed and implemented in one culture may fail when taken into a different setting (Sagi, Carayannis, Dasgupta, and Thomas, 2004). What improves the chances of success when companies venture into e-commerce? Certainly, attention to the target audience and to the characteristics and content of the site itself will help.

RESEARCH QUESTION

The current research seeks to ascertain the impact that gender and race/ethnicity have on the factors that determine the success of internet marketing efforts. Internet commerce success factors will be measured using Torkzadeh and Dhillon's (2002) scales. A total of nine constructs for internet commerce have been suggested: internet shopping convenience, internet ecology, internet customer relations, internet product value, internet product choice, online payment, internet vendor trust, shopping travel, and internet shipping errors (Torkzadeh and Dhillon, 2002). It would be beneficial for marketers as they develop their internet marketing efforts, to understand how gender and race/ethnicity will influence consumer behavior with regard to the internet commerce success factors.

Hypotheses Development

Relationship between Gender and Internet Commerce Success Factors

Simon (2001) reviews past empirical studies that have found significant gender differences. Those differences include; women are more accurate than men in decoding nonverbal cues, females are more visually oriented, women are more intrinsically motivated, and there are differences between genders in perceived risk (Simon, 2001). Further, males perceived less risk than females in shopping behavior that could affect their desire to purchase over the Internet (Simon, 2001, p.3). It is therefore hypothesized that women will indicate greater concern with online payment factors; essentially they worry more about giving out credit card information, the unauthorized use of their credit card, the misuse of personal information, the misuse of the credit card, and they are more concerned about personal information being shared than are men. Additionally, women are more likely to be concerned with internet shipping errors (including receiving the wrong products) than are men.

Hypothesis 1: Women will indicate greater concern with "Online Payment" than men.

Hypothesis 2: Women will indicate greater concern with "Internet Shipping Errors" than men.

Relationship between Race/Ethnicity and Internet Commerce Success Factors

Pew Internet & American Life Project results suggest clear differences in how races use the Internet (Schweikart, 2002). "Blacks were 69% more likely than whites to have listened to music online,

45% more likely than online whites to play a game, and 12% more likely to 'browse for fun.' They were also nearly 40% more likely to have looked for information about jobs online and 65% more likely to seek religious information. But whites were slightly more likely to obtain financial information, and they purchase more products over the Internet. They were approximately equal in their use of the Net to get political news or information (Schweikart, 2002, p. 3)." We note additional differences when comparing blacks and whites to Asians. Specifically, "Asians obtain more news from the internet than blacks or whites, download music more often than blacks, retrieve political information more often than blacks or whites, and are more likely than blacks to search for jobs and conduct work-related research on the Net, or to buy or sell stocks online than whites (Schweikart, 2002, p.3)." Schweikart (2002, p.3) concludes that "buried in these studies is evidence that members of racial or ethnic groups use the Internet differently – whites more for business and product purchases, blacks more for entertainment and spiritual growth, Asians for work research and political news."

Individuals of Asian and Latin origin indicate higher level of trust with information provided versus Europeans and North Americans who report lower trust with information provided (Simon, 2001). Singh et al. (2003) reported that Asian consumers are less secure when shopping online. Additionally, Sagi (2004) indicates that Chinese research subjects report they are more likely to support increased government involvement for greater privacy protection online.

Based on Singh et al. (2003) and Sagi (2004), we believe that Asians will be more concerned with internet vendor trust factors, specifically manifesting greater concern for vendor legitimacy, seller legitimacy, how much they can trust the vendor, and security for internet commerce. Further, we predict that because they are less secure when shopping online, they will have greater concern about online payment issues. Hofstede (1980) found that Asian countries exhibited lower individualism scores than did the US. For those in the US, everyone is supposed to take care of themselves or the immediate family, there is an "I" consciousness and a self orientation, and there is a belief in individual systems (Hofstede, 1980, p.235). As such, we suggest that Asians will indicate a lower level of importance for internet customer relations issues, specifically an easy return process, quality after-sale service, and an easy return policy, than will Americans.

Further, based on Schweikert's (2002) conclusion of difference with regard to racial and ethnic groups' use of the internet, it is predicted that African Americans will not place as much importance on internet shopping convenience issues as will whites. In other words, factors such as making shopping easy, minimizing queuing time, minimizing shopping effort, minimizing payment time, minimizing personal hassle, and minimizing time pressure when shopping, are more important to whites. Finally we consider the internet product choice factor, which includes the following items: having greater product selection, a broad choice of products, maximum range of quality product options, maximum product variety, maximum product availability, ease of comparison shopping, and greater product choice. We believe that this factor will be of less importance to African Americans than whites.

Hypothesis 3: Asians will be more concerned with "Internet Vendor Trust" factors than whites.

Hypothesis 4: Asians will indicate a greater level of concern about "Online Payment" than whites.

Hypothesis 5: Asians will indicate a greater level of importance of "Internet Customer Relations" than whites.

Hypothesis 6: African Americans will score lower on the importance of "Internet Shopping Convenience" than whites.

Hypothesis 7: African Americans will score lower on the importance of "Internet Product Choice" than whites.

METHODOLOGY

Sample

Undergraduate students at a major northeastern university participated in this study. Paper and pencil surveys were administered during

class and participation was anonymous and voluntary. There were no inducements for participating. A total of 628 students completed the survey, of which 540 were usable.

Fifty nine percent of the respondents were male versus forty one percent female. Roughly 71% identified themselves as Christians, 12% as Jewish, and 7 % as 'Other.' Approximately 70% of the respondents identified themselves as White, 11% Asian, 8% Black or African American. Roughly 8% indicated an Hispanic, Latino, or Spanish origin. Ninety-nine percent of the respondents reported easy access to a computer, with 95% owning their own. The internet is used primarily for information gathering and research (45%) although 89% indicated that they have purchased a product using the internet.

Measures

Internet commerce success factors were measured using two scales developed by Torkzadeh and Dhillon (2002). The 37-item survey measures fundamental objectives and means objectives, as defined by Torkzadeh and Dhillon (2002). Their research continues to address customer issues in the context of Internet commerce, "suggesting multidimensional measures of factors that influence Internet shoppers that are intuitively appealing and psychometrically reliable and valid" (Torkzadeh and Dhillon, 2002, p. 199). Each item was evaluated using a 5-point Likert-type scale anchored as 1=strongly disagree and 5 = strongly agree. The scale included seven items for internet shopping convenience, three items for internet ecology, three items for internet customer relations, four items for internet product value, seven items for internet product choice, five items for online payment, four items for internet vendor trust, three items for internet shopping travel, and two items for internet shipping errors. Reliability statistics (Table 1) for all factors exceeded the recommended standard of 0.80 (Nunnally, 1978).

TABLE 1
RELIABILITY MEASURES – INTERNET SUCCESS FACTORS

Internet Success Factors	Reliability	Mean	Std. Dev.
Internet Shopping Convenience	.88	3.91	.85
Internet Ecology	.87	4.12	.90
Internet Customer Relations	.90	4.21	.88
Internet Product Value	.88	4.22	.84
Internet Product Choice	.95	4.20	.86
Online Payment	.95	3.98	1.04
Internet Vendor Trust	.94	3.97	.98
Shopping Travel	.88	3.46	1.06
Internet Shipping Errors	.87	3.57	1.09

RESULTS

The relationships between the dimensions of race/ethnicity and gender on the influence on internet factors were investigated using univariate analysis of variance. Dimensions of race/ethnicity and gender were the dependent variables and various measures of internet success were the fixed factors. Significance was determined at $p < .05$. Results are summarized in Table 2 below.

Gender

Results suggest that women are indeed more concerned about online payment issues than are men. Further women do indicate slightly greater concern over internet shipping errors than do men, although the difference is not significant.

Race/Ethnicity

Our assessment of the impact of race/ethnicity on various internet success factors yielded mixed results. We note a significant difference between Whites and Asians with regard to internet vendor trust issues. Additionally, the difference between Asians and whites with regard to internet customer relations factors is indeed significant, but in the opposite direction of what was hypothesized. Asians' reported that these factors were less important than did whites. We find that African Americans do indeed indicate lower importance of internet shopping convenience issues than Whites, supporting our hypothesis. We find no significant difference between Asians and whites in the level of concern they have regarding online payment, and in fact whites scored slightly higher (4.00) than Asians (3.84). Lastly, we hypothesized that African Americans would score lower on the importance of internet product choice factors than whites. While the score is indeed lower, the difference is not significant. Notably, this factor appears to be important to both African Americans and whites, as both groups had mean scores over 4.

TABLE 2
HYPOTHESES SIGNIFICANCE RESULTS

Hypothesis	Mean Value	Significant	Hypothesis Supported
1	Female – 4.18 Male – 3.82	Yes	Yes
2	Female – 3.63 Male – 3.53	No	No
3	Asian – 4.22 White – 3.93	Yes	Yes
4	Asian – 3.84 White – 4.00	No	No
5	Asian – 3.93 White – 4.27	Yes – opposite direction	No
6	African American – 3.53 White – 3.95	Yes	Yes
7	African American – 4.09 White – 4.21	No	No

DISCUSSION

Looking at gender, we find that females are indeed more concerned about online payment issues than are men. This appears consistent with the findings reported by Shade (1998) and Simon (2001). Shade (1998) found that women were very concerned about privacy and the security of networks. We expected a significant difference between genders with regard to internet shipping errors, and while the mean response of women is greater, indicating more concern with this factor, the difference is not significant. Online payment issues overall are of greater concern to both men and women than are shipping errors. E-commerce sites, especially those targeted primarily to women, would do well to emphasize the safety and security measures that are used to ensure that personal information and credit card information will be protected and not misused.

As predicted, the results show a significant difference between whites and Asians with regard to internet vendor trust issues. This is consistent with the findings of Singh et al. (2003). For a target audience concerned with vendor trust, the marketer must reinforce vendor and seller legitimacy, trust for the vendor, and the security measures in place for internet commerce. It was expected that Asians would indicate a greater concern for the online payment and internet customer relations. We anticipated a tendency to avoid uncertainty and risk yet this was not supported in our findings. Instead we note that Asians appear less concerned with online payment and internet customer relations issues than are whites. This raises further questions. Asians are concerned with vendor trust issues, but if they trust the legitimacy of the vendor first and foremost, are all other security and service issues of less importance? In other words, if it is believed that the vendor can be trusted must there be concern with these other safety issues? Does the customer believe the vendor will honor their online payment and customer service expectations? This seems consistent with the findings of Simon (2001) who found that individuals of Asian and Latin origin indicate higher level of trust with information provided.

Looking at the results for African Americans and whites, as predicted, African Americans are not as concerned with internet shopping convenience as are whites. Tailoring a web site around these findings would suggest that e-commerce sites targeted to African Americans do not have to focus as much on making the shopping experience easy,

minimizing shopping time and effort, or minimizing payment time or time pressure while shopping. With regard to internet product choice, the difference between whites and African Americans was not significant and in fact the mean scores for both African Americans and whites were over 4. This suggests that, regardless of race, offering an extensive product selection, the maximum product variety, maximum availability, product choice, and ease of comparison shopping would be an important design consideration in the website and in a company's internet commerce procedures.

In considering the results for race/ethnicity, we might conclude they are somehow influenced by cultural factors as well. Yoo and Donthu (2002) reported that Japanese and Koreans are often more individualistic and less collectivistic than Americans (Yoo and Donthu, 2002a), which differs from the findings reported by Hofstede, but may support some of our findings. In evaluating our overall results, we might also consider the potential influence of social presence (Chang and Lim, 2002; Garrison, Anderson, & Archer, 2004; Tu, 2001). Social presence, the degree of salience of another person in an interaction and the consequent salience of an interpersonal relationship, has been tied to online learning effectiveness, a predictor of satisfaction within computer mediated communication, and the increased use of computer mediated communication when students felt that email conveyed more interpersonal presence (Tu, 2001, p.46). When an individual goes to a selling website, do they become part of an online group? Do they form an interpersonal relationship with the vendor or with other site visitors? Certainly many marketers attempt to build community around their brand, using various marketing strategies that include the development of interactive websites.

Recommendations for future research would be to expand the sample to include a wider range of individuals. It would be useful to understand how gender and race/ethnicity influence each of the internet commerce success factors. We tested only those for which previous research suggested a relationship. It would be beneficial to determine the impact of age on internet commerce success factors. For example, how should a selling site targeted towards older individuals be designed to maximize e-commerce success? Further, it would be helpful to expand this research to include more racial and ethnic diversity. Our sample was largely white. One of the benefits of this particular sample however, is the experience that they have had with online buying.

We can infer that because 89% of the sample has purchased online, they are familiar with internet commerce and know what they like in terms of site design and e-commerce procedures. Finally it would be important to compare these gender and race/ethnicity results to the measures of individual culture that were gathered for this sample.

Internet technology gives companies a great deal of power and flexibility in designing their websites. It is possible to design a site that meets the needs of individuals with varied race/ethnicity, gender, and cultural backgrounds and expectations, but a detailed understanding of what content and design elements are needed, given these characteristics, is a vital prerequisite.

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PERSON INTERACTIVITY'S MEANING IN ONLINE SHOPPING: IS IT THE SAME AS THAT OF SOCIAL TELEPRESENCE?

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ABSTRACT

In the area of electronic service quality, the importance of person interactivity in enabling the WWW to live up to its potential has been taken for granted by researchers. Existing research shows little consensus on the meaning of the term 'person interactivity' and the term has been used interchangeably with the term social telepresence, resulting in inconclusive findings. Person interactivity is defined as the degree of social interconnectedness between buyers and sellers, or between buyers and other buyers through an online medium. Social telepresence is defined as the degree to which the buyers psychologically perceive a person to be physically present when interacting with him/her via an online communication. This study attempts to identify the conceptual domain of person interactivity in an online shopping context, develop a scale to measure this concept, and demonstrate discriminant validity between the scales for person interactivity and social telepresence.

An initial 34-item scale of person interactivity was developed from two focus group studies. A survey questionnaire containing the scale was administered to 187 students to validate the scale and to ensure that the scale was separate and distinct from a 5-item scale of social telepresence. Confirmatory factor analysis resulted in a final 5-item scale of person interactivity and a separate 5-item scale of social telepresence. The final model revealed that the fit indices were acceptable, indicating sufficient fit between the theoretical model and the dataset ($\chi^2=85.36$, d.f.=34, $p<0.00$; GFI=0.91; AGFI=0.86; CFI=0.92). Both constructs achieved acceptable levels of reliabilities (composite reliabilities=0.82, which is above the suggested 0.6 threshold). The average variance extracted for the person interactivity scale (0.47) and that for social telepresence scale (0.48) were very close to the suggested threshold of 0.50. In addition, the results provided evidence of convergent ($\text{Lambda-X}>0.5$ and $t\text{-statistics}>\pm 1.96$) and discriminant validity (average variance extracted was greater than the squared correlations for each measure).

The survey results revealed that person interactivity and social telepresence were two separate constructs. The person interactivity scale analysis revealed a dimension involving a two way interaction between buyer-and-seller, as well as an interaction between buyer-and-buyer via online communication. Results showed that Web buyer-seller relationships include interactions between customers and company representatives through e-mail; chat-rooms; discussion groups; Web conferencing, etc. Sample items used to measure buyer-seller interaction were: "A good shopping Web site: a) is interested in gathering visitors' feedback and b) is interested in what visitors to the site have to say." Scale items for measuring buyer-to-buyer interactivity included items such as: "A good shopping Web site has a page for recording customers' reviews and recommendation on products or services." Social telepresence was assessed by scale items such as: "visitors feel a sense of being face-to-face with a salesperson."

Study results indicate the person interactivity scale can be used to measure the concept of person interactivity and examine its influence on the potential success of a Web site. The obtained results also give helpful hints to Web vendors on how to promote interpersonal communication through buyer-to-seller and buyer-to-buyer interaction. The authors hope this research on person interactivity will prompt more interest from other practitioners and researchers; and stimulate further research on person interactivity.

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BEWARE OF THE BLOGSPHERE: THE FORMATION OF DIFFUSE CROWDS THAT WILL SHAKE UP EVERY BUSINESS

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ABSTRACT

By combining a marketing perspective on electronic communications with a sociological analysis of collective behavior, this paper lays out a conceptual foundation for the understanding and potentially using “blogs” in the procurement and sales of goods and services. The paper follows the framework provided by Turner and Killian and argues that blogs are a form of crowd behavior that generates a sense of power (1957). While Blumer suggests “crowd conventionalization” as one method of dealing with the power of crowds, this paper suggests crowd participation as an alternative (1951). This strategy could provide businesses with a portal to the most influential consumers and a way to control or mitigate impact of product information shared electronically.

INTRODUCTION

The intensity of activity and rapidity of communication decline as one moves outward from the center of the crowd. But even on the outskirts where the activity is least the essential crowd processes are still likely to be found... supporting the more dynamic center and feeding new members to it (Turner & Killian, 1957).

Weblogs are often-updated sites that point to articles elsewhere on the web, often with comments, and to on-site articles. A weblog is kind of a continual tour, with a human guide who you get to know. There are many guides to choose from, each develops an audience, and there’s also camaraderie and politics between the people who urn weblogs, they point to each other, in all kinds of structures, graphs and loops (Winer, 2002).

“Blog” was Merriam-Webster on-line’s number one word for 2004 and Fortune Magazine named it the number one tech term for 2005. A blog, according to Merriam-Webster’s online dictionary, is “a web site that contains an online personal journal with reflections, comments and often hyperlinks provided by the writer. Short for “weblog” a blog is a frequent, chronological publication of personal thoughts and web links. The word “weblog” is typically attributed to Jorn Barger who coined the term in December 1997 for his site called Robot Wisdom Weblog.

People can post content on one or a variety of subjects on blogs. Other users can read the posts and discuss them though the web site. (Blog & Blog ad) In the past five years, the number of blogs has grown from fewer than 100,000 mostly obscure sites to more than 4 million, with a new blog created every 7.4 seconds (Woods, 2005). Estimates of the number of existing blogs vary widely. Technorati, the largest blog search engine claims to be tracking 15 million sites and 1.4 billion links (About Technorati, 2005). According to the Pew Internet and American Life Project, released in February 2004, 32 million people have read blogs, 8 million have blogs, and 6 million have RSS (syndicated) blogs (Fallows, 2004)

Both Time Magazine and Business Week have devoted special issues to blogging. Time has added a special category for blogs in its annual “50 coolest websites” edition. In May 2005 Business Week ran a riveting story warning that “blogs will change your business”. In June 2005 Business Week wrote of blogs as a “collective clamor” and simply called the article, “The Power of Us”. In that article they predicted that weblogs are rapidly becoming an unprecedented collective force as we watch mass cooperation across time and space suddenly become economically feasible for the first time in human history (Hof, 2005).

It is interesting to note that the very first web site qualifies as a blog by current definitions (a frequent, chronological publication of personal thoughts and web links). It was built by Tim Berners-Lee at <http://info.cern.ch> and put online on August 6, 1991. It provided an explanation about what the World

Wide Web was, how one could own a browser, how to set up a server and so on (Tim Berners-Lee, 2004).

The evolution of blogs moved quickly from that first web site in 1991. Jesse James Garrett, editor of Infosift, began compiling a list of these informational (yet unnamed) sites and in November of 1997. He sent that list to Cameron Barrett. Cameron published the list on Camworld, and others maintaining similar sites began sending URL's to him for inclusion on the list. By early 1999 there were 23 weblogs known to exist. Around the same time Brigitte Eaton compiled a list of every weblog she knew about and created Eatonweb Portal listing blogs containing dated entries (Blood, 2000).

The largest software producers like Netscape offered sites detailing new product developments and offering links to other sites. From 1993-1997, corporations involved in software and hardware offered most of these blog-type sites. In 1997 several computer savvy bloggers joined the fray. In that year, Barger coined the term weblog, and free software became available to assist in launching personal blogs. The blog explosion occurred when software developers introduced blogging tools that allowed complete novices to create blogs of their own. The most popular of these are Blogger, although Yahoo and Google are currently offering similar programs.

Feedster is another large blog search engine using RSS (Really Simple Syndication). RSS is the structured data format used originally to syndicate blogs and news (but is now spreading quickly to mainstream commercial use in job postings, e-commerce, etc.). Feedster currently indexes across 13 million feeds or blog links (Our Company, 2005).

Literature Review

The importance of blogs was clear to Rheingold (2002). In one of the first books to examine the power of digital communication, he wrote: *Imagine a world where there are two kinds of media power: One comes through media concentration, where any message gains authority simply by being broadcast on network television; the other comes through grass-roots intermediaries, where a message gains visibility only if it is deemed relevant to a loose network of diverse publics* (Turner and Killian, 1957).

The academic literature is scant in the area of developing new channels of communication within the Internet environment. Articles have been written

on viral marketing (spreading brand names through the Internet), virtual communities, digital influencers (online opinion leaders), and electronic word of mouth. Most of these focus on the motivation of consumers to participate in electronic communities for economic or social gain. Some work has been done on consumer motivation for engaging in electronic word of mouth communications. This work elaborated on the conceptual discussion by Strauss on Internet customer communication as a new form of word of mouth communication (Gremler, 2004). Balasubramanian and Mahajan developed a conceptual framework for the economic leverage of virtual communities that integrates economic and social activity (2004).

None of the work to date considers blogs as a new communications channel, but instead focuses on creating a typology of motives of consumer on-line articulation. This paper looks at the potential of one form of on-line articulation---specifically blogs. By examining bloggers using collective behavior theory we might be in a position to study behavioral outputs rather than motivational inputs. In other words, this paper will focus on the utilization of the communication form to impact businesses instead of the socio-psychological impetus for participating in the communication channel. While several articles have been written on the viability of using blogs for advertising, as a marketing research tool, or to collect information on consumers of interest, none have examined blogs as a social collective with the power to change how products and services are marketed or evaluated.

The power of blogs to disseminate information and host global conversations about virtually anything makes them worthy of examination by the business literature. The business media has warned that blogs are a phenomenon that "business cannot ignore, postpone, or delegate" (Baker, 2005). Companies over the past few centuries have gotten used to shaping their messages. Now they must learn to work with this powerful new form of information dissemination. In order to do that, blogs must be understood as a form of collective behavior that needs to be addressed in some appropriate and strategic way.

Theoretical Framework

Blogs have an innate energy that makes them desirable if their power can be harnessed or directed. Blumer's concept of "the conventionalized crowd" was one in which societies attempt to utilize

or control the force of the crowd (1951). Turner and Killian elaborate on the concept indicating that the force of the crowd can be deliberately used by individual leaders or by small power groups while the crowd members remain unaware of this manipulation (1957).

It will be argued in this paper that in order to use the power of blogs as a marketing strategy, the collective behavior needs to be directed rather than utilized in its current form. If it were possible for marketers to *direct or participate in*, rather than simply watch the conversations or take control of them, it would have implications both for traditional collective behavior theory regarding crowds, as well as for the marketing of goods and services using electronic communication.

Collective behavior theory will provide the framework for understanding the formation and inherent power of blogs, but it will be argued that traditional collective behavior theory neglects the concept of crowd participation as a form of conventionalizing a crowd in order for its energy or power to be of use. Given that such participation is feasible and ongoing, these seemingly unwieldy and innately powerful collectives might be initiated, joined, manipulated and ultimately utilized as a new marketing strategy that is both technologically sophisticated and effective.

It is hypothesized that blogs are a form of collective behavior as defined by the Turner and Killian typology, having all the potential and properties ascribed to a crowd (1957). It is further hypothesized that the power of this form of collective behavior might best be utilized by an alternative to conventionalization. It will be argued that participation in blogs, provides opportunity for marketers given they understand essential elements of the nature of these collectives. A brief consideration of collective behavior theory as it applies to crowd behavior will facilitate this discussion and enhance the argument that blogs may represent a crowd worth joining.

The collective behavior literature incorporates those theories that deal with a group collectively acting with some continuity to promote a change in the society of which it is a part. Gustave Le Bon is often identified as the father of collective behavior (1896). In 1896 he wrote, *The Crowd: A Study of the Popular Mind*. While lacking specific theory, this was a significant landmark in the development of the field of collective behavior. Le Bon described crowd behavior and concluded that groups of people

interacting and loosely organized could impact the social order (1896).

Shortly after Le Bon's work, E. A. Ross devoted his writings to the concepts of crowds, mobs, fads, fashions, and mass movements (Savage, 2003). Echoing Le Bon, Ross noted the power for social influence contained in group behavior (1896). This notion was furthered in the 1950's when Herbert Blumer gave collective behavior its clearest definition (1951). Blumer saw the origin of collective behavior in a societal condition of unrest or dissatisfaction (1951). From this atmosphere several different types of social movements can emerge. Those include consumer movements directed at problems in the marketplace, as well as social movements directed at specific institutions such as civil rights, abortion, or gay rights (Walker, 2003). Turner and Killian elaborated on existing collective behavior theory (1957). They agree with others that certain elements are common to all crowds including: uncertainty, a sense of urgency, communication of mood and imagery, constraint, selective individual suggestibility and permissiveness (1957). All of these elements are present in blogs.

Blogs communicate a sense of urgency simply by their format. New entries are at the top of the page, with older comments below. Blog followers wait to see entries and watch the conversation unfold in real time. Search engines may list by latest post or newest blog. It is the real time element of blogs that makes them so powerful. The sense of urgency becomes apparent with every rumor spread, new information leaked, or unauthorized product review. They are and up to the minute heat map of consumer activity. The communication of mood, imagery, and appropriate action are usually emergent characteristics that come as the crowd or blog develops. Mood and imagery are a result of the collective interaction as the discussion on the blog unfolds.

The selective individual suggestibility and permissiveness refer to the tendency to respond uncritically to suggestions that are consistent with the mood, imagery, and conception or appropriate action that have developed and assumed a normative character. The individual does what the group does. The diffuse crowd exists as a network of communication chains, and as the same individual encounters the same sentiments being expressed in a succession of small knots of people, he quickly acquires the sense that he is part of a collective, sharing uniform sentiments (Killian, 1957). This form of mob mentality can exist electronically. Blog

participants can become herds that buy or dump stocks on momentum alone. Surowiecki, author of the *Wisdom of Crowds*, wonders if the Internet connects like-minded people so well that it can amplify group-think (Hof, 2005).

Manipulating the Diffuse Collectivity

There are already many models available as businesses struggle to find a way to join the ongoing global conversations that ultimately will shape their collective futures. There is little to stop companies from quietly buying bloggers' support, or even starting unbranded or branded blogs of their own to promote their products—or to tar the competition. This undoubtedly clouds the line between advertising and editorial, but it is happening now among some of the very biggest corporations.

In January, General Motors Vice Chairman Bob Lutz launched his own FastLane Blog. Car buffs flooded the site with suggestions and complaints. When GM disagreed with a comparison of two cars done in the LA Times, it funneled information to an existing blog, AutoBearing.com and its blogger Miro Pacic who says GM provided him with information but no money exchanged hands. Firms from Procter & Gamble to Dow Chemical Co. have joined the fray. LEGO Group uses the Internet to identify and rally its most enthusiastic customers to help it design and market more effectively. Eli Lilly & Co., Hewlett-Packard Co. and others are running "prediction markets" that examine the collective wisdom from online crowds.

It is unlikely that blogs can be contained or ruled. One author warns that there may already be a significant power shift propelled by blogs. "Corporations, those citadels of command and control, may be in for the biggest jolt. Increasingly, they will have to contend with ad hoc groups of customers who have the power to join forces online to get what they want" (Hof, 2005). C.K. Prahalad claims, "We are seeing the emergence of an economy of the people, by the people for the people" (2004). Customers are creating what they want themselves and declaring their opinions via blogs instead of waiting for newspapers to print their letters.

Manipulating a diffuse crowd: Participation in blogs as a marketing strategy

Kingsley Davis characterizes conventional crowds as being "articulated with the social structure" (1949). Essentially societies provide traditional, conventional situations in which people

can be free to express themselves. This is a conscious effort by the society to sponsor socially sanctioned crowd behavior. In these situations, the experience is repeated time after time and the forms of behavior become standardized. Football rallies, New Year's Eve in Times Square and holiday crowds are examples of conventionalized crowds.

It is proposed that blogs be joined rather than conventionalized. The credibility, spontaneity, and timeliness of the phenomenon cannot be maintained or replicated through conventionalization. It may be possible, however, to enter into the type of situation in which blogs can be joined and the vehicle be utilized. In *The Cluetrain Manifesto, the end of Business as Usual*, seen by many as the Bible of on-line marketing, blogs are seen as a central part of mass communication (Locke, 2001). One key principle in the book directs marketers to "become part of the conversation." This parallels the advice of Turner and Killian who suggest that manipulation of a diffuse crowd is possible if one can gain access. "The problem of access includes the question of whether to make a mass appeal or to reach key persons who can then be expected to influence others (1957).

It is suggested here that participation, rather than manipulation be the goal. Businesses can sponsor a branded corporate blog, they can host an unbranded corporate blog, or they can feed information to some chosen blogger. One blogging consultant says, "a lot of what blogging is about is authenticity, getting beyond corporate speak and PR, and really creating a conversation" (Steinberg, 2005). In an industry white paper, it is suggested that all businesses first find out what people are saying about them on blogs by using the search engines and key word or indexes created by participating bloggers. Companies should test their readiness to respond quickly to either positive or negative messages on the blogosphere. Executives should be recruited to create their own blogs as many CEO's have now done. There is always the warning however, not to do a blog unless it fits within your overall communications mix (Edelman, 2005).

Another way to participate in the blog movement is to use information from blogs as a marketing research tool. By pinpointing influential bloggers, marketers can both gather and disseminate information on everything from product characteristics to corporate image. Additionally there is the option of advertising on appropriate blog sites. According to a Forrester Research study, as many as 64% of marketers are interested in advertising on

blogs (Dube, 2005). In a survey of more than 17,000 blog readers conducted by BlogAds, 61% of readers are 30 years of age and older, and 75% earn more than \$45,000 a year. Two-thirds report clicking on a blog ad (Figueredo, 2005). Blog enthusiasts put it simply: "The bottom line is that bloggers have the lowest overheads in media and the most passionate audiences. "Buying 5 million page impressions on blogs costs less than \$3000. The same ads on WashingtonPost.com or NYTimes.com would cost \$125,000" (John, 2003).

Implications and Conclusion

While the collective behavior literature is extensive and rich, there is an underlying assumption that collectives often are pathological, disruptive or in need of being controlled. It is commonly held that collectives have power, which is enhanced during the crowd or collective experience. Clearly, this might suggest the potential danger of any gathering. For this reason, theorists pose crowd conventionalization, manipulation or other strategies to control crowds.

Blogs meet all characteristics in the Turner and Killian typology for crowds (1957). The only difference is that these are what might be called crowds of opportunity. Blogs could provide an effective portal to the most influential consumers, as well as information on competitors. This type of crowd is both accessible and unwieldy at the same time but diffuse crowds, or blogs, might offer a lifeline to beleaguered industries. Newspapers are currently testing the waters. Blogs were major suppliers of information during the tsunami tragedy. Blogs have become an incredibly important medium for communicating to primary audiences including consumers, shareholders, employees and critics. They have not only added a new communication channel, but have changed the entire communications model.

It is suggested in this paper that *crowd participation* may represent a new addition to the collective behavior literature. There may be cases in which this participation is beneficial. This possibility should be explored. In the case of marketing, the power, energy and attitude innate in a blog could motivate sales under the right circumstances. If successful, blogs could be the promotional vehicle that connects marketers to typically hard to reach audiences in an exciting and effective way. The newest examples of a diffuse crowd are blogs existing in a world called the blogosphere. The measure of success in that world is not a finished

product. The winners will be those who host the very best conversation.

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DIFFERENCES IN STUDENT PERCEPTIONS OF SERVICE QUALITY AND CLASSROOM ENVIRONMENT FOR EXCELLENCE IN TEACHING

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ABSTRACT

Understanding different student groups is critical to delivering consistent service quality in the classroom. This paper examines student perceptions of service quality and classroom experience across categories such as major, class year and preferred learning style, and how these differences influence the delivery of service quality in a teaching environment.

INTRODUCTION

It is no longer an acceptable premise in academia that a good learning environment requires simply a teacher who possesses those traits perceived by higher education to be attributes of teaching excellence, such as communication skills, knowledge, credibility, and preparedness. Much current thinking now holds that a good learning environment requires the combination of teaching quality factors coupled with the creation of an environment where the students are treated as customers and education as a service product. In this paper, we examine how students' perceptions of service quality and classroom environment vary among different student groups and preferences, to help establish better criteria for a good classroom and service experience among these student groups.

Marketing scholars have been studying the definition of teaching excellence for nearly 20 years. Conant, Smart and Kelley first studied marketing master teachers in 1988 and later, in 2003, updated their initial study. What they concluded was that although 15 years had passed since their initial study, the definition of a good marketing teacher had not changed substantially; strong communication skills, use of an interactive style and asking thought-provoking questions still were essential attributes of teaching excellence. A more recent study (Faranda and Clarke, 2004) conducted in-depth interviews with students to determine the attributes of an outstanding professor. Their studies revealed five primary issues deemed by senior level undergraduate students to be critical for an outstanding instructor: rapport, delivery, fairness, knowledge and credibility.

Although Kelly, Conant, and Smart (1991) proposed four service quality factors (responsiveness,

reliability, empathy and tangibles), and others (Brown & Koenig, 1993; Divocky & Rothermel, 1989; Helms & Key, 1994; Hittman, 1993; Shim & Morgan, 1990) recognized that for improvement of the instructional process to be effective the student, as the recipient of the instruction, be viewed as the customer of the service, it is only recently that it has become commonplace to view the student as a "customer" (Browne, Kaldenberg, Browne and Brown 1998; McCollough and Gremler 1999). McCollough and Gremler (1999) assert that "important educational gains are to be achieved by treating students as customers, education as a service product and applying the lessons of service marketing to the classroom." This concept has led to some academic administrators holding the measurement of student satisfaction in as high regard as other business areas.

Desai, Damewood and Jones (2001) advanced the notion of a "consumer-oriented" approach to teaching in surveying of students and teachers regarding their perceptions of what constituted a good teacher. This study concluded that the following were characteristic of effective instruction: encouragement of student input, facilitating student-teacher communication and making course materials readily available. They proposed a marketing-type model of customer/student orientation as a means for improving teaching and improving student response to classes and instructors, and concluded that if students are viewed as customers and teachers see themselves as professional educators, teachers can improve and it would follow that students would view those teachers as improved.

The objective of this study was to provide a more comprehensive understanding of this

“student/customer service” aspect of an effective learning environment, and how it varies with student demographics. By understanding the cultural expectations and customer needs of specific student groups, and how these expectations and needs change over the life cycle of a college education, teachers can better target their efforts to create an optimal learning environment for all students.

METHODOLOGY

A questionnaire was administered to 434 students at a liberal arts college on the East Coast during the first two weeks of the academic term, which was designed to assess both key student demographics and attitudes towards the classroom experience. Questions on this survey included the following:

- 1.) What year are you? Please circle. Freshman, Sophomore, Junior, Senior, Other
- 2.) What is your Major/Specialization?
- 3.) Please provide your definition of a “great” or “awesome” course.
- 4.) Please give your definition of an instructor providing excellent “customer/student” service in the classroom.
- 5.) Please mark an “x” in the appropriate box (Poor, Average, Good, or Excellent) to indicate how you feel towards your ability to learn from each of these teaching methods:
 - i.) Instructor using PowerPoint/Internet with Lecture
 - ii.) Lecture (no notes) with Q& A from Students
 - iii.) Debates
 - iv.) Case Videos with Discussion
 - v.) Group Discussion
 - vi.) Group Activities
 - vii.) Guest Speakers

This survey also included other questions, which were not used in this specific study; they included questions relating to career goals, hobbies and interests, and use of spare time. Results from the survey questions listed above were then coded as followed:

- Class year was coded on a 1 to 4 scale from freshman through senior year.
- Major and specialization values were grouped into one of the following overall categories: Business, Education, Science/Math, Liberal Arts, Social Science, Nursing, and a miscellaneous category for students whose majors were undecided at the time of the survey.

- Descriptions of a “great” course (course factors) were qualitatively grouped into one of the following categories, as coded on subsequent figures:
 - Content: Factors involving the course material and its application to the student’s life and career.
 - Workload: Factors involving grading, amount of time required, quantity of homework, respect for overall student workloads, and similar factors.
 - “Fun”: Factors involving an interesting, entertaining and enjoyable educational experience.
 - Communications: Factors involving the instructor’s communications and pedagogical skills.
 - Teaching Techniques (TT): Factors involving the use of unique or multiple teaching approaches in the classroom.
 - Student Interaction (SI): Factors involving the interaction between instructors and students, both during classes and when assisting students outside the classroom.
 - Instructor Competence (IC): Factors involving instructor competencies such as being knowledgeable about their subject matter, organized, prepared and able to set clear student expectations.
- Descriptions of excellent “customer/student” service in the classroom (service factors) were also qualitatively grouped into one of the above categories, with responses limited to the categories of Communications, Fun, Teaching Techniques, Student Interaction and Instructor Competence, as well as a default category of “none” for students who chose not to respond to the question.
- A Likert scale from 1 to 4, corresponding to rankings from Poor to Excellent, was used to classify student responses to the teaching methods listed above.

These course factors and service factors were then correlated against student responses for class year and major, as well as against high ratings (e.g. 4 out of 4) for each of the teaching approaches listed, to examine how these course and service factors vary for specific student groups and preferences.

RESULTS AND DISCUSSION

The definition of a good course and the perception of service quality each have very specific - and different - definitions in the minds of students. Overall course ratings rank both content and "fun" as the most important factors, with student interaction, teaching techniques and communications skills forming the next most important cluster of factors. By comparison, student interaction is overwhelmingly rated as the most important factor in service quality.

Rankings of course and service factors vary significantly, however, when correlated against other

factors in the survey. A summary of these results is as follows:

1. Course and service factors versus class year

The key finding among these results was that course rankings vary significantly by class year. Overall, the value of content increases as students get closer to graduation, while the value of "fun" appears to decline over time, possibly reflecting an increased concern for the ability to learn and apply material as one's college education progresses. Conversely, service ratings appear to have few significant rating differences by class year.

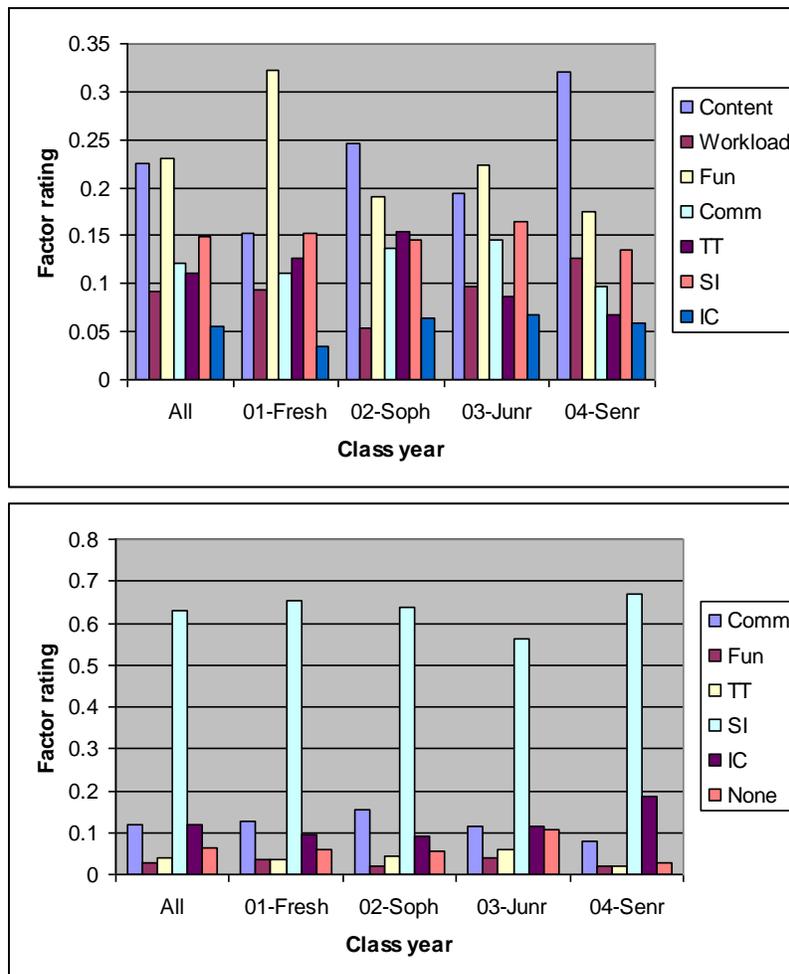


Figure 1. Course and service factors versus class year.

2. Course and service factors versus academic major

Both course and service ratings appear to vary significantly by major: Among course factors, content ranks highest among business, liberal arts and nursing students, while "fun" ranks highest among education major and undeclared students. These factors are largely equivalent among science and social science students.

Among service factors, student interaction is far and away most important for all majors, but the percentages vary significantly, from a low of near 50% for business majors to a high of approximately 75% for liberal arts, social science and nursing students. Concomitantly, "fun" ranks much higher as a service factor among business students.

3. Course and service factors versus learning styles

There are significant differences in factor ratings across students who gave high scores to different types of learning styles. In general, students who rate passive modalities such as learning media and guest speakers highly also tend to rate "fun" ahead of content and other factors, although not exclusively. Conversely, more active modalities such as debates and group discussions are associated with higher relative ratings for content versus other factors. One of the more passive modalities, videos, is also associated with higher scores for workload issues, while teaching techniques rank more highly with specific modalities such as learning media, group discussions and group activities.

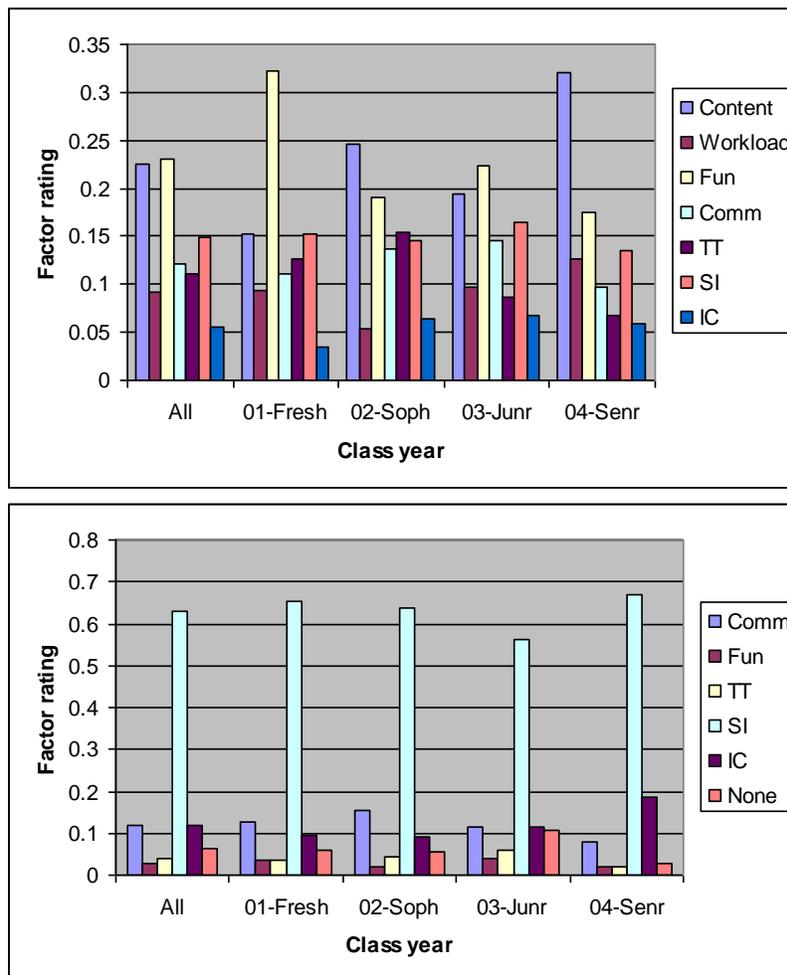


Figure 2. Course and service factors versus class year.

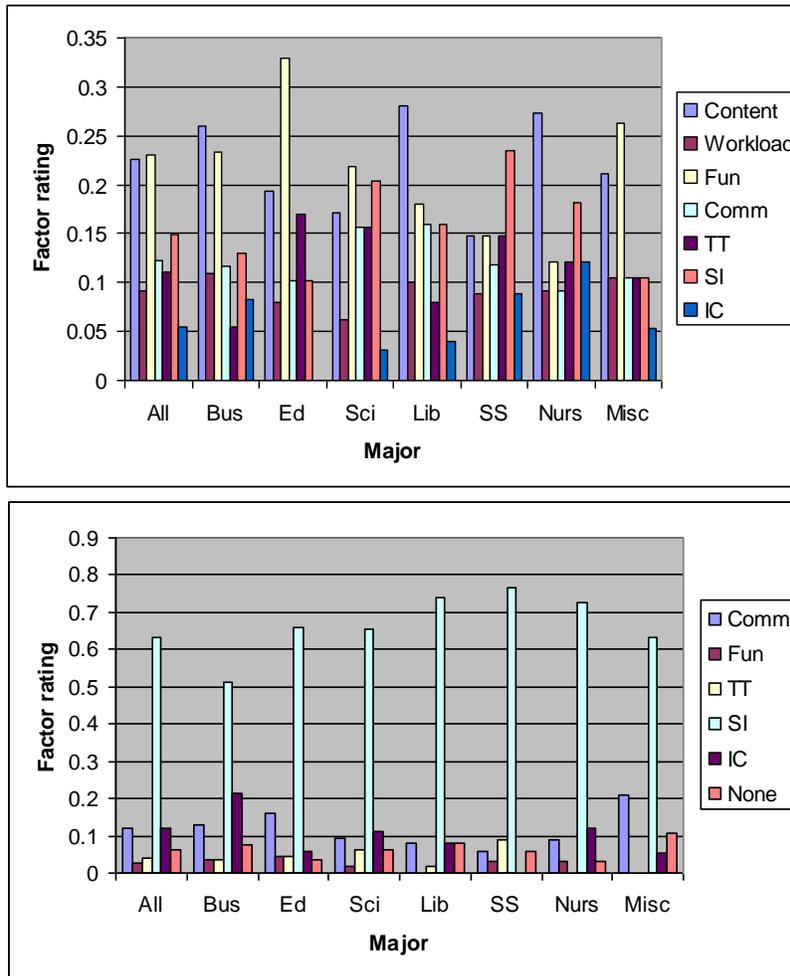


Figure 3. Course and service factors versus academic major.

As with other correlations, service factors tend consistently towards a desire for better student interaction. One significant trend, however, is that relative ratings for "fun" tend to be higher for passive modalities such as learning media, videos and guest speakers, and lower for more active ones such as group discussions and group activities.

SUMMARY

The results presented here represent a starting point for examining student differences and learning preferences as a basis for creating both high service quality and teaching excellence in a classroom environment. The potential sampling error of a single study means that specific results may vary, and furthermore be subject to cross-correlation effects; for example, a group of senior business students are likely to have different rating values than

freshman business students. At the same time, these results confirm that student differences significantly impact perceptions of service quality in the classroom, and that these differences represent a promising area for further study.

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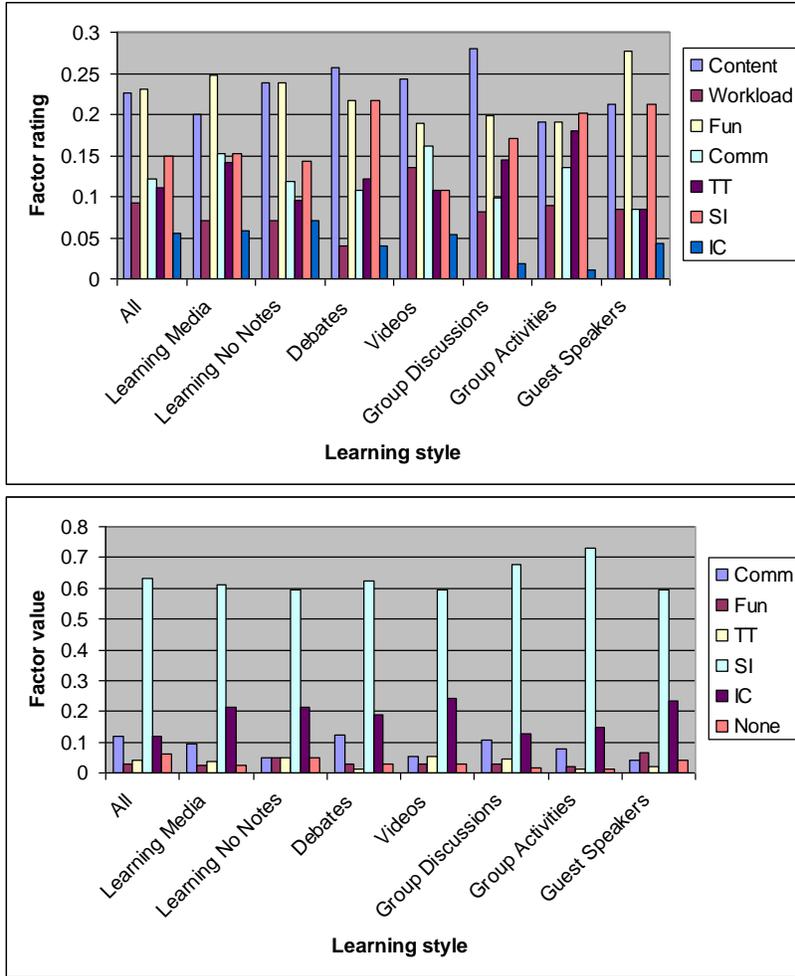


Figure 4. Course and service factors versus learning style.

ASSESSING THE EFFECTIVENESS OF, AND SATISFACTION WITH, A LAPTOP LEARNING ENVIRONMENT: THE ROLE OF TECHNOLOGY READINESS

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ABSTRACT

This study looks at the relationships between technology readiness of business students and their perceived effectiveness of, and satisfaction with, a laptop environment. The findings show that technology readiness is correlated with both perceived effectiveness and overall satisfaction. Implications are provided to assist institutions implementing a laptop learning environment.

INTRODUCTION

The typical college student today was introduced to the Internet, video games, and other innovative technology at a very early age. Most college students probably can't even recall the "pre-Internet" world. Approximately 20% of college students today began using computers between the ages of 5 and 8, with nearly all of them using computers by the time they were 16 to 18 years old (Jones 2002). Moreover, both high school and college students have been at the forefront with respect to adopting new technologies such as the Internet, instant messaging, and Web boards. As a result, today's college students believe that learning technologies are integral to their course work and expect to use cutting-edge technology in their academic studies (Gustafson 2004).

The purpose of this study is to assess the relationships between the "technology readiness" of business students and their corresponding perceived effectiveness of, and satisfaction with, a laptop learning environment. Although most business students have grown up using technology and expect to take college courses using the Internet, online databases, etc., not all students are equally prepared for the technology-based classroom environment. Some students are more ready than others to incorporate cutting-edge technology into their educational experience. Therefore, a student's level of technology readiness seemingly could impact his/her overall satisfaction and perceived effectiveness of a technology-based learning environment.

BACKGROUND REVIEW

Technology Use in Business Education

The integration of innovative technology, such as Web-enabled courses and computer based exercises, into business educational programs is gaining in popularity with students and credibility with faculty as a meaningful way to transmit content, encourage retention, stimulate thinking, and develop long-term skills (Brennan, Miller, and Moniotte 2001). For example, Basile and D'Aquila (2002) found that most accounting students surveyed had a positive attitude towards computer-mediated instruction and were comfortable using it in the classroom. Similarly, Spinelli (2001) found that business statistic students felt comfortable with, and exhibited positive attitudes toward, a technology-enhanced classroom. On a related note, Mitra and Steffensmeier (2000) argue that computer enrichment has a series of positive outcomes on attitudes toward the learning process, which in turn may have a positive outcome on learning itself.

The success of technology integration into instructional programs appears to be more dependent on human and contextual forces than on hardware, software or connectivity (Charp 2000). Elliott and Hall (2002) suggest that integrating laptop technology into course curriculum presents a number of challenges that many instructors may not be prepared for. These challenges include such things as knowing when to use the laptop and changing from teaching to facilitating. Similarly, Rogers (2000) argues that effective use of technology in the

classroom requires a paradigm shift from “teaching” to “learning.”

This paradigm shift necessitates additional faculty training in both technology and learning styles, as well as adequate technical support from the institution. It requires faculty to shift from being a teaching franchise to being an enterprise that emphasizes learning. Studies have shown that in most situations faculty respond positively to technology enhanced learning environments (Hutchison 2003), especially if they are directly involved in the decision making process (Rice and Miller 2001).

As more and more business schools adopt technology-based learning environments, an initial challenge many college and universities face is assessing the discrepancy between the readiness of their students to use the latest cutting-edge technologies and the ability of their faculty and institutions to incorporate the appropriate mix of technology into the classroom. Developing the appropriate level and use of technology in the classroom environment is critical for enhancing both student learning and satisfaction. The design of a learner-centered environment begins with knowing what the student brings to the classroom – their beliefs, knowledge, and cultural practices (Bransford, Brown, and Cocking 1999).

Many institutions, however, have not recognized or responded to the various ways students communicate, access information, and value technology today (Levin and Arafeh 2002). Moreover, most institutions have failed to measure the “technology readiness” of their students before deciding on the types of technologies to use. As a result, faculty may have difficulty incorporating the knowledge and technical abilities that students bring with them into the classroom learning environment (Bransford et al. 1999). This seemingly could restrict students’ perceived effectiveness of, and overall satisfaction with, the technology enhanced learning environment.

The Technology Readiness Index (TRI)

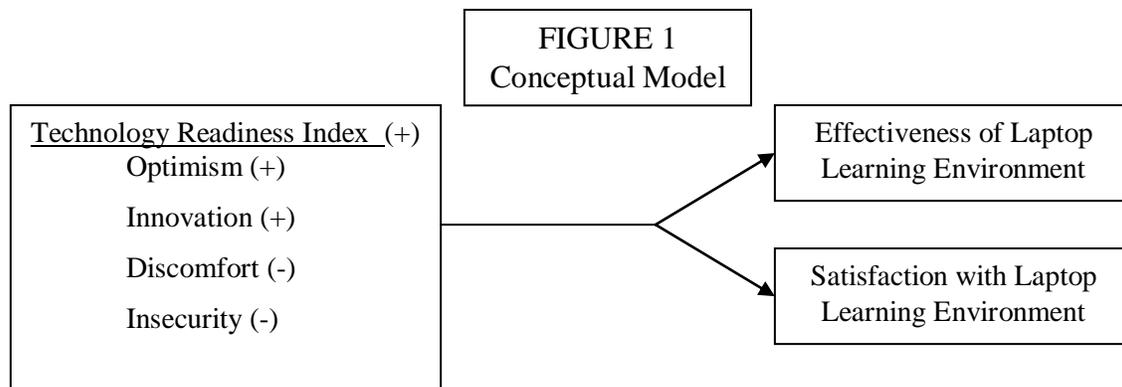
The Technology Readiness Index (TRI), developed by Parasuraman (2000), is a 36 item Likert type scale with responses ranging from “Strongly Agree” (5) to “Strongly Disagree” (1). The TRI measures an individual’s propensity to adopt and use innovative technology for accomplishing goals in home life and at work. The TRI does this by

assessing how “techno-ready” respondents are. In addition, the TRI helps explain how and why different individuals adopt technology. The TRI accomplishes this by looking at both forces that attract individuals to innovative products and forces that may repel them away from new technology-based products.

Underlying the TRI are four dimensions of technology belief that impact an individual’s level of techno-readiness. Two of the dimensions are contributors and two are inhibitors of technology adoption. The contributors are: 1) Optimism – the degree to which individuals believe that technology can benefit their lives and give them more control over their life, and 2) Innovativeness – a natural desire to experiment with new technologies, as well as to be a thought leader. The inhibitors are: 1) Discomfort – a feeling of lacking both control over technology and the confidence in making the technology work, and 2) Insecurity – a need for assurance that a technology-based product, service or process will operate reliably and accurately. The four dimensions are relatively independent of each other, therefore, an individual could harbor both contributor and inhibitor feelings towards technology.

The Laptop Initiative at Minnesota State University, Mankato

A decision was made in early 1998 to implement a laptop learning environment in the College of Business at Minnesota State University, Mankato that would eventually require all business majors to have a laptop computer. Some faculty embraced the idea immediately, others wanted more information before making a judgment or decision, and some faculty expressed concerns about the laptop initiative regarding costs to the students and/or value-added to student learning. Neal (1998) and Mendez-Wilson (2000), for example, both make the argument that there is little empirical evidence to show that using electronic technology in the classroom actually improves student learning. Faculty training was conducted throughout the 1999-2000 academic year on software and classroom application issues. Specifically, training revolved around what Bovinet, Newberry, Smith, and Young (2000) identified as the three primary application areas for the laptop: 1) information storage, 2) classroom communications, and 3) technical application. The College of Business is now a wireless laptop learning environment with all courses requiring a laptop computer.



CONCEPTUAL MODEL

The model to be tested in this study is presented as Figure 1. As shown below, it is hypothesized that two components of the TRI scale (Optimism and Innovation) are positively related to perceived Effectiveness of and Satisfaction with the laptop learning environment, while the other two components of the TRI scale (Discomfort and Insecurity) are inversely or negatively related to perceived Effectiveness and Satisfaction. It is also hypothesized that the overall Technology Readiness Index score is positively related to both perceived Effectiveness of, and Satisfaction with, the laptop learning environment.

METHODOLOGY

Construct Measurement

The measurement of “Technology Readiness” was assessed using Parasuraman’s (2000) TRI scale. The TRI scale has demonstrated high internal reliability. Parasuraman (2000) has reported coefficient alpha scores ranging from .74 to .81 across the four dimensions of the scale. The TRI scale has also demonstrated high construct validity by being able to discriminate across different levels of consumer ownership of products for which one might a priori expect different levels of technology readiness to be very relevant.

The measurement of “Satisfaction” and “Effectiveness” required the development of two new measurement scales. The conceptual definitions of these two measurement scales are as follows: 1) Satisfaction - respondent satisfaction with the characteristics of the laptop computer itself, software, the infrastructure to support the laptop initiative

(printers, classrooms, technical support, wireless connections, costs) and the amount and purpose of classroom use, and 2) Effectiveness - perceived effectiveness of the laptop initiative in contributing to learning and student preparation for the future.

To assess the internal reliability of the Satisfaction and Effectiveness scales, coefficient alpha scores were computed for both scales. Both scales exhibited relatively high internal consistency for exploratory research (Nunnally1967), with coefficient alpha scores of .77 for Satisfaction and .93 for Effectiveness.

Data Collection

Data was collected using a convenience sample of 236 juniors and seniors enrolled in Principles of Marketing at Minnesota State University, Mankato. Students were surveyed via an on-line questionnaire using the school’s instructional management software (IMS) platform. All majors within the College of Business (Accounting, Finance, International Business, Management, and Marketing) were represented in the sample as Principles of Marketing is a required course for all majors. The sample was representative of students majoring in business, with 131 males (55.5%) and 105 (44.5%) females participating in the study.

Students were administered a 76 item questionnaire. The first 36 questions represented the TRI scale which measured students’ “technology readiness.” The next 20 questions assessed students’ perceived “effectiveness” of the College of Business’s laptop learning environment. The next 15 questions measured students’ “satisfaction” with the laptop initiative. The final five questions measured demographic characteristics of the students.

Data Analysis

A two-step data analysis procedure was used for this study. First, sum scores for each respondent were calculated for each of the four dimensions of the TRI scale (Optimism, Innovativeness, Discomfort, and Insecurity). In addition, sum scores for Technology Readiness, Effectiveness, and Satisfaction were also computed for each respondent. Next, a series of Pearson Product Moment correlations was calculated between the two hypothesized dependent variables (Effectiveness and Satisfaction) and the independent variables of Optimism, Innovativeness, Insecurity, Discomfort, and Technology Readiness.

Since “Insecurity” and “Discomfort” reflect a negative theme towards technology readiness, these two dimensions were reversed scored when calculating the overall Technology Readiness Index score. Specifically, the TRI score = Optimism + Innovativeness + (6 – Insecurity) + (6 – Discomfort). One item in the Innovation dimension and three items in the Effectiveness dimension were also reversed scored.

Correlation Relationships

The results of the correlation analysis are presented in Table 1. As hypothesized, the overall TRI score and the Optimism dimension are both significant positive correlates of perceived

Effectiveness and Satisfaction. Surprisingly, however, the Innovation dimension is a significant positive correlate of Effectiveness, but not of Satisfaction. Equally surprising, the Discomfort dimension is a significant negative correlate of Satisfaction, but not of Effectiveness. Finally, as hypothesized, the Insecurity dimension is a significant negative correlate of both Effectiveness and Satisfaction.

DISCUSSION AND IMPLICATIONS

The findings in Table 1 show that, as hypothesized, the overall TRI score is a positive correlate of both perceived Effectiveness of, and Satisfaction with, the laptop learning environment. Those students who score high on “technology readiness” perceive the laptop learning environment as being more effective and are more satisfied with the overall laptop initiative.

Similarly, the fact that Optimism is a positive correlate of both perceived Effectiveness of, and Satisfaction with, the laptop learning environment is also quite logical and reassuring. Students who believe that technology can benefit their lives and give them more control over it view the laptop initiative as being more effective and exhibit a higher level of overall satisfaction.

	Effectiveness	Satisfaction
TRI	.307**	.272**
Optimism	.537**	.330**
Innovativeness	.163*	.125
Discomfort	-.099	-.203**
Insecurity	-.173**	-.188**

Note: ** indicates significance at .01 level * indicates significance at .05 level

However, why the Innovativeness dimension is a positive correlate of Effectiveness but not significantly related to Satisfaction, is a somewhat more challenging issue to understand. One explanation could relate to the expectation levels of students exhibiting a relatively high level of Innovativeness. If one operationalizes the Satisfaction construct as the difference between students' expectations of the laptop initiative and what they actually experienced, then it is somewhat easier to explain the lack of correlation between Innovativeness and Satisfaction.

As shown in Table 2, students with high Innovativeness scores (those students who exhibit a high level of desire to experiment with technology) may also have high expectations of the laptop learning environment with regard to the laptop computer itself, related software, and the infrastructure to support the laptop initiative. If these high expectations are not met, then students may tend to become dissatisfied. On the other hand, students with lower Innovativeness scores may also have lower expectations of the laptop initiative, thus being easier to satisfy.

The finding showing that the Discomfort dimension is significantly related, in a negative manner, to Satisfaction was also hypothesized and is quite logical. Students (like most people) like to feel they are in control of their own destiny, and a sense of being overwhelmed by something new can be very disconcerting and demoralizing (thus high levels of discomfort with the laptop initiative should result in low levels of satisfaction). One possibility as to why Discomfort is not significantly related to perceived Effectiveness is that students may be able to see beyond their lack of self-confidence and realize that the laptop environment can be an effective teaching methodology for student learning, even if they feel somewhat uncomfortable at times in that environment.

Finally, the finding that Insecurity is a negative correlate of both perceived Effectiveness of and Satisfaction with the laptop learning environment is also reassuring. Students who have a high need for assurance that their laptop computer and related software will operate reliably and accurately should logically exhibit low levels of perceived Effectiveness of and Satisfaction with the laptop learning environment.

Obviously, business schools want their students to perceive any implementation of a laptop initiative as being both satisfying and effective. The findings of this study suggest that a student's level of "technology readiness" is a reasonably good predictor of perceived effectiveness and satisfaction with a laptop learning environment. Consequently, it would seem to be in the best interest of colleges and universities to first assess, then if need be, enhance their students' level of technology readiness.

CONCLUSION

This study has attempted to assess the relationships between the technology readiness of business students and their corresponding perceived effectiveness of, and satisfaction with, a laptop learning environment. The findings of this study suggest that overall technology readiness (and for the most part its' dimensions) are related to a student's level of perceived effectiveness and satisfaction regarding a laptop environment. Therefore, it is important that institutions assess their students' level of technology readiness before designing and implementing a laptop initiative. Matching the appropriate level of technology with the technology readiness of students is critical for enhancing both student learning and satisfaction.

TABLE 2			
Possible Combinations of Actual Experience and Expectations			
		Expectations	
		Lo	Hi
Actual Experience	Lo	Satisfied	Dissatisfied
	Hi	Very Satisfied	Satisfied

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ENHANCING THE PERCEPTION OF ONLINE EDUCATION IN THE BUSINESS COMMUNITY

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ABSTRACT

One of the greatest challenges faced by institutions engaged in online learning is establishing the legitimacy of online education among members of the business community. This paper presents some guidelines that institutions can follow as they attempt to validate their online courses and degree programs in the business community.

GROWTH OF ONLINE EDUCATION

The past few years have seen a rapid increase in both the number of students taking online courses and in the number of institutions offering online courses and online degree programs. A study by the U.S. Department of Education found that the number of students enrolled in distance education courses more than doubled from 1997-98 to 2000-01 ("Distance Learning's Popularity Takes a Big Jump," 2003). While distance education can mean taking courses through audio or video feeds, the study found that most of these distance education students were enrolled in online courses. In the fall of 2002, over 1.6 million students took at least one online course and over one-third of these students took all of their courses online (Allen & Seaman 2003). Among all U.S. higher education students in the fall of 2002, 11 percent took an online course (Allen & Seaman 2003). In the fall of 2003, the number of students taking at least one online course was expected increase by 19.8 percent (Allen & Seaman 2003).

The sharp increase in distance-education enrollments is expected to continue over the next 10 years. *"The biggest issue is that distance learning, from an industry perspective, is going to continue to grow by leaps and bounds,"* says John G. Flores, executive director of the United States Distance Learning Association, a nonprofit group that promotes distance education. *"You're going to see more and more students not only accessing more distance learning, but also expecting it"* (Carnevale 2004). This demand is being fueled in part by the need for a course delivery method that enables busy students, especially nontraditional students, to balance hectic schedules. As the demand for online courses steadily increases, the number of colleges and universities providing online courses and program will continue to rise. According to one study, over 90 percent of traditional institutions provide at least one online

course (Kennedy 2003). The 2003 Sloan Survey of Online Learning found that complete online degree programs were offered by 34 percent of all institutions and that 67 percent of all institutions surveyed cited online education as being a critical long-term strategy for their institution (Allen & Seaman 2003).

QUALITY OF ONLINE EDUCATION

While the research clearly lends credence to the claims that online education is being embraced by both students and institutions, it is less conclusive with respect to the quality of online education relative to that of classroom-based instruction. One study done by the Sloan Consortium found that a majority of academic leaders (57%) already believe that the learning outcomes for online education to be equal to or even superior to those of classroom-based instruction (Allen & Seaman 2003). Even more compelling, nearly one-third of these same leaders expect that learning outcomes for online education to be superior to classroom-based instruction in three years, nearly three-quarters of them expect learning outcomes for online education to be equal to or better than classroom-based instruction. A recent survey by Eduventures found that 77% of prospective college students would consider enrolling in an online distance education program. However, among the factors mentioned by the students as being important when evaluating distance education programs, quality was not mentioned. Rather, the students cited convenience, flexibility, affordability and accelerate degree completion as the key factors in selecting an online program ("Eduventures Finds More than 75% of Students Are Interested in Online Education," 2005). The survey also found that 38% of respondents were unsure of the quality of online education relative to classroom-based instruction and that 29% believed that online education was inferior to classroom instruction. Several respondents also expressed some

concern over how potential employers would perceive the quality of online degrees (“Eduventures Finds More than 75% of Students Are Interested in Online Education,” 2005). Among faculty there is still some reluctance to embrace online education as a delivery method but that appears to be changing. For example, the Sloan survey found that academic leaders at a majority of institutions (59.6%) agree that their faculty accept the value and legitimacy of online education (Allen & Seaman 2003).

Perceptions of the Business Community

While there are clear indicators that those inside the academy have embraced online learning, that is not the case among those outside academia. For example, in a survey of 239 human-resource professionals by Vault, Inc. in 2001, only 26% believed an online bachelor’s degree is as credible as a traditional one, while 61% said the online bachelor’s degree isn’t as credible but is acceptable. Another 13% said that online bachelor’s degrees were neither credible nor acceptable. When asked about graduate programs the perceptions of the respondents differed but not by much. 37% believed that an online graduate school degree is as credible as an online degree, while 54% said it was not credible but was acceptable. 9% said that an online graduate degree was neither credible nor acceptable. In addition, 77% of HR professionals and hiring managers believed an online degree earned at an accredited institution is more credible than one earned at an Internet-only institution. (“Is an Online Degree Worthwhile?,” 2001). In a survey conducted by the Society for Human Resource Management at its 2003 conference, 50% of the HR professionals polled said they would favor an applicant from a traditional school over a candidate with a degree from a nontraditional school like the University of Phoenix that targeted the distance education market. (Society for Human Resource Management Study 2004). Furthermore, the study found that online programs offered by campus-based or traditional institutions that are accredited and designed to prepare graduate students for careers in the high tech industry were the ones with the greatest likelihood of being perceived as credible by the business community.

The online programs least likely to be considered credible were those offered by non-accredited, Internet-based institutions that are designed to prepare undergraduate students for careers in health care.

Other studies have revealed more positive perceptions of online degrees by employers. For example, in a survey it conducted earlier this year, Eduventures reported that 60 percent of employers it

surveyed view credentials earned online as equal or better than degrees obtained from traditional schools (Danner 2005). Still, that leaves 40% who perceive degrees from online programs to be inferior to degrees from traditional schools. What these findings suggest is that despite the growing evidence that online education has made significant advance since the days when correspondence schools advertised on matchbook covers (the objective reality), the *perceived* reality of many outside of academia, especially members of the business community, is that online education is inferior in quality relative to traditional instruction. Considering the fact that business is a field in which there are many online-degree offerings to choose from, these findings are particularly relevant.

The reasons why those outside of academia question the quality of online education are many. The potential drawbacks of online degree cited in the Vault, Inc. study included the following: students don’t socially interact with peers (61%); online degrees and courses are too new to gauge their effectiveness (53%); there is a loss of real time pedagogical exchange (39%); there is a greater potential for lower admission standards in online degree programs (37%); the curriculum is diluted (33%); students are not taught to think critically (30%), and there is a greater likelihood of cheating (6%) (“Is an Online Degree Worthwhile?,” 2001).

While the prevailing belief of among those in the business community is that online courses and degrees are less credible than traditional courses and degrees, there is evidence that this perception varies by industry. According to John Dooney, manager of strategic research at the Society for Human Resource Management, *“when (online degree programs) first came out, recruiters weren’t sure about them. As more graduates with online degrees come to companies, they’re getting more and more respect”* (Drummond 2004). In the Vault survey, the respondents indicated that some industries, such as technology and Internet/new media, are more likely embrace online degrees. The respondents also noted that fields such as health care, law and, interestingly, academia, were ones least likely to embrace online degrees (“Is an Online Degree Worthwhile?,” 2001).

These perceptual studies make it clear that one of the most significant challenges faced by institutions engaged in online learning is to convince those in the business community that online learning is at least equivalent to or better than learning through the institution’s other delivery modes, in particular, traditional face-to-face, classroom-based instruction.

What is not as clear is how these institutions can effect a positive change in the business community's perception of online learning.

GUIDELINES

While the specific approach used by an institution to validate its online learning program will depend on a number of factors such as the type of the online courses/degrees being offered (graduate or undergraduate); the accreditation status of the institution; the programs of study offered online (business, education, etc.); the other course delivery systems being used (classroom-based, television, correspondence, etc.), and whether the institution is campus-based or an Internet-only institution, there are general guidelines that institutions should consider as they attempt to validate their online courses and degree programs. These guidelines are as follows:

1. Institutions need to ensure that the same standards are applied to all courses and degree programs regardless of how they are delivered. Course design standards place a high value on the credentials of the instructor, the existence of specific learning objectives, the rigor of the course material, the amount of contact hours required, the nature of the assignments used, and the means by which the student performance is measured. According to the Vault study, one of the primary concerns of those in the business community is a lack of awareness of the standards used in an online program. Communicating these standards would eliminate the perception that an online course is intellectually less challenging than the same course taught in the classroom ("Is an Online Degree Worthwhile?," 2001). The extent to which the institution is able to focus attention on the standards used in designing a course or degree program as opposed to the delivery method being employed will determine its ability to change the misperception held by many in the business community that online learning represents a tradeoff between convenience and quality.

2. The approval of curricula should be based on course content, not the technology or the course delivery method. That is, course objectives, course content, and course outcomes must remain the same, regardless of how the course is delivered. Otherwise the quality and integrity of any one course may be lost between course delivery methods or teachers. Furthermore, the institution should ensure that its online instructors help students achieve learning outcomes that match course and learner objectives by using current information and communication technologies that support active, individualized,

engaged, and constructive learning. The decision regarding what technologies to use to deliver the course should be based on learning outcomes not on the availability of the technology. In other words, the pedagogy should drive the technology.

3. One of the primary reasons why many in the business community are hesitant to endorse online courses is the perceived lack of interaction between students and teachers and among students in the course. Therefore, it is critical that guidelines be established that ensure that the interaction in the online program is appropriate, constructive and substantive for the students. These guidelines should specify both the tools used to create the interaction as well as the types and degree of interaction expected. As part of the course evaluation process, the institution should assess student satisfaction with the amount of instructor and peer interaction that occurred in an online course as well as its perceived impact on teaching and learning. These findings should be published to provide evidence that instructor and peer interaction is a critical element of the online program.

4. One of the assumptions made by many in the business community is that an online course should not be any different from a traditional course. However, Internet-based distance education is, in many ways, fundamentally different than traditional classroom-based instruction. Internet-based distance education allows for the teaching/learning process to occur without place and time constraints. Students can participate in a course at any time of day or night they choose. It is this distinctly different concept of time that engenders concern and skepticism from many in the business community. However, for some these features offer new opportunities to teach students. This is evidenced by the following observation made in a report by the League for Innovation in the Community College:

The beauty of the Web is that it provides an entirely new context for teaching and learning. It removes the physical and time constraints for instructors as well as learners. Moving a course to the Web presents the perfect opportunity to return to the core principles of teaching and learning to create a new pedagogical model for our practices (Boettcher & Conrad 1999).

5. In addition to ensuring that faculty/learner interaction is timely and substantive, institutions should have adequate and fair systems in place to evaluate the educational effectiveness of their online

program. This would include assessments of student learning outcomes, student retention, and student satisfaction. These systems can be used to demonstrate the institution's commitment toward developing and maintaining a high degree of quality in its online program is equal to that in its traditional programs. The assessment results can also be used to substantiate the institution's claims regarding the academic integrity of its online programs.

6. At many institutions the online program is not fully integrated with the on-campus programs creating two separate, and often very distinct, academic structures. This lack of integration can result in the on-campus faculty lacking a sense of "ownership" in the online programs making it difficult to get their commitment to ensuring that online programs are of high quality. Fully integrating the online programs with the on-campus programs and assigning responsibility for the development, delivery, and evaluation of all programs, whether off-campus or on-campus, to the full-time faculty is critical to ensuring quality in the online program. The President of Lesley University, Margaret McKenna, maintains the high quality of her institution's online programs by completely integrating them with the on-campus programs. She cites this as one of the primary determinants of quality in an online program (Grush 2005).

7. Due to the level of importance placed on accreditation in assessing the quality of online programs, it is imperative that the institution seek full accreditation of its online programs by a reputable accrediting agency. This accreditation adds credibility to claims made by the institution that the quality of education provided in its online programs is at least comparable to the quality of its more traditional programs.

8. Faculty development is also critical to the success of an online program. Institutions should provide appropriate faculty support services specifically related to online education. Ideally, that would include an academic technology support team that trains faculty on the use of technology and provides them with the assistance they need in making the often difficult transition from classroom teaching to online instruction. The faculty are continually assessed during this process and provided with any additional support needed.

CONCLUSION

In conclusion, while the number online degree programs and the students enrolled in them

have continued unabated for the past few years, the legitimacy of online degrees continues to be questioned by many in the business community. The perception persists that online degrees are not as credible as those earned in traditional academic programs. Until this perception changes, graduates of online degree programs will continue to be at disadvantage in the labor market. By following the guidelines provided in this report, institutions can begin to address the concerns raised about the quality of online degree programs and, hopefully, effect a positive change in how they are perceived by the business community and other stakeholders.

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RAH, RAH, RAH, SIS, BOOM, BAH: SUCCESS IN COLLEGE SPORTS AND ITS IMPACT ON APPLICATIONS, ENROLLMENTS AND SAT/ACT SCORES

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ABSTRACT

It has long been suspected that success in a college's sports programs translate into meaningful increases in applications, enrollments and higher average SAT/ACT scores. Are these assumptions really true? This study suggests that it is. Does this now mean that a university's greatest marketing tool is its sports teams?

INTRODUCTION

Does success in college sports, especially football and basketball, lead to additional students applying to that particular institution? And, does this increase in applications impact enrollments? In addition, does a successful college sports program impact on the average SAT scores of the incoming freshman class?

There are inherently strong, enthusiastic and loyal feelings among college students and alumni towards its varsity sports programs. There is a quote from Bobby Knight, the well-known former coach at Indiana University, that states that if the Dean were to ask him to raise \$50,000 for the university library, it would take him at least three months to raise the money, if even then. If, however, the Dean were to ask him to raise \$50,000 for a sports arena, he would have the funds ready by the next day (Feinstein, 1989)!

Athletic success can bring much to a college. For example, if the number of freshmen enrolled at a college is fixed, it is assumed that the "quality" of these enrollees can improve, i.e., a higher SAT average is likely for these incoming students, if applications also increase. There also is a financial bonus for the college as well. When its teams succeed on the playing field, alumni donations also increase (Baade & Sundberg, 1996; Brooker & Klasterin, 1981; Coughlin & Erekson, 1985; McEvoy, 2005).

Sports are one of the driving forces that can elevate a college to new heights. This even can be observed before World War II. Notre Dame and Michigan State University are prime examples of this phenomenon. If not for its storied successes in football, Notre Dame might not have achieved the revered status it enjoys today. At the very least, its football successes have contributed, in some measure, to its overall "success" as an academic institution. Michigan State, too, benefited from its intercollegiate athletic programs. To reach his goal of making Michigan State a university of major significance, John Hannah (President from 1941 to 1969) instituted "the development of a big-time, successful intercollegiate athletic program". He flatly believed that "Michigan State is a 'diamond in the rough'; all it needs is a football victory over Michigan-no, two victories-so people will not say it was a fluke, and the college will become a great educational institution." Hannah noted the value Notre Dame and the University of Michigan received from "free" football advertising and he chose that path to "polish the diamond" (Shapiro, 1983).

METHODOLOGY

This study requested application, enrollment and SAT/ACT data from 78 colleges; 72 responded with application data; 76 with enrollment data; and, 73 with SAT/ACT data. The data received covered the decades of the 1960's and 1970's but most of the collected data covered the 1980's.

The researchers examined the three to five year period just prior to a college's major athletic successes, the period coinciding with a college's

major athletic successes and the three to five year period immediately following a college's major athletic achievements.

Applications, enrollments and average SAT/ACT scores during the three to five year period immediately prior to a college's sports successes served as the college's "control" period. This period would establish a base number for applications, enrollments and SAT/ACT scores, from which comparisons with future years could be made. It was hypothesized that during the time period in which a college was deemed "athletically successful", applications, enrollments and SAT/ACT scores would rise. It was also hypothesized that during the three to five year period *after* a college enjoyed major athletic successes that applications, enrollments and average SAT/ACT scores would fall. For ease of discussion, the researchers use the term "very much" to describe a large, statistically significant increase in applications, enrollments or average SAT/ACT scores. The researchers describe a small yet still statistically significant increase as "some" and or the word "same" was used to describe a situation where the data was essentially "unchanged" from the base period.

What do we mean by success? "Success in sports" is defined as participating in and/or winning major events in either collegiate football and/or basketball, including bowl games, NCAA and NIT tournaments. It also included placing in the Top 25 in the final football and basketball polls conducted by the various national press services (Associated Press, 1997; Martin, 2004; NCCA, website).

RESULTS

Overall, the results of this study reveal that success in sports, for the most part, generates an increase in application activity, almost immediately. Basketball can have an impact on applications for the coming academic year, since it is played in the fall and winter. However, since most schools "cut off applications" prior to the NCAA tournament in March, a college's success in this tournament may have an impact on applications even one year later. Football, being a fall sport, will have an immediate impact on applications for the coming academic year (Allen & Peters, 1982; Murphy & Trandel, 1994).

Private colleges can increase the size of the incoming freshman class generally more easily than

their counterparts, the state university. The reason for this is that in a large state university enrollment frequently is set by the state legislature. State institutions generally will not increase enrollment even though application activity has increased, until the state legislature approves an increase in enrollment slots. Generally, this process takes time, so only *continuing* success in the athletic program will generate an increase enrollment activity (Lovaglia, 2005).

The research indicates that when a college is successful in sports (football and/or basketball), almost immediately, application activity increases and, in many cases, this increase is sizable. It also appears that enrollment typically increases as well. See Table 1. Specifically, the research showed that applications increased with athletic success in 79% of the schools in the study. For 17% of the schools, there was a small increase in applications and in 4% of the responding schools there was no increase in applications. As for enrollments, 38% of the schools studied showed a considerable increase here, while an additional 38% showed some increase in enrollment when there was athletic success. Only 16% showed no increase in enrollment, while 8% of the schools did not supply sufficient data for analysis. These results confirm the works of several notable researchers in the sports management field today (Allen & Peters, 1982; Budig, 1976; McEvoy, 2005; Murphy & Trandel, 1994).

Do SAT scores increase with success in sports? The answer is "yes" in the majority of colleges surveyed. There appears to be little doubt that success in sports can be used as a catalyst to improve the academic quality of the student body. With a larger pool of students from which to draw, admissions personnel are able to admit those with higher average SAT scores while still staying within the allotted number of enrollment spaces (McCormick & Tinsley, 1987; Tucker & Amato, 1993).

In this study, average SAT/ACT scores showed a considerable increase in 25% of the schools surveyed, while 46% of the schools surveyed showed a small increase, and only 10% of the surveyed had no increase in average SAT/ACT scores at all. Nineteen percent did not supply any data. See Table 1.

Table 1

Did Applications, Enrollments and SAT/ACT Scores Increase With Success in Sports?				
	<u>Very Much</u>	<u>Some</u>	<u>No</u>	<u>*ID</u>
Applications #	57	12	3	0
%	79%	17%	4%	0%
Enrollments #	29	29	12	6
%	38%	38%	16%	8%
SAT/ACT #	18	34	7	14
%	25%	46%	10%	19%

*ID = Insufficient Data

In addition to analyzing data from these 78 schools, this study also examined the Big East Conference and four small Georgia colleges to determine whether the above-mentioned relationships were supported in two unusual situations.

THE BIG EAST

The Big East Basketball Conference was formed in 1980 and consisted of nine eastern colleges. They included Boston College, Connecticut, Georgetown, Pittsburgh, Providence, Seton Hall, St. Johns, Syracuse and Villanova. What made this conference unique and worth examining was that this conference received television coverage (ESPN) from its inception. Therefore, a "mini-study" was conducted to determine if applications, enrollments, and average SAT scores had benefited a school by its involvement in the Big East, and by their subsequent success on the athletic field (Tampa Bay Football History Network, 2005).

The results of this mini-study confirmed the earlier findings associated with the larger pool of 78 colleges. Applications, enrollment, and average SAT scores increased after these nine schools joined the Big East Conference. And when a member school received national exposure for its athletic achievements, applications, enrollments, and average SAT scores increased accordingly for that member school. Table 2 displays these relationships. More specific analysis reveals that applications increased in six of the nine schools just after the Big East was founded. In two schools, applications remained the same and, in one, applications declined. Enrollments increased in five schools, declined in one while there

was no data available for two schools. Average SAT/ACT scores increased in three schools, while the average score remained the same in one school and declined in two schools. No data was available for three schools.

What happened to these nine schools in the Big East during the decade of the 1980's when many of these schools achieved athletic success and considerable public exposure? Applications increased considerably in *all* nine schools. Enrollments increased in eight of the nine schools while in only one they remained the same. During this decade average SAT/ACT scores also increased at all nine schools.

FOUR SMALL GEORGIA COLLEGES

In a second mini-study, four small Georgia colleges were chosen for analysis. The selected colleges were Georgia Southern, Georgia Southwestern, Valdosta State and West Georgia. All four colleges began varsity football programs at the same time—in the early 1980s. Would these relatively unknown, small institutions further validate the conclusions of the main study, which generally involved large universities?

As suspected, the number of applications received increased at all four schools when it was announced that they would begin a football program. Enrollment increased in three schools (one school provided no data). SAT/ACT average scores also increased in two schools after the initial announcement while it stayed the same in one (one school did not provide data). See Table 3.

Table 2

Did Applications, Enrollments and SAT/ACT Scores Increase When The Big East was Formed?				
	<u>Increased</u>	<u>Decreased</u>	<u>Same</u>	<u>No Data</u>
Applications	6	1	2	
Enrollments	5	2	---	2
SAT/ACT	3	2	1	3
Did Applications, Enrollments, SAT/ACT Scores Increase in The Big East With Success in Sports?				
	<u>Increased</u>	<u>Decreased</u>	<u>Same</u>	<u>No Data</u>
Applications	9	0	---	---
Enrollments	8	1	---	---
SAT/ACT	9	0	---	---

What happened in these four schools when they proved successful on the football field? Applications increased in two colleges (these colleges were successful in their football seasons) while one school did not show any increase in applications. Indeed one school even declined in the number of applications it received. However, it must be pointed out that these two latter schools were not considered successful on the field of play. Enrollments increased in the two colleges that were considered successful at the time while enrollments either stayed the same or declined at the two remaining schools that fielded unsuccessful football programs. See Table 3.

Average SAT scores generally paralleled applications and enrollment. Average scores

increased in three colleges while it declined in one school during this period. See Table 3.

It should be noted that the college that has achieved the most success of the four in its athletic programs, Georgia Southern, is an excellent example of how success in sports can impact an institution. During the time period studied, applications increased from 2,990 to 7,348. Enrollments increased from 5,661 to 11,018. Average SAT scores rose from 825 to 855!

The 1960s and 1970s

The original study is based on data provided by the 78 schools only for the decade of the 1980s. But were the relationships that this paper has examined also valid during the 1960s and 1970s?

Table 3

Did Applications, Enrollments and SAT/ACT Scores Increase When The Colleges Announced Varsity Football Programs?				
	<u>Increased</u>	<u>Decreased</u>	<u>Same</u>	<u>No Data</u>
Applications	4	0	---	---
Enrollments	3	0	---	1
SAT/ACT	2	---	1	1
Did Applications, Enrollments, SAT/ACT Scores Increase When The Colleges Were Successful in Football?				
	<u>Increased</u>	<u>Decreased</u>	<u>Same</u>	<u>No Data</u>
Applications	2	1	1	---
Enrollments	2	1	1	---
SAT/ACT	3	1	---	---

It appears from the data that the trends seen in the 1980s also were clearly apparent in the earlier decades as well. This especially is the case when it comes to application and enrollment trends. However, the same cannot be said about the average SAT scores. Information about average SAT scores were difficult to gather from these schools. Still, from the limited data that was available showed that

average SAT scores did not rise with a college's success in sports. One possible explanation for this could be a school's administrative policy (especially at that time) to enroll as many students as possible because schools were now making huge investments in classrooms and other facilities to accommodate the "Baby Boom" generation. See Tables 4, 5 and 6.

Table 4

<i>Did Applications, Enrollments and SAT/ACT Scores Increase in the 1960's With Success in Sports?</i>				
		Very Much	Some	No
Applications	#	10	2	1
	%	77%	15%	8%
Enrollments	#	5	3	0
	%	63%	37%	0%
SAT/ACT	#	1	4	1
	%	17%	66%	17%

Table 5

<i>Did Applications, Enrollments and SAT/ACT Scores Increase in the 1970's With Success in Sports?</i>				
		Very Much	Some	No
Applications	#	21	8	1
	%	70%	27%	38%
Enrollments	#	10	14	1
	%	40%	56%	4%
SAT/ACT	#	0	4	8
	%	0%	34%	66%

Table 6

<i>Did Applications, Enrollments and SAT/ACT Scores Increase in the 1980's With Success in Sports?</i>				
		Very Much	Some	No
Applications	#	50	12	3
	%	77%	18%	5%
Enrollments	#	30	23	14
	%	45%	34%	21%
SAT/ACT	#	20	30	9
	%	34%	51%	15%

CONCLUSION

In sum, it appears that a successful sports program gives an institution immediate recognition in the form of increased applications and enrollments as well as higher average SAT/ACT scores among its incoming freshman class. Suddenly, the institution becomes an attractive, much sought-after good—no different than any attractive consumer product is to its target market. All facets of a college benefit when there is success in its sports programs. At the least, an "esprit de corps" is created which seems to affect all

elements of university life including undergraduate, alumni, faculty and community satisfaction (Shapiro, 1983), fundraising, and revenue generation. This study suggests that university administrators, who increase their investment in their respective sports teams, may well receive benefits far beyond the simple pleasure of success on the playing field.

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THE ROLE OF INFORMATION POWER IN SUPPLY CHAIN RELATIONSHIPS

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ABSTRACT

The impact and outcomes of power in channels of distribution is well documented in academic literature. However, the concept of power is relatively new to research in supply chain management. Of all the power bases, information power has received attention from researchers and it is often conjoined with other powers.

Information and related powers have previously been presented as having positive benefit in relationships. Given the positive outcomes associated with information power, there is a need to analyze information power through supply chain management behavior. Therefore, the purpose of this manuscript is conceptualizing the role of information power and its effects on supply chain relations. This research proposes that information power is the overriding goal of the organization. As a result, the organization receives positive benefits from obtaining and using information power within the supply chain. The propositions presented in this manuscript develop a foundation for information power and further the research on power in supply chain relationships.

Information power is highly desirable because of the potential positive effects resulting from its use. The positive effects of information power are not only embraced by the source firm, but also the target firm. Yet, some firms can be reluctant to entering long-term relationships because structured supply chain relationships often call for organizations to cooperatively sharing proprietary information. Given the reluctance felt by some organizations and fierce competition among suppliers in many industries (e.g, the automotive industry), firms seeking information power will enter relationships with organizations that provide detailed proprietary information and market information. Conversely, organizations that are involved in strong relationships with other firms are willing to provide critical information. Further, if an organization increases its information power, perception of power in the economic power bases is lowered. This is beneficial as economic power bases result in conflict, retaliation, and lower levels of satisfaction. Therefore, it is proposed that:

Proposition 1: Information power is the most desired power by organizations as a result of the potential to lead to other forms of power and its positive outcomes.

Proposition 2: Firms seeking information power are more likely to engage in relationships with other firms who are willing to share strategic information.

Proposition 3: Firms will use information power to strengthen their role and importance in the supply chain.

Proposition 4: The use of information power will have positive effects on the elements of supply chain relationships.

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EXPLORING DIFFERENCES BETWEEN SUCCESSFUL SALES BEHAVIORS IN CANADA AND THE UNITED STATES: A RESEARCH MODEL

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ABSTRACT

The United States and Canada, are each other's primary trade partner. Despite this fact, there exists little information that explains the nature of this sales relationship. This paper introduces a model that considers how culture influences the relative importance of giving, getting, and using information in personal sales success.

INTRODUCTION

The United States Central Intelligence Agency reports that the number one trade partner of the United States is Canada (United States Central Intelligence Agency 2005). In 2004, U.S. exports to Canada totaled \$163.2 billion (USD), and U.S. merchandise imports from Canada totaled \$255.7 billion (USD), topping all import/export figures for both countries. Despite these facts, most residents of the United States are woefully undereducated about the nature of this trade partnership with Canada.

Canadians are constantly offended by the United States' lack of understanding of Canada's commercial importance to their country – and even more distressed by the limited US awareness of Canada's existence. To Americans, Canada is responsible for the Arctic fronts which deliver intense cold and snow storms to their country and for most of the hockey players in the National Hockey League. Even well-educated Americans only laugh when confronted with their profound ignorance of Canada. The reverse is not true. Canadians travel to the United States regularly, follow developments in sports, popular culture and current affairs. Most Canadians know as much about US history as their own, and follow US politics with as much, if not more, enthusiasm than Americans do. Canadians might hold overly cynical views of the United States, but the level of national understanding, particularly among the university-educated cohort, is quite dramatic. No major trading relationship in the world is based on such an imbalance in understanding and concern as is the Canada-US partnership (Coates 2001, pp.123-124).

There is no question that there exists a distinct need to further the understanding of how to maintain this mutually beneficial relationship. Trade relationships are tremendously complex and are influenced by numerous forces, both controllable and uncontrollable. Businesses must manage the controllable forces and adapt to the uncontrollable. Fundamentally, though, trade relationships are sales relationships. Thus, a better understanding of how to maintain the successful trade relationship between the United States and Canada would require a better understanding of how each can most effectively sell goods and services to the other. Selling incorporates a number of activities and takes various forms. A logical area to address in determining how best to preserve the economic relationship between Canada and the United States is personal sales performance. A review of the current literature and research reveals a paucity of information regarding the differences in sales behaviors and success between the two countries.

Knowing the customer is widely recognized as fundamental to sales success. This is no different when that customer is outside of the United States. What becomes particularly important to gaining an understanding of the international customer is recognizing cultural differences. As stated by Ball and McCulloch (1999), "If the salesperson can figure out the basic pattern of the culture, he or she will be more effective interacting with foreign clients and colleagues" (p. 257). Examples abound of international business mistakes made by United States companies that were attributable to ignoring cultural differences, all of which probably resulted in significant economic losses, as well as reinforcing the negative stereotype that the United States suffers

from an ethnocentricity that borders on hubris. Neither of these is good for business.

CULTURE

Culture has been defined as “the sum total of the beliefs, rules, techniques, institutions, and artifacts that characterize human populations” (Barnouw 1975, p. 5). Culture can be thought of as a population’s unique lifestyle, and it includes the following elements: material culture (technology and economics), social institutions (family, education, political structures, and the media), humans and the universe (belief systems), aesthetics (graphic and plastic arts; folklore; and music, drama, and dance), and language (Cateora and Graham 2002, p.99).

The errant assumption on behalf of many in the United States is that the United States’ culture is virtually identical to the Canadian culture, and that only insignificant differences exist between them. In his seminal work, Hofstede (1983) studied cultural influences on businesses in 66 countries, and determined that there indeed exist differences between the United States and Canada in terms of their dimensions of culture. In his oft-quoted research, Hofstede (1980, 1983) examined cultural differences among 117,000 subjects in 66 nations and regions. His original work identified 4 dimensions, empirically derived from surveys, along which cultures differ: power distance, uncertainty avoidance, masculinity/femininity, and individualism/collectivism. Later research would add a fifth dimension: long-term orientation/short-term orientation.

The first dimension identified by Hofstede, Individualism vs. Collectivism is defined by him as follows.

Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people’s lifetimes continue to protect them in exchange for unquestioning loyalty (Hofstede 1991, p. 51).

According to Hofstede’s scale, an Individualism Index score of 0 indicates a strongly collectivist culture, and a score of 100 indicates a strongly individualist culture. The United States,

English-speaking Canada, and French-speaking Canada scored 91, 80, and 73 respectively (Hofstede 2003). (Perhaps the lower Individualism scores in Canada would indicate a heightened importance of the salesperson’s getting information (e.g., asking questions) and giving information (e.g., providing answers to questions), as both activities are collaborative in nature, and collaboration is more pronounced in collectivist cultures.)

The second dimension identified by Hofstede, Power Distance, is described by him as follows: “The fundamental issue involved is how society deals with the fact that people are unequal. People are unequal in physical and intellectual capacities. Some societies let these inequalities grow over time.... Other societies try to play down inequalities in power and wealth as much as possible” (1983, p.81).

According to the Power Distance Index, a score of 0 indicates a small power distance, and a score of 100 indicates a large power distance.

Cultures with strong power distance scores are recognized by their centralized power structures. Conversely, cultures with small power distance scores are recognized by their decentralized, more collaborative power structures.

On this dimension, the United States scored 40, Canada scored 39, and French-speaking Canada scored 54 (Hofstede 2003). (Perhaps the higher Power Distance score in French Canada would require more salesperson emphasis on getting and giving information, both of which would indicate a heightened awareness of the relative authority/importance of the purchaser in the personal selling context.)

The third dimension, Masculinity/Femininity, is defined by Hofstede (1980) as follows: “Masculinity stands for a society in which social gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success; women are supposed to be more modest, tender, and concerned with the quality of life” (p. 262).

A score of 0 on the Masculinity scale indicates a purely feminine culture, while a 100 indicates a purely masculine culture. Values of the masculine culture include “the importance of showing off, performance, of achieving something visible, of making money, of ‘big is beautiful’” (Hofstede 1983, p. 83). Values of the feminine

culture are more oriented to activities such as caring and service, putting people before money, quality of life, and environmental preservation.

In this index, the United States scored 62, Canada scored 52, and French-speaking Canada scored 73 (Hofstede 2003). (Perhaps this would result in more emphasis on the importance of the salesperson's giving information (e.g., more elaborate sales presentations) in French Canada and getting information (e.g., asking questions) in Anglo Canada.)

The fourth dimension defined by Hofstede, Uncertainty Avoidance, and defined by him (1991) as "the extent to which the members of a culture feel threatened by uncertain or unknown situations" (p. 113). Manifestations of uncertainty avoidance are described as follows: "This feeling, among other things, is expressed through nervous stress and in a need for predictability: a need for written and unwritten rules" (Hofstede 1991, p. 113). Members of a strong uncertainty avoidance culture are subject to more stress and higher levels of anxiety than those of their weak uncertainty avoidance counterparts.

The United States, Canada, and French-speaking Canada scored 48, 46, and 60 respectively (Hofstede 2003). (Perhaps this would lead to more emphasis in French Canada on the importance of the salesperson's giving information (e.g., providing clarifying information), a manifestation of the purchaser's discomfort with the unknown.)

Subsequent to his initial research, Hofstede added an additional dimension, one that he termed "Long-Term Orientation" and described as follows, "... can be said to deal with Virtue regardless of Truth. Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's face." (Hofstede 1999, p. 22).

The United States, Canada, and French-speaking Canada scored 29, 23, and 30 respectively (Hofstede 2003).

PERSONAL SELLING

Personal selling, the promotional tool that involves one-to-one interaction between a buyer and seller, is the subject of this study due, in large part, to its tremendous impact on purchase decisions. For some companies, personal selling expenditures can account for as much as 15% of total sales and may be

more costly than total advertising costs (O'Connell and Keenan 1990). In Canada, it has been estimated that the average cost of a sales call is around \$170 (US), and ranging from \$50 to \$370 for customer specialists in technology-oriented organizations (Barker and Levanoni 1998).

Between 1918 and 1982, over 400 published articles had as their focus the examination of personal selling – what it is and what specifically determines the outcome of sales interactions (Churchill, Ford, and Walker 1985). Unfortunately, the research conducted within that time yielded little predictive value, as less than 4% of sales performance variation could be attributed to any single predictor. The useful conclusion of Churchill, Ford, and Walker (1985) is that no single factor can be responsible for sales success variations, given the complexity of the sales interaction. In other words, what makes for a successful sales interaction in one situation does not necessarily make for a successful sales interaction in another.

Given the rather weak contribution of the research until that time, interest in another stream of research arose which has attempted to better explain the determinants of sales success. Adaptive selling, defined as "the altering of sales behaviors during a customer interaction or across customer interactions based upon perceived information about the nature of the selling situation" (Weitz, Sujan, and Sujan 1986, p. 175), has been either implicitly or explicitly suggested in numerous sales performance models (Green and Tønning 1979; Grikscheit, 1971; Grikscheit and Crissy 1973; Gwinner 1968, Hakansson, Johanson, and Wootz 1977; Plank and Reid 1994; Spiro and Weitz 1990; Weitz 1978, 1981; Weitz, Sujan, and Sujan 1986). Investigations supporting the utility of this approach have proven promising.

Adaptive selling is a type of adaptive behavior that stems from a personality paradigm first theorized by George Kelly in 1955: personal construct theory. Kelly said that people react to their interpretations of, rather than to actual stimuli in their environments. Through this interpreting process, people develop personal attitudes, or constructs, toward elements in the environment (Kelly 1955). Personal construct theory identifies individuals as dynamic and interactive with their environments. This is the essence of adaptive selling.

CULTURE AND PERSONAL SELLING

While the appropriateness of applying Hofstede's research to international buyer-seller relationships has garnered widespread acclaim (e.g., Kale and McIntyre 1991; Williams, Han, and Quallis 1998), not everyone supports the notion that culture, as defined by Hofstede, influences such relationships. Pressey and Selassie (2003) found in their study that there was "little evidence to propose that national culture influences international buyer-seller relationships in a consistent manner" (p. 368). This research acknowledges, as Pressey and Selassie (2003) supported, that Hofstede's dimensions may not have a *direct* impact, but instead asserts that the individuals involved in the personal selling interaction are embedded in institutions and environments that are influenced by culture. Using personal construct theory as a framework, a question is raised: Are an individual's constructs, which are used to interpret the environment, influenced by culture?

Hofstede's research demonstrates empirically that the United States and Canada are different. Casual observation of the two cultures gives one the sense that they indeed differ. If, as research has shown and observation confirms, differences do exist between the cultures, are differences significant enough to impact what leads to sales success?

The existing research investigating how best to achieve sales success has been conducted primarily in the United States. Little personal sales performance literature exists that is based on research conducted in Canada. Even less information exists that provides comparative data between the two nations. Is there a difference between behaviors that lead to sales success in the United States as compared to Canada? If there are, what are they? Of further interest to sales professionals working in these countries is the fact that Quebec, a largely French-speaking province, prides itself on maintaining cultural ties with France. Does this European link and language divide influence what makes for a successful sale in Quebec? It can be argued that a response to these questions is necessary to ensure the vitality of this very necessary economic symbiosis.

RESEARCH MODEL

The base model being used for this paper, created by Plank and Reid (1994), is an integrated framework that consists of three elements: antecedents of the sales process, the sales process,

and outcomes of the sales process (see Figure 1). The authors argue that quality sales behaviors (getting information, giving information, and using information), which are affected by personal and situational antecedents, are mediating variables between antecedents and outcomes. What is asserted is that these sales behaviors combine to create empathy, and empathy, in turn, contributes to sales success. In a study of U.S. sales professionals, Plank, Minton, and Reid (1996) established that, of the three original quality sales behaviors indicated (getting, giving, and using information), using information was the best discriminator between successful and unsuccessful salespeople.

FIGURE 1 ABOUT HERE

The research model attempts to address successful sales behaviors using Plank and Reid's model (the underpinnings of which are personal construct theory), with the added consideration of the potential moderating effects of culture (see Figure 2). Specific research issues that would be addressed include

- 1) defining the role of culture on the sales behavior-empathy-sales performance relationship,
- 2) determining whether customer perceptions of empathy differ based on culture,
- 3) exploring whether culture moderate the impact of getting information, giving information, and using information on perceived empathy, and
- 4) understanding whether culture moderates the impact of empathy on sales effectiveness.

FIGURE 2 ABOUT HERE

A planned test of the model involves gathering survey data from professional purchasers in Canada and the United States. The survey combines a questionnaire developed by Plank and Reid in 1996 (measuring the importance of getting, giving and using information to sales success) with Hofstede's 1994 Value Survey Module (measuring variations along Hofstede's dimensions).

SPSS will be used to analyze survey data, and the sample will be checked for nonresponse bias. Validity and reliability of the measure will then be determined. Finally, each hypothesis will be tested using moderated regression, an appropriate method for examining the interaction effects proposed by this research (Baron and Kenny 1986).

The information gathered through testing this model would be of benefit to sales practitioners and managers, both in the United States and Canada,

by providing insight as to potential differences between the two countries. In recognition of the potential influence of cultural differences *within* the countries, the model could also be applied in a regional context. By virtue of such research, both on national and regional levels, sales professionals will have a better understanding of what differences exist, if any, between preferred sales approaches in each market, thereby enabling sales practitioners to better understand their customers and improve the sales effort overall.

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Figure 1
Plank and Reid's Modified Model of Performance Determinants

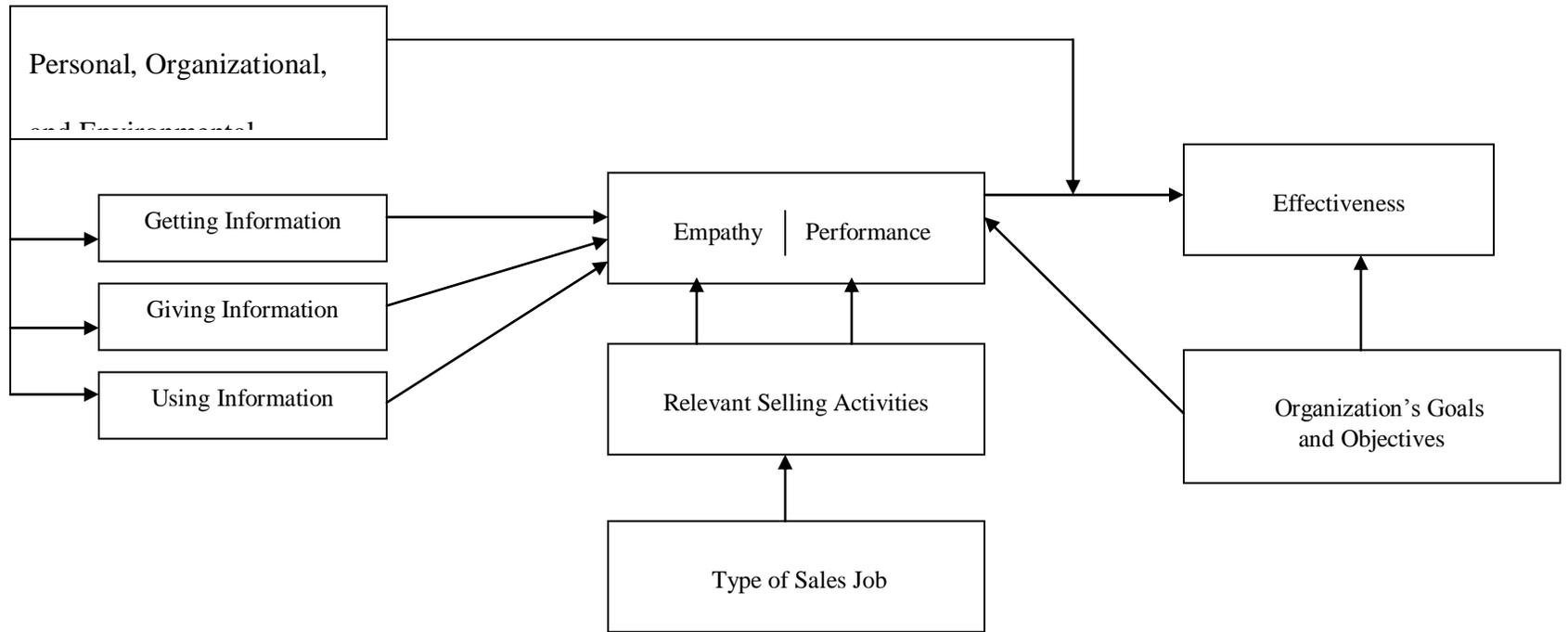
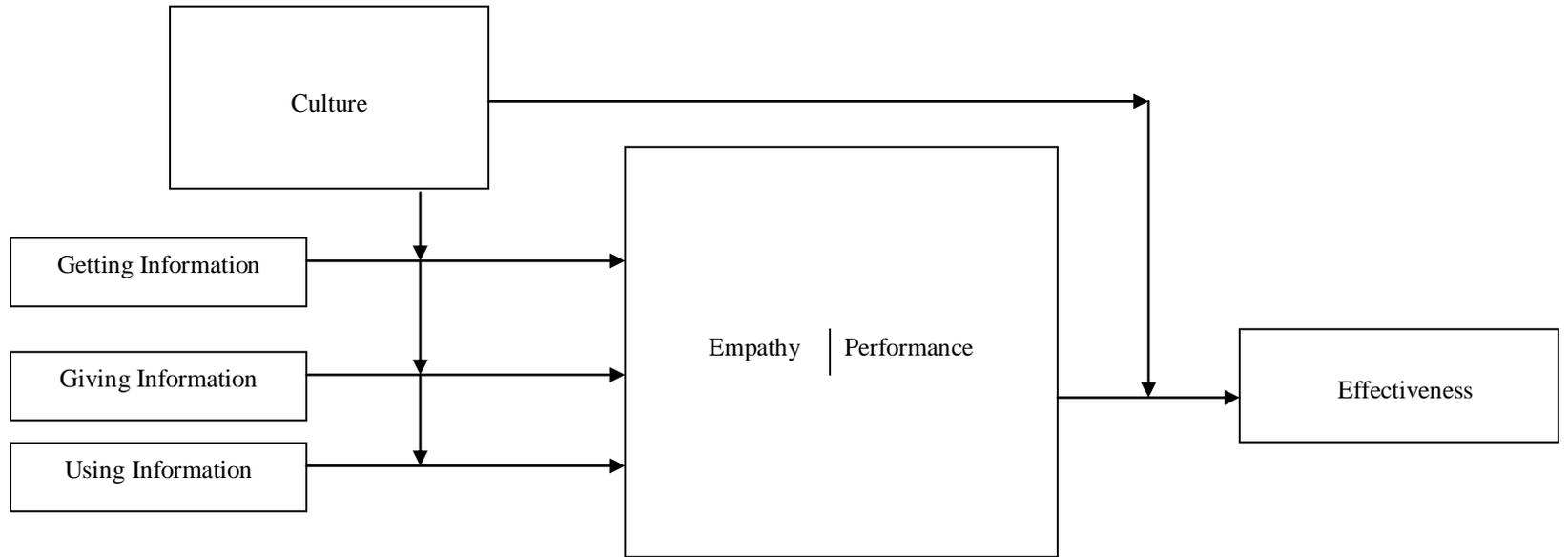


Figure 2
Research Model



THE AMBIDEXTROUS MANAGEMENT OF THE INNOVATION PROCESS

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ABSTRACT

This paper discusses how the front-end and back-end are interrelated in the context of new product development. It is proposed that management should pay more attention to the innovation process already in the beginning of the process and a successful product initiative requires improved linkages between the front-end and back-end activities.

INTRODUCTION

If companies want to stay competitive and be able to grow their business in the long run, they are required to produce more innovative products and services (Cooper 1993, Patterson 1998, Miller 2001, Debruyne et al. 2002). However, to bring a new product to the market is a strategic decision, which always includes a risk of failure (Dundas and Richardson 1980). An Innovation process can be understood to comprise three different phases: the (fuzzy) front-end phase, the development project phase, and the commercialization phase (Buckler 1997, Koen et al. 2001). Krishnan and Ulrich (2001 p. 1) define product development as “the transformation of a market opportunity and set of assumptions about product technology into a product available for sale”. This definition reveals the essentials of the innovation process very well. Before a firm can start opportunity transformation, there is a need to capture the opportunity. This capturing is conducted in the front-end phase followed by the development. However, in order to bring any products available for sale, a firm has to perform various commercialization activities. This paper considers the underlying phenomenon of innovation process management as a cross-functional research problem by acknowledging the logic formulated by Krishnan and Ulrich (2001). They argue that instead of trying to find coordination among different functions, there is a need to consider the underlying activities as a part of highly interdependent clusters. For instance, instead of trying to find the best ways to coordinate collaboration between engineering and marketing teams, a firm should consider how to

integrate the front-end and back-end activities of an innovation process. This is the rationale behind the title of this paper. To remain successful, senior managers must be ambidextrous – able to focus and manage both ends of the innovation process equally. In this paper we discuss how these innovation process extremities should be taken into consideration as interdependent entities. The purpose of the paper is to discuss the management of innovations in an intra-firm context and to present propositions for further research based on theoretical background and literature review. The main propositions are related to innovation process integration and senior management role in the innovation process.

SPECIAL CHARACTERISTICS OF FRONT-END

Recent studies indicate that the early front-end activities represent the most troublesome phase of the innovation process, and at the same time one of the greatest opportunities to improve the overall innovation capability in companies (Reid and de Brentani 2004, Kim and Wilemon 2002, Zhang and Doll 2001, Koen et al. 2001). The front-end phase nourishes the new product development project phase by producing new incremental and radical product concepts. The front-end phase results in a well-defined product concept, clear development requirements and a business plan aligned with the corporate strategy (Kim and Wilemon 2002). In addition, the front-end phase should produce a formal project plan including resource needs, schedule and budget estimates, and a decision on how the product

concept will be developed further (Khurana and Rosenthal 1997). It must be decided whether to continue with an immediate development project or whether to put the concept “on hold” to wait for more suitable timing, or whether even to kill the initiative. However, despite the recognized importance and great development potential of the front-end phase, there has still been relatively little research on the best practices related to that phase, e.g. compared to the development project phase. (Kim and Wilemon 2002, Koen et al. 2001). Buckler (1997) characterizes the front-end phase as experimental, requiring high tolerance for uncertainty, ambiguity and chaotic phenomena, and willingness to consider the unreasonable.

IMPORTANCE OF PRODUCT COMMERCIALIZATION

As discussed earlier, the front-end is the most uncertain phase, but the commercialization or product launch phase actually determines the destiny of a product (Guiltinan 1999, Beard and Easingwood 1996). It is also the costliest phase (Di Benedetto 1999, Kotler 2005). Hultink et al. (1997) have presented a model of strategic (what, where, when and why) and tactic (how to) launch decision alignment. They emphasize that “strategic launch decisions made early in the new product development process affect the tactical decisions made later in the process” (Hultink et al. 1997, p. 1). Moreover, the timely introduction together with reduced development cycle has been stated to be one of the most important success factors of new products (Di Benedetto 1999, Wong 2002). Naturally, the detailed launch practices differ between industries and firms. However, a study among UK firms has revealed that the product launch tactics between consumer and industrial product actually share a great degree of similarities (Hultink et al. 1999). The conventional wisdom would propose that it is always beneficial to hit the market first. According to Kerin et al. (1992) and Lambert and Slater (1999), the launch timing is not such an unambiguous issue. For instance, a firm should take holistic product portfolio and overall strategy aspects into consideration when launching a product (Lambert and Slater 1999). There is always a significant risk related to the new product introduction, which simply means that many products fail (Stevens and Burley 1997). It is very crucial to notice the product failure in time and to react with proper counter actions in order to avoid the risk of

losing the course of action (Boulding et al. 1997). To conclude this chapter we refer to Cooper and Kleinschmidt (2000, p.39) who have stated that one of the key success factors of new product initiatives is the quality of execution of a marketing task from idea generation to the launch.

THE ROLE OF AMBIDEXTERITY IN THE INNOVATION PROCESS

Tushman and ÓReilly (1996) argue that a firm should utilize ambidextrous organizational form if it wants to maintain and develop its innovation capability, while reaping the benefits from existing technology and product range, to implement both incremental and revolutionary changes at the same time. To achieve this, Tushman and ÓReilly suggest a creation of small, decentralized, and loose culture subunits that aim to create radical innovations, where the traditional units keep on serving existing customers under tight culture and strict process management practices. According to Benner and Tushman (2003, p. 252), “these inconsistent units must be strategically integrated by the senior team”. This corporate level ambidexterity means the balance between exploitation and exploration. However, we feel that different type of ambidexterity is required on the program level. The senior management’s ability to influence a new product development project is naturally greatest at the beginning. However, typical real involvement pattern shows that the senior management gets heavily involved after the design has been already completed and when large financial commitment is needed (Smith and Reinertsen 1998, McGrath 1996). Wheelwright and Clark (1992) emphasize the same problem in automotive industry. Management attention occur mainly in later stages of the product development when problems become visible. Unfortunately, the ability to influence the outcome without considerable redesign effort is low. The senior management should invest their time proactively to confirm that critical choices made in the front-end are strategically feasible (Wheelwright and Clark 1992, Smith and Reinertsen 1998, McGrath 1996). Wheelwright and Clark (1992) describe product concepts becoming “moving targets” when there is no comprehensive strategy or strategic guidelines directing the innovation processes. Khurana and Rosenthal (1997) have listed familiar symptoms of front-end failure such as halfway cancelled new product initiatives that do not match the company strategy and delayed top-priority

new product initiatives that suffer from lack of prioritization of assignments. Further Khurana and Rosenthal have shown that this is because the senior managers do not communicate their strategic-level expectations such as the product's core benefits, choice of market segments, and pricing to the development team. Loch (2000) in turn emphasizes that evaluation and selection procedures of development initiatives are weak and incomplete if there is a lack of clear understanding and linkage to the strategy. Another common symptom of front-end failures in many organizations is too many projects being attempted by too few people with no apparent link to strategy or organizational goals (Englund and Graham 1999). Hertenstein and Platt (2000) conclude in their study that, in general, firms want more explicit links between strategy and the NPD process.

The importance of integrating marketing with research and development (R&D) efforts in the innovation process has been recognized as one of the key success factors in various studies (Souder and Chakrabarti 1978, Ruekert et al. 1987, Moenaert et al. 1995, Griffin and Hauser 1996, Fisher et al. 1997, Rein 2004). According to Souder and Chakrabarti (1978), the integration between marketing and R&D has significant effect on the outcome of the innovation process. They point out that well-defined targets that emphasize both commercial and technical aspects is one of the key aspects for success. However, it is essential to notice that cross-functional teams are not always required. The organizing for innovation depends on the underlying project. For instance, line extensions and product modifications may not benefit from cross-functional team, which is often the case with innovative, new-to-the company products (Olson et al. 1995). However, according to Moenaert et al. (1995), increased communication and integration between R&D and marketing activities during the front-end will reduce uncertainty and enhance the innovation success rate.

PROPOSITIONS

The following propositions are based on previous literature review but also backed up on recent empirical work. The empirical data is founded on interviews of 20 senior managers of Finnish innovation intensive companies. These people represent the biggest Finnish companies investing most in R&D activities during 2003 (such as Nokia, KONE, StoraEnso). In addition, smaller companies

that invested most in R&D activities in relation to turnover were interviewed. While the original research focus was related to the integration of the front-end activities (see, Poskela et al. 2005), the study simultaneously produced insight to the subject discussed in this paper. The main findings of that study indicate that the efficiency of integration of strategic and operative level front-end activities is dependent on the amount of business-minded decision-making, and the balance between control and creativity. It is also suggested that a firm should improve the effectiveness of integration of the front-end activities by locating the responsibility for new concept creation to the sales and marketing function. (Poskela et al. 2005). One of the main problems is related to the observation that the senior management quite often take active part during the actual development and in the product launch phases as shown in Figure 1. The curves are illustrative and elaborative in nature.

Proposition for senior management role in the innovation process: If senior management gets involved already in the front-end phase, this could ensure less iteration in the commercialisation/launch phase. The role of the senior management knowledge is especially important when analyzing and interpreting the information during the concept creation. The continuous managerial feedback is also likely to produce better launch results. Based on the findings and literature review we present the following proposition:

P1: The senior management's more active role in strategic decision-making in the front-end leads to improved product launch success measured in terms of strategic fit in the product portfolio and strategic renewal.

Propositions for innovation process alignment: Firms need to be agile to respond market shifts in time. Innovation process integration plays a major role in the intra-firm context and successful product initiative requires improved linkages between the front-end and back-end activities. Based on the findings and literature review we present the following proposition:

P2: More concrete integration of the front-end and back-end activities, measured on the level of strategic and tactical alignment leads to more successful

product launch in terms of financial and customer related success measures.

DISCUSSION AND IMPLICATIONS

This paper has discussed innovation management and integration of different phases of the innovation process in intra-firm context. However, the empirical part is only tentative and the literature review needs to be deepened. Better understanding of the innovation process integration between the front-end and the product launch activities as well as the managing innovation projects in different maturity phases is needed.

We assume that the senior management may have little willingness to consider the unreasonable, nor would they be characterized as having tolerance for uncertainty, that is often the case in the front-end. However, we feel that if the senior team does not provide strategic guidance and vision during the beginning of the innovation process, it is very difficult for the rest of the organization to decide which initiatives to pursue. We are not proposing extra tasks for the senior executives that are already under heavy load. Neither do we mean that a firm should add more resources for the process in general. The rationale is to swap between those 'time slots' a senior team focuses on in a product programme. Instead of just handling acute issues during commercialisation, they should also spend time with the R&D and marketing operations during the front-end activities. This could partially help to avoid problems that currently arise because strategic fit and tactical alignment of products do not meet the market requirements. When a senior team focuses on the front-end and back-end alike, that would emphasize the importance of integrating activities between the R&D and marketing personnel as well. As Rein (2004) points out, previous research does not provide actual mechanism to how the organizational integration should work. Despite the consensus that cross-functionality plays an important role in product innovations, we do not have enough knowledge of what are the best approaches for the alignment of front-end and back-end activities, and how and when the senior management should be involved in the innovation process. Since theoretical literature does not recognize the essence of the front-end and back-end activity integration or does not provide concrete and applicable mechanisms, we feel that further research is needed. We have presented propositions

that need to be tested in further research. Our purpose is to study these in Finnish industry context and to find empirical strengthening in upcoming research projects. In addition, despite the importance of product launch, there is a lack of empirical knowledge about topics that characterize successful product launch (Hultink et al. 2000). We hope that our new projects may result in important managerial implications in terms of improved operating procedures. In addition, we hope that better understanding and implementation of ambidextrous innovation management practices could help firms to bear new innovations in future.

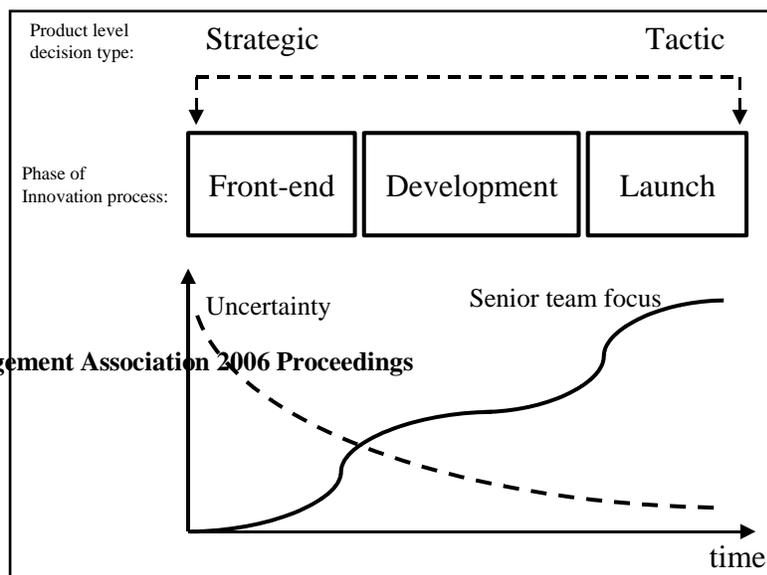
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Figure 1, Management focus during the innovation process



GENERAL MOTORS CORPORATION: SURVIVING ITS MARKETING MISTAKES?

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ABSTRACT

This paper aims to understand how General Motors is developing its marketing strategy. By learning from the past, the current situation can be determined. The environment in which GM operates is continually changing, prompting them to not only be proactive but creative in defining the future of the automobile industry.

INTRODUCTION

General Motors Corporation (GM) is the number one manufacturer of cars and trucks in the world. GM has manufacturing facilities in 32 countries and has a sales presence in over 190 countries. GM produces several different brands including: Buick, Cadillac, Chevrolet, GMC, Holden, HUMMER, Opel, Pontiac, Saab, Saturn, and Vauxhall. In 2004 GM had revenues of \$193 billion, which is a 4.1% increase from 2003. Net income was \$3.7 billion, which is a 3.4% decrease from 2003 ("General" 2005). Although this may seem to provide a neutral outlook, troubles have been burdening GM for the past few years. High legacy costs, which include health care costs and pension benefit costs, are left from when GM controlled more than 40% of the market. In addition, GM has an inventory of nearly 1.3 million unsold vehicles. In 2005 GM will spend \$2 billion rather than generate the previous estimate of \$2 billion for the full year (Hawkins 2005a).

The Past

Alfred Sloan, GM's chairman who retired in 1956, created a winning combination of brand creativity and innovation during his term. However, successors did not exude his capabilities, and in the 1970s, external forces of gas prices and Japanese competition met with internal weaknesses to knock GM down from its market share. In 1972, GM had a triple-A credit rating and a diverse portfolio of brands suited to American tastes.

Massive reorganization occurred in the 1980s. GM spent \$15 billion on automation, without actually improving quality or reducing costs. During these years, money was spent acquiring Saab and Saturn. Downsizing then occurred, but as Keller states, "History tells us that getting rid of people and

factories is not going to close gaps in product development and production efficiency with competitors such as Toyota. It is simply aligning the company's assets to a new reality of a permanently lower market share" (2005).

The 1990s started with success as GM focused on productivity and quality. However, this faded as Jack Smith, CEO, took away money from Saturn, which was mildly profitable. Then, GM divested into stock buybacks, overseas vehicle production, Internet startups, and purchasing Fiat, which was a waste of \$5 billion. The mistake of Smith was a focus on the world market, which halted him from seeing changes in the U.S. market. Jack Smith believed GM was troubled by a poor marketing strategy. He reduced engineers as he hired marketers, and at the same time, reduced GM's competitive advantage because engineering innovation was halted.

Although GM has introduced new models somewhat successfully, they lag behind the competition; this is due to a reactive approach rather than a proactive approach. Keller believes that "the problem is that GM has forgotten how to make cars people want to buy" (2005). To assess such problems, the current environment will be analyzed.

The Current Environment

The U.S. is the world's largest consumer market for light vehicles, including passenger cars and light trucks (minivans, SUVs, and pickup trucks). Standard and Poor's estimates that sales of new vehicles comprised more than \$400 billion in 2004 and expects sales of light vehicles to total 17 million in 2005. GM had a market share of 25.7% in 2003 in the passenger car market in the U.S., which was greater than that of its nearest competitor Ford, with

15.4%. However, 52.9% of U.S. car sales in 2003 went to foreign manufacturers (Levy 2004).

The outlook for the automobile manufacturers' sub-industry is negative, according to Standard and Poor's. The manufacturers index declined 28% during the first five months of 2005. Expected sales of U.S. light vehicles were revised to 16.9 million in May 2005. Competition is intense, and high inventories are expected to cause production cuts beyond those announced; such measures could severely reduce income. Higher raw materials costs, retiree benefits, and healthcare costs will also trim margins. Demand should stay high, but profits will be more difficult to attain (Levy 2005).

CURRENT CHALLENGES AND A SWOT ASSESSMENT

In the first quarter of 2005, GM had a loss of \$1.1 billion, and GM declined from 27% to 25.4% in total market share. GM blamed this on external factors such as competition and a shifting product mix to car sales with lower profit margins. However, outsiders to the organization see this an internal problem consisting of a poor marketing strategy and poor managerial decisions. In March 2005 GM cut down on media-buying, while giving away \$17 billion in incentives to hide overproduction and unrealistic product pricing (Halliday 2005a). As an example of extensive incentives, dealers discounted the new Pontiac G6 by up to 20% (Newman 2005a).

GM relies heavily on its financing company to generate profits. General Motors Acceptance Corporation, GMAC, is expected to earn \$2.5 billion this year, but losses on automobiles could reduce that to just \$600 million, compared to GM's 2003 income of \$3.7 billion. The expected negative cash flow of \$2 billion will be offset by a dividend from GMAC to GM. Such reliance could prove fatal to this struggling company if GM continues to rely solely on GMAC for profits (Welch 2005a).

After the first quarter information was made available, GM dropped its program called "Zeta". Zeta included the creation of several new rear-wheel drive vehicles. Since the program was terminated, GM will once again focus on its standard products, doing just enough to survive (Jenkins 2005).

A short time later, Kirk Kerkorian, a billionaire investor, offered to purchase 28 million shares of GM, which is the equivalent of 5% of total shares outstanding. The offer of \$31 per share was tendered on May 4 by Kerkorian's company,

Tracinda Corporation. Tracinda already owns 22 million shares, or 3.9% of outstanding shares. By becoming GM's third largest shareholder, Kerkorian wants to push GM to overhaul itself. GM may change just to keep Kerkorian at bay. Advisors to Kerkorian say he has faith in GM's strategy, but he wants a serious return on his investment. He might even try to dismantle GM from GMAC (Hawkins and Marr 2005).

Just one day after Kerkorian's offer, Standard and Poor's downgraded both GM's and Ford's credit ratings to the junk category. The cause of the downgrade is doubt in the credit community about the two giants' strategies, particularly their reliance on SUV sales. After the credit rating cut, GM's stock price fell 6%. The price of GM bonds maturing in July 2033 fell, yielding a rate 11.494%. This illustrates a substantial increase in the risk associated with holding GM's debt and stocks (Hawkins 2005b).

At the 97th annual shareholders meeting on June 7, GM's CEO, Richard Wagoner, announced the closings of plants and the elimination of one in six U.S. workers, which is approximately 25,000 workers out of a 150,000-person workforce (Gagnier 2005). Analysts agree to the downsizing because the strategy matches GM's need for a smaller size based on its declining market share (Newman 2005b).

GM instituted an "employee-discount-for-everyone" between June 1 and August 1. According to CNW Marketing Research, the incentive pulled non-GM customers into dealerships. Only 37% of people who entered a GM dealership this June had intended to purchase a GM vehicle before entering. Sales of new retail vehicles in June rose to 30.3%, and many customers bought higher-priced models (Freeman 2005).

A few current events have contributed to GM's situation. One factor reducing GM's sales is the rise in gasoline prices. GM has been devastated by the slump in SUV sales, which are less fuel-efficient vehicles. In April, sales of light trucks fell 14%, and sales of the Chevrolet Suburban and Tahoe fell 30% and 34%, respectively (Hawkins 2005b). Unfortunately, sales of SUVs built on truck frames fell 25% in the first five months of 2005. GM will add a new lineup of seven-passenger crossover wagons, but such measures will not be fully implemented until 2009 (White 2005).

Another factor is that GM's workers, most of which belong to the United Auto Workers union

(UAW), pay nothing for healthcare costs. If each of the 340,000 retirees paid \$100 per month, GM would save \$410 million in expenses (Welch 2005a). Healthcare expenses add \$1500 to the cost of each vehicle. Therefore, the total for GM's 1.1 million current and retired workers is \$5 billion per year (Porretto 2005).

A general assessment of the company's strengths, weaknesses, opportunities, and threats is presented in Table 1 and is adapted from "General" 2005.

GM'S MARKETING STRATEGY

GM has several issues to address within its marketing and overall strategies including: market share losses, product line trimming, market targeting, media selection, and the battle with the UAW. All parties will need to play their parts to help GM; otherwise, some believe GM could be bankrupt within five years. With the downgrading of its debt, GM is a high risk borrower to creditors and a high risk investment to stockholders. Therefore, GM will have a higher cost of capital ("How" 2005).

GM is addressing its competitive problems by launching its "Total Value Proposition" program. This includes a pricing strategy, changing its channel strategy, focusing on coast markets, and upgrading select dealerships. Lower base prices and lower rebates will be offered to compete with the pricing strategy of foreign automakers. Also part of the plan, GM will no longer offer 0% financing (Hawkins 2005c).

To match the elimination of employees and reduction of factories, GM will shrink product lines of Buick, GMC, and Pontiac, and put resources into

Chevrolet and Cadillac. Buick will be more directly targeted to older consumers who prefer quiet, luxury vehicles. Pontiac will be targeted to young, sporty buyers; thus, Pontiac will no longer make minivans. Hopefully, through this realignment, GM will imitate the best attributes of competitors to be more efficient in its marketing strategy (Newman 2005b).

The cutting of product lines is forcing GM to accept a new channel strategy. Because GM will no longer offer full product lines in Buick, Pontiac, and GMC, it will no longer have separate dealerships for these products; instead GM will combine such dealerships into one. GM hopes with fewer products, pressure on dealers will increase, and ultimately, sales will increase (LaReau and Crain 2005).

In addition, GM is targeting more specific consumer groups by segmenting markets. Wagoner states that GMC, Pontiac, Buick, Saturn, Saab, and HUMMER will focus on niche markets, whereas Chevrolet and Cadillac will focus on a larger target market. GM will also segment the market based on geography (Porretto 2005). The West and East Coasts as well as Florida represent the most lucrative U.S. markets. Thus, GM will target these areas with specific ads because they are home to import buyers, those who purchase foreign automakers' vehicles (Hawkins 2005c).

Hispanics are another segment being targeted as they made up 4.5% of sales in 2003, compared to 3.6% of sales in 2002. Sonia Green joined GM in 2001 as the Marketing Director, with a special concentration on Hispanics. She influenced GM to be more aggressive and to increase media spending for national ads and an integrated marketing plan (Halliday 2005b).

TABLE 1: A SWOT ASSESSMENT

<p>Strengths:</p> <ul style="list-style-type: none"> ➤ World's largest automaker-14.7% global market share ➤ Strategic alliances ➤ Strong brand portfolio and brand equity ➤ Restructuring in Europe producing lower costs 	<p>Opportunities:</p> <ul style="list-style-type: none"> ➤ Rising demand in Asia ➤ Gaining new sales through launch of 24 new products in 2005-06 ➤ Market for diesel fuel vehicles in North America
<p>Weaknesses:</p> <ul style="list-style-type: none"> ➤ Declining North American market share ➤ Declining SUV sales ➤ Low profit margin ➤ Poor cost management ➤ Older product portfolio 	<p>Threats:</p> <ul style="list-style-type: none"> ➤ Increase in steel prices ➤ Increase in health care costs ➤ Rising interest rates ➤ Foreign competition offers more appealing vehicles

Media selection is changing at GM. The result of consumers' control needs for GM could include more Internet initiatives, branded entertainment ads in television shows and movies, and a move to non-traditional advertisements. In addition, GM will increase spending in "Podcasting" (Greenberg 2005).

GM is reducing the amount it spends on television ads, which have fallen from one-third to one-fourth of total advertising spending. Online advertising has grown from \$40.7 million in 2003 to \$60 million in 2004. Finally, GM will pursue brand-integration programs, such as the deal between Pontiac and "The Apprentice" television show (Arndorfer and Halliday 2005).

Individual brands will also receive better-targeted media selection. GM will buy space and time based on individual brand needs, rather than buy cheaper blocks and assign them out. GM has fired its media agency, Interpublic Group, and hired Starcom MediaVest. Experts state this occurred because GM is seeking efficient media rather than effective media (Brown 2005).

A final issue to be addressed by GM is a deal with the UAW. GM will have to put forth great effort to be successful in trimming autoworker costs. GM already has 2.5 retirees for every current worker, which is why it is so difficult for them to compete effectively with Asian companies, which have younger workers ("Deal" 2005).

PROPOSED RECOMMENDATIONS

Now that GM's current marketing plans have been identified, the advantages and disadvantages of its strategy will be considered. The advantages are clear; market share can be achieved by implementing a different pricing strategy than those used in the past. The employee-discount-for-everyone benefited GM; this was an innovative plan, showing a focus on non-traditional discounts. In addition, GM will gain sales by tailoring products to customer segments using an integrated marketing communication strategy. By shrinking the size of the company, its operations, and its products, GM should be able to adjust to its market share and to increase profit over the long run.

The disadvantages to GM's Total Value Proposition program are relatively small. Although the employee-discount-for-everyone reawakened GM's competitive spirit, will the program continue to be successful? American competitors are introducing similar plans which might take away the any market share gained. The other disadvantage is a lack of creative products.

Thus, several recommendations can be proposed for GM to follow. GM implements change too slowly. As an example, GM will not enter the hybrid market until 2007, when it will offer a hybrid gas-electric drive system on its large SUVs. The first quarter of 2006 will still have production focused on full-size pickups and SUVs. The organization's strategy will have to reflect a level of awareness that speed is one important component in such a dynamic industry (Halliday 2005a).

GM will need to be more proactive in its approach. Rather than look back at what the competition has created, GM needs to jump ahead and institute product changes before the competition. GM has a culture where finance dominates, with design and manufacturing in the background. Rather than allow changes to occur slowly, GM should push itself to a faster pace, or it may not be able to catch up.

GM will have to learn to accomplish goals. GM can no longer state a plan and not implement it to the fullest extent. GM's new channel strategy, to merge preexisting individual Buick, GMC, and Pontiac dealerships, is the same strategy it laid out in 2001. However, GM did not accomplish this, but has set out to implement this strategy once again. This illustrates GM's inability to accomplish its goals ("GM's" 2005).

The only way to get back into the competition is to create better products with higher quality. Consumers want product creativity, not redundancy. This requires hiring better personnel and implementing plans to accomplish the goals which have been set forth.

Many analysts agree with the elimination of employees and the discontinuation of factories. GM does need to become a smaller organization to more efficiently pursue its smaller market share (Newman 2005a).

The strategy of rebates to grab market share has failed and has taken away profits. The issue is whether to sell a low quantity at high prices or to sell a high quantity at low prices. GM chose to sell at low prices, but it was unable to sell a high quantity. To push a brand-valued focus, GM will need to stop these incentives (Halliday 2005a).

Also at issue is whether GM can support so many different, competing brands (Welch 2005a). GM has lost its brand differentiation. GM needs to scan the market and its targets to determine if its brands are positioned correctly. In addition, GM might need to reduce or to eliminate brands to make room for different products.

GM has tried to maintain a status quo. Unfortunately, this has not worked. GM will need to shrink, and hopefully, GM will pursue: trimming its product lines, selecting more efficient media channels, targeting more specific consumer groups, and marketing its position in dealing with the UAW. GM needs to adapt to the current environment. If GM can implement its plans successfully, while at the same time pursuing product innovation, GM can regain its earlier stature in the market.

GM will need to continually evaluate itself, its place in the market, and its competitors, because GM will be evaluated by those near to it, including creditors, shareholders, and employees. If GM does not implement its marketing strategy efficiently, either GM will eventually cease to exist or it will be taken over. Exhibit 1 shows how General Motors Corporation has transitioned from a successful giant in the auto industry to an organization just trying to survive its marketing mistakes.

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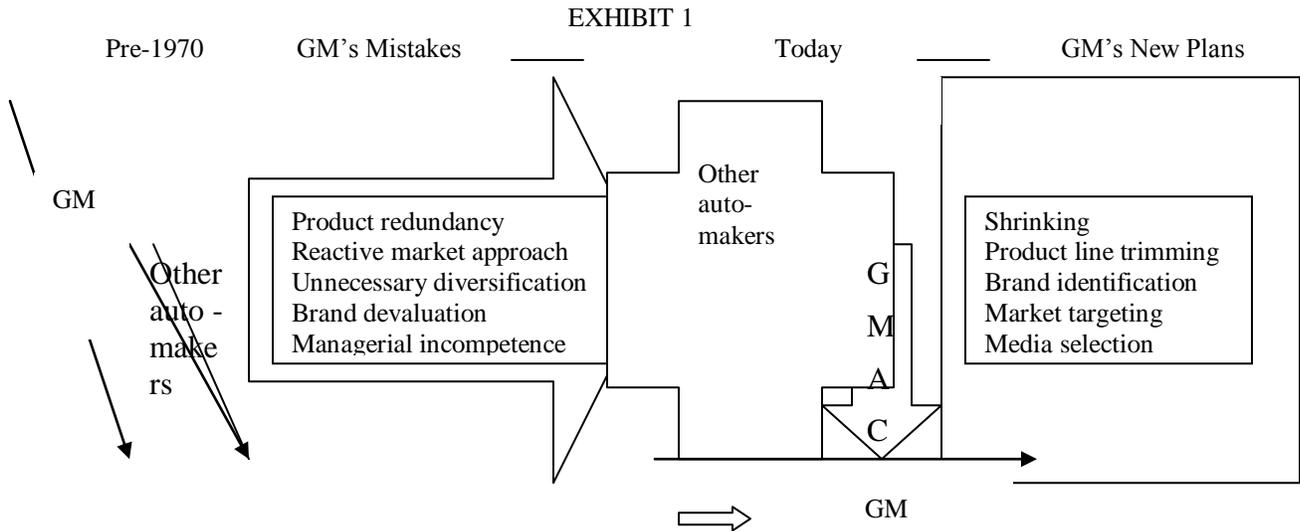
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DEVELOPING INNOVATIVE STRATEGIES TO SERVE FIRST GENERATION ETHNIC IMMIGRANT MARKETS

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ABSTRACT

This exploratory research utilizes two validated scales from past research - brand community and ethnicity - to examine empirical data from a sample of customers in an ethnic diaspora. The model examines the impact of ethnicity on brand community. Findings should interest firms employing marketing strategies to reach ethnic minorities.

INTRODUCTION

The American marketscape is replete with substantial and profitable segments of customers that identify themselves as ethnic minorities. An ever-growing population in the United States is becoming more and more diverse. Soon we as a nation will have to reexamine the definition of ethnic minorities as the traditional ethnicities referred to as minorities quickly turn into the majority (*Nasser and Overberg 2004*). This research examines the impact of a person's ethnic identity upon their integration into a brand community. We attempt to answer research questions that deal with consumption patterns of ethnic minorities in the USA. How does ethnicity influence the purchase patterns of customers? Do customers continue to demand, procure, and consume products from their home country? How may such preferences aid a marketer in serving these customers in a better fashion? What are the strategic marketing implications for corporations – domestic and global – as they market to the ethnic minorities in the United States?

It is becoming more and more apparent to marketers that customer segments that unite by virtue of their affinity for a specific brand often behave as a community (*Algesheimer, Dholakia, and Herrmann 2005, Quinn and Devasagayam 2005*). According to Muniz and O'Guinn, brand communities are "based on a structured set of relationships among admirers of a brand" (*Muniz and O'Guinn 2001, p.412*). Quinn and Devasagayam (2005) state that "an Individual's feeling of connection between oneself and one's cultural heritage can be referred to as one's self-ethnicity". In this research we combine the constructs of brand community and self-ethnicity to

seek answers to some of the research questions raised earlier. For this study we specifically examined first generation Asian Americans from the Indian subcontinent.

Research Setting

The foundation of our nation was based upon welcoming immigrants from all over the world. As time has progressed the number of different races and ethnicities found in the US have grown considerably. In a recent article USA Today reports that in 208 of the nation's three thousand plus counties diversity has spread to the point that whites who are not Hispanic have lost their majority status, a characteristic that has changed since the 2000 census. As of the 2003 Census white Americans make up 68% of the population, however all trends lead experts to believe that a rapid shift in this statistic is in progress. One such expert, Robert Lang, the head of the Metropolitan Institute at Virginia Tech posits that, "... [in a few years] ... the majority will be the minority and we'll re-label minorities the majority. It's just a matter of time" (*Nasser and Overberg 2004*).

American-Asian Indian Ethnicity

In order to facilitate an understanding of our sample -- the ethnic diaspora from India, it might be prudent to examine the salient features and resultant market potential of this group. The census data from 2000 reveals that 75 percent of Asian Indians living in America were born outside of the country and that over 50 percent of them migrated to America between 1990 and 2000. These immigrants are among the most highly educated minorities in our

nation, roughly 64 percent of Asian Americans reported having at least a bachelor's degree, which is the highest rate among immigrants from Asia (Quinn & Devasagayam 2005). This education allows a very high level of participation in the labor market (about 80%). Sixty percent of Asian Indians are employed in management, professional, and related occupations. Asian Indians hold the highest year-round full-time median earnings of all Asian categories with \$51,900. Asian Indian women were found to earn between \$4,300 and \$8,800 more annually than all women represented in the census (Reeves, and Bennett 2004).

The Asian Indian population in America is continuing to grow at a steady and remarkable rate. With the majority of this population born outside of the country, it can be expected that these individuals have at least some affinity to their homeland and home brands. This population presents a well educated and high income consumer base with growth potential that deserves our attention as a very sizable and attractive target segment.

LITERATURE REVIEW

This study uses the scales of ethnicity and brand community modified and validated by Quinn and Devasagayam (2005) in the cross-cultural marketing context. Their study was based on two preexisting theoretical constructs and scales. First, a brand community scale (McAlexander, and Schouten 2002) that measures a customer's felt sense of belonging in a consumption community through a shared brand experience. Second, an ethnic self-identity scale, measuring one's level of acculturation from his or her traditional culture to modern American culture and resultant ethnic identity (Suinn, Rickard-Figueroa, Lew, and Vigil 1987).

Brand Community

Brand community is defined by McAlexander, Shouten, and Koenig (2002) as, "Communities whose primary bases of identification are either brands or consumption activities, that is, whose meaningfulness is negotiated through the symbolism of the marketplace. A brand community is a specialized, non-geographically bound community, based on a structured set of social relations among admirers of a brand. It is specialized because at its center is a branded good or service. A brand community from a customer-experiential perspective is a fabric of relationships in which the customer is situated. Crucial relationships include those between the customer and the brand, between the customer

and the firm, between the customer and the product in use, and among fellow customers."

The existence and influence of Brand communities continue to offer specific brands the opportunity to "enmesh the customer in a network of relationships with the brand, and fellow customers" of the same brand (Quinn and Devasagayam 2005). Traditionally customer and brand relationships were viewed as a one to one relationship. Brand communities have gone a step above this and have offered customers the feeling of belonging in a special relationship similar to that of a social network. Based on the work of Muniz and O'Guinn (2001), Algeheimer, Dholakia, and Herrmann (2005) discuss the cognitive component of brand community and state that "...identification with the brand community involves categorization processes, whereby the consumer formulates and maintains a self-awareness of his or her membership within the community (e.g. "I see myself as part of the community"), emphasizing the perceived similarities with other community members and dissimilarities with nonmembers" (Algeheimer, Dholakia, and Herrmann 2005). It has been shown in previous studies that the formation of brand communities can cause strong bonds among brand customers and ultimately can influence a customer's decision in a specific marketplace (Algeheimer, Dholakia, and Herrmann 2005).

Many different types of brand communities have been identified that include a seemingly heterogeneous group of customers with diverse characteristics but with a common interest in a common brand. McAlexander, Schouten, and Koenig (2002) found that customers that attended Jeep Brandfest, exhibited a significant increase in their affinity for the Jeep products they owned. Muniz and O'Guinn's (2001) study underscored the information sharing and caring that the Macintosh computer community members provide for each other. Muniz and Schau (2005) found a vibrant and active brands community that was built around the Newton brand of Apple Computers Inc. six years after the brand was discontinued! (O'Guinn, Algeheimer, and Dholakia, 2005).

In McAlexander, Shouten, and Koenig's (2002) study they use an ethnographic fieldwork methodology when reporting their study of brand communities. Using this methodology they continue to triangulate their findings with a quantitative study that uses a customer-centric relationship scale to form a composite brand community integration scale. Using a five point Likert type scale, four customer

relationships were measured: owner-to-product, owner-to-brand, owner-to-company, and owner-to-other-owners. Each scale had multiple-item measures founded on the theoretical underpinnings of the ethnographic study by the authors. McAlexander et al (2002) report good psychometric properties of the scales used to ascertain the construct validity of the overall integration in brand community.

The scales used in our study are based on those developed by Quinn and Devasagayam, which were modified versions of the scales employed and tested by McAlexander et al (2002) with contextual changes made to ensure conformity to their research setting. Based on this prior study, in our study respondents were asked to look over a brief list of popular ethnic brands from the Indian subcontinent when responding to our brand community scale. We have reworded and slightly modified the questions used by Quinn & Devasagayam (2005) per their recommendations at the conclusion of their study. In keeping with the original scale, our measurements are based on five-point Likert-type scale anchored by (1) "Strongly Disagree," and (5) "Strongly Agree."

Acculturation and Ethnicity

The definition of acculturation and ethnicity we use is from Suinn and Lew's (1987) original work:

"A process that can occur when two or more cultures interact together. There are several possible outcomes of this process, including assimilation, whereby a host culture absorbs the immigrant culture, or multiculturalism, whereby both cultures exist side-by-side. On an individual level, exposure to another culture can lead a person to resisting change in his/her values and behavioral competencies, adopting the host culture's values and behavioral skills and styles as a replacement for his/her parent culture's values/behaviors, acquiring host culture values/behaviors while retaining parent culture values/behaviors with situational reliance determining which values/behaviors are in effect at different time."

Suinn and Lew present an instrument designed to measure an individual's level of acculturation, and ethnic self-identity of Asian Americans. The Suinn and Lew scale has been well received and frequently used in the social psychology literature (Del Pillar and Udasco 2004, Negy et al 2003, Suzuki-Crumly and Hyers 2004).

In order to make the Suinn and Lew scale more respondent friendly, we attempted to maintain

the original flow and style while also creating a system that would serve to expedite the response process. Our respondents were random volunteers (as opposed to students or other cooperative groups). We wanted to minimize the time commitment and ensure ease of response. We achieved this by restructuring the response format of the Suinn and Lew scale so that responses could be indicated by circling 1 through 5, with 1 being 'Strongly Disagree' and 5 being 'Strongly Agree,' for most of the questions. This also provided us with an additional advantage of ensuring consistency with the brand community scale. In order to ensure participation of first generation immigrants that might not be well versed with the English language the instructions were precise and simple. For this research we decided to focus on Americans with Indian heritage and the data collection instrument was adapted to appropriately reflect these cultures. Based on the questions of from Suinn and Lews scale and the subsequent revision by Quinn and Devasagayam (2005) we use the validated scale in our study with minor modifications.

METHODOLOGY

We began by pre-testing the data collection instrument. We made every attempt to ensure that the survey was manageable and efficient in terms of ease of response. A second wave of pre-testing was done with an edited and modified questionnaire based on the results of the first pretest. We then proceeded to reformat the survey with aesthetics and the logical flow of content in mind.

Data was collected through an anonymous survey. Survey participants were asked to fill out surveys in person on a volunteer basis, and through an online survey. Online copies of this survey were e-mailed to members of the local India Association with the appropriate permission. Data collection took place at various events such as Spring Festival of India. As a token of out appreciation survey participants were offered the option to be put into a drawing for one of five gift certificates toward local Indian restaurants. Identifying information was kept completely separate from the survey data as to ensure anonymity.

Sample Profile

Of the 61 participants surveyed the majority were male (62%) between the ages of 35 and 40 (40%) with an education at the Masters level (46%). An overwhelming amount of our survey participants are currently professionals in the job market (73%) with a household incomes ranging between \$50,000

and \$149,900 (86%) and have families of 2-4 people (88%) of which 2 of them are children under the age of 18 (41%). We also noticed that all of the members of our sample (100%) are 1st generation immigrants born in a country other than the United States (India/Pakistan) and in addition 86% of our respondents stated that they were raised in India/Pakistan only. Another critical fact to include; 76% of respondents identify themselves as Indian.

FINDINGS AND DISCUSSION

Our ethnicity scale, which is a modified version of the Suinn and Lew scale, consists of 19 items. It is a Likert-type scale, anchored by “strongly disagree” to “strongly agree.” (1-5). Respondents were alerted that the word “Ethnic” in these items referred to their Indian/Pakistani ethnic heritage. In order to ensure that the respondents were attentive to the implications of the statements, five items were reverse-scaled. Prior to conducting an analysis of the scale, these items were recoded in the right direction.

The Cronbach’s alpha for the ethnicity scale was found to be 0.839. Similarly, the Brand Community scale displayed excellent psychometric properties. The 12-item scale had a Cronbach’s Alpha of 0.947, which was not surprising given the use of this scale in prior studies and the refinements that have all been found to be robust.

The results from an Analysis of Variance procedure indicated that the self-reported ethnicity measure had a statistically significant impact on the respondent’s perceived relationship with the brand ($F=2.963$, $p: 0.091$). Specifically the relationship between the brand and ones ethnic heritage was deemed to be of importance (average response of 4.931 on a 5-point scale) by the respondent. This finding is important in its implication that the self-reported ethnicity of a customer might be important in promoting the brand as one that is cloaked in ethnic heritage over other characteristics of the product.

Results indicate that the ethnic origin of friends and peers one had in their formative years (we asked both up to age six and then from 6 through 18 years of age) is a significant predictor of one’s ethnicity. The ethnicity of a respondent as measured by their friendships up to the age of six had a significant impact on the respondent’s perceived relationship with the brand, with the sponsor of the brand, as well as the fellow owners of the brand. The respondents indicated that whether they would recommend the brand to friends within their stated ethnicity ($F=2.376$, $p: 0.082$) and to friends from

other ethnicities ($F=3.974$, $p: 0.013$) are significantly influenced by the friendship up to age 6 measure of ethnicity. Friendship up to age 6 measure was also found to have a significant impact on the sense of kinship with other owners of the brand (mean 4.6, $F=4.104$, $p: 0.012$) and an interest in meeting other owners with similar interest in the brand (mean 4.4, $F=4.957$, $p: 0.005$). These findings provide strategic direction in organizing brandfests and events in addition to guiding promotional decisions in sponsoring ethnic events. A significant impact was also detected in the relationship between the owner and the sponsoring company (mean 3.02, $F=2.379$, $p:0.081$). In addition to these measures of brand community, results indicated that the ethnicity measure of friends up to age 6 influenced other constructs of brand community, albeit such influences were not statistically significant at the .1 level. Future studies might be well advised to explore these constructs further with a larger sample size. The friends and peers up to age 6 findings could provide interesting avenues of exploring proxy measures of ethnicity for corporations that would like to ascertain the ethnicity of their customers.

The ethnicity measure of friends and peers between the ages of 6 and 18 was seen to have a statistically significant impact on the how customers view the brand as a representation of their culture, the owner to owner constructs mentioned above, and the owner to company relationship. All these items were statistically influenced by this proxy measure of ethnicity at the 0.10 level. In fact, more noteworthy might be the fact that both friendship and peers measures (up to six and from 6 to 18 years of age) did not stylistically (mean 1.28, $F=1.512$, $p: 0.214$) display any influence on a customer’s perception of product quality represented by the brand. Managerially, this finding would underscore the importance of communicating product attributes that are closely related to ones ethnicity over product quality when approaching ethnic markets.

The educational level of respondents was found to significantly affect the owner to brand ties. The decision to recommend brands to friends of similar ethnicity was significant at the .05 level ($F=3.016$, $p:0.038$) and the decision to recommend brands across ethnicity was significant as well ($F=2.942$, $p:0.042$). However, the strength of association seemed to differ, the mean score on within ethnic background was close to 3 while across ethnicity was 1.97. One could conclude (albeit with caution due to limited sample size) that the decision to recommend a brand within ones ethnic community as opposed to across ethnicities might not follow the

same directionality as the level of education of the respondent changes. Further analysis with larger sample size will be needed to make a definitive comparison of these two important owner to owner relational constructs.

Other classificatory variables followed the logical patterns expected. For instance, larger family sizes necessitated more frequent and larger purchases and therefore had significant impact on a respondent's shopping cart. Surprisingly, the size of family significantly influenced the respondent's perception of the owner to company relationship. Respondent views on how far a company understands their needs and cares about their opinion varied by family size. We are unable to explain this finding in a meaningful manner at this time.

CONCLUDING REMARKS

While the findings of this research are of interest to domestic firms that would like to serve the substantial and profitable market segment of ethnic immigrants, we believe that the findings also provide strategic insights for international firms serving their ethnic diaspora. This study is a preliminary attempt at exploring the important ties between ethnicity and brand community that is founded on ethnic heritage. Given the limited sample size of the study, we find our results to be encouraging.

We foresee a need for continued study of the relationship between ethnicity and membership in brand community. Larger sample sizes would aid in clarifying the relationship between these important constructs and the implications could be of interest to both domestic and foreign firms. Marketing strategies that focus on invoking a sense of homeland could lead to favorable purchase decisions and, more importantly, membership in a brand community that nurtures the sponsoring brand. It would also be prudent for companies to conceive and foster communities built around strong brands that find their origin in distant lands. For example, Hormel foods is currently marketing Pathak's Spices in the USA and might consider building brand communities that partake in the use of their product in a variety of regional Indian cuisines and recipes. Ethnic brands such as Brooke Bond Tea leaves, Lijjat Papad, and Bedekar Pickles have brand loyal customers that would react favorably to marketing strategies that appeal to their ethnic identity and pride.

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THE ATTITUDE OF ARAB AMERICANS TOWARDS THE US: AN EMPIRICAL PERSPECTIVE

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ABSTRACT

This paper presents the results of a survey of Arab Americans in the US. The respondents are proud of their Arab Heritage, yet disappointed at both the governments of the Arab countries and the foreign policy of the United States in that region. It presents some recommendations to enhance US-Arabs relationships.

INTRODUCTION

Events of the last decade (i.e., the first Gulf war –“Dessert Storm”, the 9/11 attack on the US, the war against the Taliban in Afghanistan, and more recently the on going military activities in Iraq) have heightened the strategic significance of the Middle East region to U.S. politics. Concerned about the deteriorating attitudes of the Arab population towards the United States, The U.S. Administration seemed to give a new direction to US policy toward the Arab world in speeches of the President and many of his aides, especially regarding freedom and democracy for the people of that region, considering an independent state for the Palestinian, and pushing for human rights. For example, the President announced a “forward strategy for freedom”, and argued that a deficit of freedom and openness were at the heart of the Middle East’s dysfunctions, that neither Islam nor Arab culture made liberty and democracy impossible there, and that American foreign policy had for too long supported a corrupt status quo that has been bad for the Arabs and bad for the West –“ Sixty years of Western nations’ excusing and accommodating the lack of freedom in the Middle East did nothing to make us safe” (Zakaria 2003).

This change in policy is of great importance and carries powerful statement of goals in which its achievement requires major changes on the ground to develop and cement strong ties with the Arab world. In that respect, Secretary of State Condoleezza Rice recently dispatched Ms. Karen Hughes as her personal Ambassador of Peace to the Middle East for the main purpose of changing minds and winning hearts in the region. While this is necessary and potentially helpful for the relationship, equally necessary is to ensure positive attitudes among the Arab Americans who are residing in the U.S. While policy makers and media reporters often voice their

inability to explain the actions and reactions of people in the Middle East towards American policies and strategies, it behooves these individuals of responsibility to listen to the voices of Arab Americans who have deep insights on what is happening in that region and how best to deal with it. This study aims at investigating the attitudes of Arab Americans in the U.S., and what they believe is necessary for improving the relationships between the U.S. and their countries of origin in the Arab world.

The Middle East was and still is the most undecided; archaic political systems inherent from multiple civilizations old and new, divided after WWII by the European or among the European countries; deep rooted in many cultural differences; and historically a stage for many religious, ideological, territorial, and political conflicts. On the other hand, the Middle East is of great importance for many reasons. It is the origin of three major religions Judaism, Christianity, and Islam; it is a rich source of oil – the most economically viable source of energy today and for many years to come; and finally, it is strategically positioned in such a way that if drifted towards the emerging markets politically and economically, it could be the tipping point in the world power balance.

Given the strategic importance of the Arab world to U.S. foreign policy, it is important to note the changing attitudes towards the United States in this region. Zogby (Zogby 2003) conducted two extensive opinion polls throughout the Middle East to assess the attitudes of people in that region towards the US. The findings of the first study conducted in 2002, prior to the invasion of Iraq, were as follows: Adults in these countries held favorable views of US science and technology, freedom and democracy, colleges and universities, film and television, and

American-made products. On the other hand, with the slightest exception of Kuwait, most Arabs held extremely negative views on American policy towards Arab nations in general and Palestine in particular. One of the most striking findings of the poll was that in every country, the youngest adults – those aged between 18 and 29 – were the most enthusiastic about American life and culture. The same was true for those Arabs and Muslims who had access to the Internet and satellite television. The more exposed they were to modern technology the more they favored American life and values.

The second poll was conducted in March of 2003. The researcher noted the remarkable change in such a short period. In this later poll, 95 per cent of Saudis, 91 percent of Moroccans, 86 percent of the Arabs in the Emirates, 80% of Jordanians, 79% of Egyptians and 59% of Lebanese reported unfavorable views of the US. When asked why they thought the US was pursuing war with Iraq, an overwhelming majority of respondents had the same reply: “oil”. The second most cited reason was “US support for Israel”, with “US imperialism” as the third reported reason.

One may gather from the results of both polls that although Arabs love American products and many aspects of the American life, this love is unable to offset the prevailing negative attitude towards U.S. foreign policy. Thus, changing minds and winning hearts require an actual change in policy. As mentioned earlier, this study aims at learning about Arab Americans in the U.S., their attitudes and positions on some vital issues, and how they can help in improving the relationships between the U.S. and their countries of origin.

ARAB AMERICANS: BRIEF BACKGROUND

Based on Census 2000 data, about 1.2 million Americans claimed Arab ancestry, up by 38% from 1990 and double the number of 1980 (when the Census began tracking ancestry). The largest Arab-American populations are in California, New York, and Michigan and distributed by ancestry as follows: Lebanese (35%), Syrian (12%), Egyptians (12%), Palestinian (7%), Jordanian (5%), and 27% of other Arab countries. However, other sources claim that there are around five million Arab Americans representing a wide spectrum of experiences ranging from third and fourth generation Americans to newly arrived immigrants. Like their ethnic counterparts the Asian and the Latino communities, the Arab

American community is far from being ethnically homogenous.

The decision by the Census Bureau to report on Arab-Americans shows the growing political clout of Arab-Americans, a segment that is more educated and more affluent than the U.S. population as a whole. People of Arab descent living in the United States are doing far better than the average American. That is the surprising conclusion drawn from data collected by the U.S. Census Bureau in 2000. The census found that U.S. residents who report having Arab ancestors are better educated and wealthier than average Americans --- statistics that are also reflected in the sample of this study of Arab Americans. Whereas 24% of Americans hold college degrees, 41% of Arab-Americans are college graduates. The median income for an Arab family living in the United States is \$52,300 --- 4.6% higher than the average for all American families – and more than half of all Arab Americans own their home. Forty two percent of people of Arab descent in the US work as managers or professionals, while the same is true for only 34% of the general U.S. (Naim 2005). This is a shining proof that cultural impediments are not the reasons underlying the Arab world’s disappointing performance, because when Arabs are given the opportunities and proper institutions and protection in the US, they perform successfully.

Historically, almost all Arab Americans trace their origins to one of two large waves of immigration. The first started at the end of the 19th century, and consisted mainly of Lebanese Christians. The second wave of Arab immigration followed the reopening of America’s gates to immigrants in 1965, and increased after the 1967 Arab-Israeli war. This wave was more diverse than the first, including Palestinians, Yemenis and others fleeing from oppression in their home countries, such as Christians and Shiites from Iraq. These later immigrants have tended to gather in big cities, i.e., Detroit, Los Angeles, New York, Chicago, and Washington (Economist 2001).

Arab immigration to the United States, a phenomenon largely neglected (Zogby 1990), suddenly became a matter of widespread concern with the inception of the Gulf crisis in the early 1990s and after the 9/11 attack on the US in 2001. This emergent notoriety has sometimes been to the detriment of Arab Americans, who became targets of prejudicial activity. It can be said that no single event shaped the destiny of Arab Americans more than 9/11. After 9/11 the Arab American community, was thrust into the spotlight and have gotten more

attention than they wished. This attention represented a drastic change from the country's previous position, for during the times that Arab Americans attempted to be noticed, it was rare for mainstream forums to acknowledge them.

In his review of trends in research on Arab Americans, Theodore Pulcini concluded with three factors that are to be kept in mind when studying Arab Americans. First, one cannot lose sight of the size and composition (i.e., Christians and Muslims) of the Arab-Americans community. Second, one must always be cognizant of the internal divisions within the Arab-American community. In fact, multiple communities exist demarcated by religion, place of origin, political bent, or level of education. Third, and finally, one must remember that the voice of Arab Americans is muffled or magnified as a result of political developments in the Middle East. Perhaps no other American ethnic group is so affected by political and military events abroad (Pulcini 1993).

Events in the Middle East continue to define Arab-Americans. The group's influence within America is limited both by their adopted country's overwhelming commitment to Israel, and by the coverage their kith and kin receive in the media. Three-quarters of Arab Americans, according to a poll by the Arab-Americans Institute (AAI) in the year 2000, thought American policy was biased towards Israel (Economist 2001). In 2004, most of the presidential candidates held similar views regarding the protection of civil liberties and constitutional rights of Arab Americans. However, when pressed to define their positions on the Arab-Israeli conflict, most candidates sidestepped the issue, while some called for a balanced approach. Perhaps candidates seeking the presidency in 2004 actually believed that they could only win a U.S. election if they pledge unequivocal support for Israel (Hanley 2004).

METHODOLOGY

Data for this study was collected from 149 Arab adult (over 18 years old) immigrants (32 from Los Angeles Greater area and 117 from Detroit greater area). The respondents were randomly (every third adult) intercepted in Arabic Markets located in the greater Los Angeles areas of West Covina and Anaheim and in Detroit from Sterling Heights and Dearborn. These areas were specifically targeted due to the high concentration of Arab immigrants in them. A total of 350 shoppers, identified of Arabic origin, were approached, but only 149 completed questionnaires that were useful for the analysis.

Every other person leaving the designated stores was approached with the request to complete the survey.

The respondents were told that the primary purpose of the study was to obtain information about their attitude towards the United States and their country of origin; and the relationship or lack thereof between them. The questionnaire attempted to capture what the respondents liked or disliked in their countries of origin as well as in the United States. Moreover specific attitudinal measures were attempted vis-à-vis 32 Likert-scaled attitude statements. To ensure the validity of the study, the respondents were offered Arabic translation of words, sentences, or complete questions if were unable to understand them in English. Thirty-nine respondents asked for help that varied from the Arabic meaning of one word to a translation of a whole sentence.

RESULTS

The demographics of the respondents included 112 (75%) males, and 37 (25%) females. The age distribution ranged between 18 and over 70 with approximately 64% of the respondents reported being between 26 and 45 years old. The majority of the respondents (82.6%) were born in an Arab country with only 17.4% reporting having been born in the United States. Those who were born in an Arab Country named Lebanon as their country of origin (52.3%) followed by Syria and Palestine with 13.4% each. Other less frequently cited countries of origin were Iraq, Jordan, and the North African Countries of Egypt, Libya and Tunisia. Slightly over one third (36.2%) of the respondents reported having been in the U.S. Under 10 years, 26.2% have been in the U.S. between 10 and 20 years, and 37.6% have been here for over twenty years. The majority of the respondents (73.8%) indicated their desire to stay in the U.S. permanently.

The countries of origin most frequently noted are those most impacted by the US foreign policy in the Middle East, and are parties to the on going Arab Israeli conflict. Most of the respondents (81.9%) reported Arabic as their primary language, and 17.4% noted English as their primary language. These numbers match exactly the distribution of the respondents' country of birth.

The sample seems to affirm what is often noted in the literature regarding the income of Arab Americans and their level of professionalism. Over one third of the respondents (37.6%) reported annual household income between \$50,000 and \$100,000 dollars, and 13.5% reported annual income

in excess of \$100,000 dollars. Moreover, 50% of the sample indicated owning a business or being in the professions, and only 16% reported doing blue collar or skilled labor.

Attitudes Towards The Country Of Origin:

To better understand the respondents' attitudes towards the U.S. and their country of origin, they were asked to indicate what they like most and what they like least in each of the countries. It is not surprising to note that "Family Orientation", "Food", "Culture", "Religion", and "Community" were the most noted liked characteristics of the country of origin. All of these characteristics are "core" values often associated with the Middle Eastern culture.

And what do these respondents dislike in their country of origin. "Censorship & Interference with Daily Life", "Dishonesty and Corruptions", "Government/Dictatorships", "Politics", "Conservatism/Narrow mindedness", and "Religion" were the most disliked characteristics of the country of origin. There is a definite love-hate relationship among these respondents. They love the core values of their country of origin, but they obviously disdain their governments and the corruption that they perceive to be prevalent in that region.

Attitudes Towards The U.S.A:

And how do these respondents feel about their adopted country, the United States? The respondents noted "Freedom and Democracy", "Job Opportunity", "Education", and "Community", as the most liked characteristics of the U.S. It seems understandable that what they like most in the United States is for the most part what they dislike or find missing in their own countries. Similarly, what they dislike most in the U.S. seems to be the obverse of what they like in their own countries of origin—"Weak Family Orientation & Divorce", "Moral Degradation", and "Lack of Relationships". It is interesting to note that most of the perceived caveats in their relationship with the United States pertain to the perceived individualistic culture of the U.S. as compared with more of a "collective" or group-oriented culture prevalent in most Arab countries. Of great significance is the relatively weak showing of "Politics" as a disliked aspect of the U.S.

When the respondents were asked to rank order a number of issues cited in the literature on how then affect the Arab-American relations, the "Palestinian-Israeli Conflict" was considered the most impacting issue on the Arab-American

relationship followed by "Oil-related matters", and "American Attitudes towards the Arabs." Religious and cultural differences were considered to be the least impacting of the issues presented.

A follow up question asked what recommendations would they make for better U.S. – Arab relations, the overwhelming majority (57.05%) of the responses were for the U.S. to implement "a fair settlement of the Palestinian-Israeli conflict, followed by "Changing U.S. Attitude towards the Arabs" with (14.11 %), and "leave the Arabs alone" with (11.64%).

In order to develop a better understanding of the respondents' attitudes towards the U.S. and their experience in the U.S. following the events of September 11, 2001, a total of 32 Likert-scaled attitudinal items were presented to the respondents. Overall, the responses seem to draw the following profile of the respondents: They are very proud of their Arab heritage (1.67), and miss their countries of origin (3.91); Strongly denouncing of acts of terrorism (4.11), and still prefer to eat their traditional foods (3.80), confident that the invasion of Iraq shall hurt Arab –American relationships (2.04), very distrusting of the governments in their respective countries of origin, (2.11), and active in keeping up with the current events (3.77).

Overall, this group of respondents manifested low levels of helplessness, yet a significant number report experiencing negative attitudes towards them after 9-11. It is understandable then that the group report being very careful about whom they talk to and what they talk about since the 9-11-2001 events. The respondents are split on their assessment whether Arabs overall like Americans. Notwithstanding, the respondents believe that they fit in well with the American culture, and that their freedom is well protected in the USA.

CONCLUSION AND RECOMMENDATIONS

This study sought to assess the attitudes of Arab Americans towards the U. S., and their assessment of the relationship between their countries of origin and their adoptive country. The results of this study show an Arab-American that seems to suffer from a high level of cultural marginality and ambivalence. These immigrants are proud of their Arab heritage, miss their countries of origin immensely, and are committed to the core values of their original cultures: Family orientation, friendships, culture, religion and community. On the

other hand, these immigrants dislike the dishonesty, corruption and censorship, and the overall dirty politics of their respective governments, and they blame U.S. policy in that region for the bulk of the problems in their countries of origin. In their adoptive country, these immigrants love freedom and democracy, the job opportunities, and the educational system. They feel that they fit well in the American culture, yet they bemoan the weak family orientation, moral corruption, and the relative lack of relationships.

As to the overall U.S.-Arab relationship, the respondents note that there is much left to be desired, and they seem to blame the problems in the Middle East on an unbalanced and unfair U.S. Policy that seems to favor Israel at any cost. While very opposed to the cowardly acts of terrorism, these immigrants are not hopeful about the outcomes of the war in Iraq. Their advice for a stronger relationship is a loud and clear “fair settlement of the Palestinian-Israeli conflict”, and better communication with the people of that region. They believe that the United States is the only power in a position to help resolve the Palestinian-Israeli conflict. This belief is shared with the majority of the people in the Arab world, and many consider it the litmus test of the intention and credibility of the United States.

On the communication and relationship front, the American Administration now has the opportunity to build more productive connections to the Arab world, exercise leadership that is characterized by fairness, integrity, sincerity and consistency; and avoid any missteps that might squander a solid relationship. Also, it is essential for the American administration to couple messages and claims with actions, and build partnerships on the ground, and with the right segment of the population, those are eager for change. Targeting the right segment of the Arab world --- the growing middle class who historically have been the backbone of any democratization process and offer the best potential of a reconstruction of the Arab world, and the serious, secular and progressive citizens on whom a positive future for the Arab depends. These are the intellectuals, academics, professionals and business people, the kind who are identified with a vision of a stable and secular Arab world, and those around whom healthy discursive and political systems can be built. They are at the core of a civil society who, in most Arab states, remain only a potential. They have been marginalized, persecuted and discouraged, and have not been allowed to play their natural role in the development of post-colonial Arab societies. Arab regimes and the US government need to rethink their

relationship to this class of citizens and see them not as a threat, a nuisance or a problem to be managed but as the hope of the future. The US government needs to recognize that while such people may criticize its policies, they share the same fundamental values of freedom and democracy. The questions they raise are the first stirrings of a healthy civil society. This segment of the society has been calling long time for more freedom, accountability, transparency and enfranchisement.

The recent visit of Karen Hughes to a number of Middle Eastern capitals is a definite step in the right direction. It is important that the U.S. appears to be listening at times and not merely dictating what is to be done in that region. A major asset in the fight for the minds and hearts of the people in the Middle East are the Arab Americans who have made home for them in the U.S. This study shows that this group is well off, and in many ways doing better than the average American. Moreover, this group can be very influential in developing positive relationships between the U.S. and the Arab region. It behooves the leaders of foreign policy in the U.S. to reach out with some “internal marketing” strategies towards Arab Americans that will ensure their support of American foreign policy and to have them use their influence back in their countries of origin to encourage positive attitudes that will be more conducive to sustainable peace in that region, and to diminish the potential of the region as a farmland for terrorism.

The Network of Arab American Professionals held its second annual conference in Boston, MA in 2004. Founded to advance Arab-American relations and accentuate the Arab culture, as well as to promote full participation in U.S. society. The theme of the conference was “Empowering Our Community” (Powell, 2004). The Arab American community can play a key role in promoting understanding and exploring avenues of mutual benefits between Arabs and Americans. The task of educating both cultures about each other is a challenge, but could be made possible by changing the domestic environment and make it more permissible for Arab Americans to participate without being paranoid or fearful. U.S. policy makers should utilize this network and other networks of Arab Americans in the U.S. to dialogue about the situation in the Middle East and how best to approach the resolution of some century old problems.

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THE EFFECTS OF INDIVIDUAL CULTURE ON INTERNET MARKETING EFFORTS

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ABSTRACT

As more consumers engage in online buying and online marketing efforts become an increased part of marketing strategy, there is a greater need to understand the medium, the use of the medium, and the individuals who are using the medium. This research seeks to ascertain the impact that culture measured at the individual level has on the factors that determine the success of internet marketing efforts. Specifically, this study investigates the relationship between individual cultural values on Internet success factors using Yoo, Donthu, and Lenartowicz's five dimensional measure of culture operationalized at the individual level and Torkzadeh and Dhillon's scales that measure internet commerce success factors.

A total of 628 individuals were surveyed, resulting in 540 usable surveys. The psychometric properties of the culture and internet commerce success scales were found to be acceptable. For purposes of the current research, three dimensions of culture were used: masculinity, power distance, and uncertainty avoidance. The reliability statistics for power distance was .84, for uncertainty avoidance .87, and for masculinity .78. Two are above the recommended standard of 0.80. If items were discarded from the masculinity scale, the reliability would have been in the acceptable range (0.84). However, to maintain the integrity of the original scales, all items were included in the analysis. Reliability statistics for all factors in the internet commerce success scales exceeded the recommended standard of 0.80.

Results of MANOVA show support for various hypotheses tied to the individual cultural dimensions of power distance, masculinity, and uncertainty avoidance. We find a significant difference between individuals high in masculinity and those lower in masculinity in terms of the importance of internet ecology factors. Specifically, those high in masculinity find these factors to be less important. Another significant finding suggests that individuals high in masculinity do not consider internet customer relations issues to be as important as do those individuals scoring low in masculinity. We note a significant difference in masculinity and internet product value issues, although the direction is opposite of what was hypothesized. Our findings suggest that individuals low in masculinity rated the importance of internet product value higher than those who scored higher in masculinity. Finally, as hypothesized, those high in masculinity rated the importance of shopping travel factors higher than those low in masculinity. Focusing on uncertainty avoidance, we find support for two hypotheses. Specifically, individuals who score high on uncertainty avoidance indicate greater concern for both online payment factors and internet vendor trust factors. Three of four power distance hypotheses were supported. Namely, we note that those individuals who score high on power distance do indeed indicate a greater importance of internet shopping convenience, internet product value, and internet product choice than do those individuals scoring low on power distance. We further note that those high in power distance do manifest the greater importance of shopping travel, although the difference is not significant. Findings are discussed in terms of internet marketing strategy and recommendations for future research are presented.

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THE EFFECT OF MYSTERY SHOPPING ON EMPLOYEE CUSTOMER SERVICE PERFORMANCE

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ABSTRACT

Mystery shopping has become a prevalent method for service firms to identify behaviors of individual customer-contact employees that may have deleterious effects on the perceived service quality of the firm. In this paper, the authors investigate how the known presence of mystery shopping affects the performance of front-line customer service employees. Results of the study suggest that feedback from mystery shopping, and the awareness of the initiative consistently raised performance scores of these employees. However, in the absence of additional training, results suggest these employees may return to lower levels of performance over time.

INTRODUCTION

As a result of mergers and acquisitions, organizations can experience exponential growth causing their cultures to change rapidly. For companies with a customer service value proposition, a change in culture can result in diminished service practices and ultimately lead to customer defection. In a five year study conducted by the American Customer Satisfaction Index, 71% of respondents reported inferior service post merger, and dissatisfaction that persisted even two years after the deals closed (Thornton et al. 2004).

Service companies have responded to this threat by introducing customer service training coupled with mystery shopping initiatives to establish standards and monitor performance. Mystery shopping is widely used in the retail, hospitality and financial services sectors as service managers seek consistency in customer service delivery standards. However, while articles appear profusely in trade publications (e.g., Gillis 2004; Lubin 2001; Biere 1998; Erstad 1998), little research on mystery shopping has appeared in the academic literature (Ng Kwet Shing et al. 2002; Wilson 1998; Finn et al. 1999).

The scarcity of information on the behavior modification benefits of mystery shopping is unfortunate because it is the sort of evidence that could aid business leaders in fully utilizing this important measurement tool to both assess and affect customer satisfaction scores. Scores could be used to identify those attributes that are driving trends, thus

measuring the correlation between customer perception and customer behavior which ultimately leads to the future financial performance of the firm.

The purpose of this study is to examine whether mystery shopping is merely a measurement of behavior, or whether it plays a dual role as an influencer of behavior. Survey scores on 65 participants in a mid-western service company were used to measure the relationship between informed accountability and customer service behavior from the beginning to the end of the study. Results of this study were used to assist business leaders in fully utilizing this important measurement tool to both assess and affect customer satisfaction scores.

The following questions guided the research project:

1. In the absence of additional training, to what extent does the knowledge of mystery shopping activities influence performance scores over time?
2. In the absence of additional training, to what extent does the feedback from mystery shopping activities influence performance scores over time?
3. How does positive and negative team behavior influence individual performance?

A study on the influencing properties of mystery shopping both enhances the academic literature on the practice and provides corporations with information about the role monitoring has on performance. Quantitative data sought evidence for potential acceleration of behavior relative to the

growing awareness of being monitored, while qualitative data sought to deepen the understanding of overall scores and provide insight into the impact of mystery shopping on the personal and team performance of participants.

LITERATURE REVIEW

Experience with decades of mystery shopping has demonstrated that as sales professionalism and customer service improve, so does customer satisfaction and loyalty (Lubin 2001). To that end, mystery shopping is widely used by service companies to identify strengths and weaknesses in an organization's service delivery, identify adherence to service standards and measure progress on improving problem areas. Researchers have studied the practice for its objectivity, reliability, comparability and ethics, yet stopped short of measuring the impact mystery shopping has on behavior modification.

Objectivity and reliability of mystery shopping

According to Wilson (1998), mystery shopping is defined as concealed participation observation in a public setting that provides information on the service-experience as it unfolds and ensures that the experience is not contrived. Through qualitative studies with managers of human resources, quality control and marketing, senior managers responsible for commissioning mystery shopping research and directors of market research agencies, researchers identified the following best practices to insure the objectivity and reliability of results:

1. Shoppers must match the customer profile they are asked to enact (Wilson 1998; Finn et al. 1999).
2. Shoppers must be trained in observation and data collection skills (Wilson 1998).
3. Sample sizes and mystery shopping tenure can affect reliability (Biere 1998; Wilson 1998; Finn et al. 1999).
4. Employee involvement in defining standards and open communication contributes to staff acceptance of mystery shopping activities (Biere 1998; Erstad 1998; Wilson 1998).

By identifying practices that produce reliable and objective results, senior managers can develop and implement sound mystery shopping programs that produce actionable results.

Comparability of mystery shopping

Finn and Kayande (1998) compared the outcomes of mystery shopping to the more established customer survey technique by conducting exit surveys with 210 customers and comparing the results with the observation data collected by mystery shoppers at the same locations using the same survey document. Outcomes reflected a key difference in data collection methods as mystery shoppers spend more time observing and are motivated to respond to the items more carefully than do customers. Results of this research demonstrate that mystery shopping is not only comparable to, but is a more reliable data collection method than customer surveys.

RESEARCH METHOD

This study uses observational survey scores to generalize, from a sample to the entire organization, customer service performance against firm standards from the beginning to the end of the survey. An observational survey was chosen to provide consistent measurement of defined service attributes at each location. During the single-stage data collection process, closed-ended and open-ended observational survey scores were used to measure the relationship between informed accountability and customer service behavior over an eight-week observational period.

Participants

The researchers measured the basic customer service skills of 65 employees, located at a mid-western service company, as they related to personal interactions with mystery shoppers. These service employees represent the front-line contact personnel of the firm. While all 65 employees were surveyed, the covert nature of the mystery shopping observations insured that no participant was aware when their shop occurred. This contributed to the random nature of the data and the validity for relating weekly results across company locations.

Mystery shopping scores are a usual and customary measure of employee performance at the subject firm. The impact of performance on the individual employee is implied in their job descriptions and covered in their regular/routine review processes.

Survey development and deployment

In accordance with best practices established by Biere (1998), Erstad (1998) and Wilson (1998), the survey was developed with prior input from the mystery shopping participants. Employee involvement in defining standards contributed to staff acceptance of mystery shopping activities. Eight guest service attributes and six overall impressions were selected and communicated to participants as baseline customer service expectations for the mystery shopping effort (see Appendix A). These attributes were consistent with corporate training objectives. Guest service attributes included using the customer's name, having the employee's nameplate visible and giving the customer his/her complete attention. Overall impressions measured the employee's professionalism, helpfulness and job knowledge.

Utilizing the program survey, pre-program observations were taken prior to launching the study. These results created a baseline for the mystery shopping initiative. Prior to embarking on the study:

1. Participants were trained on service standards that they themselves defined as baseline to the firm's customer service standards.
2. Participants were informed that they would be shopped related to a defined list of behaviors.
3. The mystery shopping survey form was distributed to the participants.
4. Participants were informed that their results would be shared with them/their managers related to company policy on job performance.

For purposes of this research study, observational data was coded to so that the findings could not be traced to employee, group or company data, thus protecting the anonymity of the company and participants. Data was reported in aggregates, according to groups.

Mystery shoppers

Independent mystery shoppers were deployed to observe those participants. Mystery shopping visits were conducted by three professional shoppers, typical of the population of the firm's customers, who received individualized instruction in how to fulfill the role. None of the mystery shoppers had a prior relationship with any of the participants.

The mystery shoppers were instructed to approach and complete a transaction at the outlet, including making a specific request for additional services. Participants were shopped randomly during the eight week study. Visits were scheduled for different time periods during the day and each outlet was visited approximately the same number of times. Questionnaires were completed in privacy following the shop.

Each mystery shop report included rating scales and additional open-ended comments assessing the observed performance of a participant relative to the firm's prescribed standard on a five point rating scale. Responses were collected using a common format. The same items were assessed at each visit. Reports were submitted weekly. An average of 5.4 shops per outlet was conducted during the study.

Shoppers evaluated participants randomly, frequently and comprehensively during the eight-week study. Data was recorded based on a quantitative scale from poor to exceptional:

1. Level one was assigned to observations of poor service. Poor service was defined as exhibiting rude and/or careless service.
2. Level two was assigned to observations of below average service. Below average service was defined as exhibiting accurate, yet indifferent, service.
3. Level three was assigned to observations of average service. Average service was defined as exhibiting accurate, neutral service.
4. Level four was assigned to observations of above average service. Above average service was defined as exhibiting accurate and caring service.
5. Level five was assigned to observations of exceptional service. Exceptional service was defined as exhibiting professional, helpful and knowledgeable service.

Unscripted observations were collected to broaden the scope of the overall scores and to address team performance, where applicable. Mystery shoppers observed and recorded details related to individual performance with regard to hospitality, job knowledge and professionalism. Shoppers also observed team performance as it related to aiding or detracting from individual customer service effectiveness. This integration of methods occurred at the data collection stage.

To create the effect of ‘feedback’ from the mystery shopping research, individual results were shared with participants and their managers to reinforce accountability and aid in their professional development. This member-checking component also added to the validity to both the quantitative and qualitative elements of the study.

FINDINGS

Scores in the eight guest service attributes and six overall effectiveness categories of all shops conducted were averaged to determine an average weekly total score, hereafter referred to as total score. Mystery shopping was conducted prior to the announced launch of the study to determine baseline or *pre-program* total score. Thereafter, informed mystery shopping was conducted over an eight week period resulting in the following outcomes.

The pre-program total score created a baseline from which the entire program was measured. Four weeks into the study, performance advanced to 3.0. By the end of the study, average participant scores reached a high of 3.5 (see Figure 1). Low scores also rose steadily, never returning to, or dipping below, the pre-program baseline of 2.6.

Each week, individual mystery shopping scores were distributed to employees and their managers creating the variable of accountability and providing each participant with detailed information regarding areas of weakness and strength. Despite early success, scores dipped in weeks seven and eight.

ANALYSIS

The results of this eight-week study suggest that, in the absence of additional training, the awareness of and feedback from mystery shopping influences performance scores over time. This finding is consistent with the Hawthorne Effect, which is the principle that increased attention to an operative situation leads to an increased productivity by that operation, regardless of all other surrounding variables (Raywid 1979).

The effect of mystery shopping on performance

Awareness of performance in both guest services and overall effectiveness categories caused scores to increase. The data suggests that when participants were confronted with feedback detailing areas of strengths and weaknesses, scores improved without further training. The two categories with static or falling performance scores suggest skills that require further training. Subsequent to the research study, training was conducted on these skills and scores rallied, confirming the researcher’s assumption that poor performance was related to a knowledge gap rather than an importance issue related to the mystery shopping initiative.

While overall scores suggest advancing performance, late indicators in weeks seven and eight suggest that the effects of awareness on customer service performance may not be lasting. Wilson (1998) explores the *novelty phenomenon* stating that while mystery shopping leads to short term improvements, complacency can follow. To overcome this effect, standards need to be constantly updated and staff needs to see the ultimate consequences and benefits of mystery shopping activity (Wilson 1998).

Figure 1
Average total score by measurement category for pre-program, weeks 1-4, and weeks 5-8

GUEST SERVICES								OVERALL						Total	
Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q1	Q2	Q3	Q4	Q5	Q6		
3.7	1.8	1.8	1.4	2.2	3.0	3.4	2.3	3.0	2.2	3.0	3.2	3.0	3.0	2.6	Pre-Program
3.5	2.7	1.6	1.2	3.5	3.7	4.0	2.5	3.5	3.5	3.7	3.2	3.2	3.7	3.0	W1-W4
3.9	2.2	1.1	1.4	4.2	3.4	4.0	3.8	4.0	4.1	4.1	4.3	3.7	3.9	3.5	W5-W8

CONCLUSIONS

As service managers in the retail, hospitality and financial services sectors seek consistency in customer service delivery, mystery shopping is widely deployed as an evaluation tool. This study adds to the body of research on the objectivity, reliability, comparability and ethics of mystery shopping by demonstrating the connection between mystery shopping as a measurement tool and the practice's effect on participant behavior.

The purpose of this study was to examine whether the practice used to appraise customer service performance, influences the very performance it seeks to measure. In the absence of training, does awareness of, and feedback from, mystery shopping lead to increased productivity?

Results of this eight-week study suggest that feedback and awareness are key performance influencers. Low-scoring offices made significant improvements after receiving mid-study performance feedback while high-scoring offices retained their relative ranking in the second half of the study. In the absence of additional training, awareness of the mystery shopping initiative caused individual performance scores to rise consistently in all but two categories of performance from the beginning to the end of the study. A longitudinal study would be required to provide further insight into the long-term effects of mystery shopping on customer service performance.

The research on the influencing properties of mystery shopping both enhances the academic literature on the practice and provides service corporations with information about the role monitoring plays on individual and team performance. While results suggest that advancing performance is attributed to feedback and awareness in nearly all categories measured, late indicators suggest that a novelty phenomenon may be occurring in the final weeks of the study where the effects of the observations 'wear off' and employees return to lower standards of performance. A longitudinal study would be required to provide further insight into the long-term effects of the practice. Expanding the scope of the study to explore the link between

behavior modification and the frequency of shops, along with further exploration on the novelty phenomenon has value for researchers and business leaders alike.

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APPENDIX A

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Customer Service and Sales Survey

Shopper Name:
Product:

Date:	Office Name:
Time:	Office Phone Number:
Day of Week:	

Please rate Service and Sales

1 = Poor 2= Below Average 3= Average 4= Above Average 5 = Exceptional

GUEST SERVICES	Employee Name: _____			
	1. Did the employee smile?			
	2. Did the employee ask, "How may I help you?"			
	3. Did the employee use your name?			
	4. Did the employee recommend an additional product(s)?			
	5. Did the employee give you his/her complete attention?			
	6. Did the employee use appropriate eye contact?			
	7. Did the employee listen to you and ask questions when appropriate?			
	8. Was the employee's nameplate clearly visible?			
OVERALL EFFECTIVENESS	1. The employee made me feel welcome.			
	2. The employee was very helpful.			
	3. The employee addressed my need(s).			
	4. The employee knew his/her job well.			
	5. The employee was very professional.			
	6. The employee made me feel like I could go back and get the same service.			

EAST MEETS WEST, OR VICE-VERSA: EXPLORING A HYBRID PEDAGOGICAL APPROACH TO GLOBAL INSTRUCTION

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ABSTRACT

In an ever increasing multicultural classroom, a Confucian – Socratic framework is used to highlight fundamental differences in learning approaches between Eastern and Western cultures. However, educators must also be aware of inherent similarities if best practices are to be gleaned and implemented with ingenuity in the classroom. Therefore, innovations and insights into the qualitative-quantitative continuum of contemporary research are offered as an analogue to help build a hybrid model of global instruction. A new Mobius Model of Global Instruction is introduced that emphasizes a multicultural perspective.

INTRODUCTION

Institutions of higher education are no longer in the business of “mass marketing”. They are becoming more responsible and accountable for effective global instruction. It would be difficult to argue that we are not living in an era of internationalization or globalization of business. Global outsourcing is on the rise and the number of multinational corporations that employ workers with diverse cultures has increased substantially.

This phenomenon is also facilitated by the significant increase in the number of students crossing national boundaries to learn new business practices. According to Pang (2001), Asian Pacific Americans make up the fastest-growing minority group in the United States. From 1980 to 1990 the Asian Pacific American population numbered 7.3 million, representing almost 3 percent of the U.S. population in 1990. Ong and Hee (1993) projected that by the year 2020, the Asian Pacific American population will number from 17.9 million to 20.2 million, representing an increase of 145 to 177 percent.

One specific segment of the Asian population that is becoming more important to Western institutions of higher education is the Chinese student. Because of the intense competition for limited classroom space in China, the preference for Western higher education, and the ability of Chinese students to perform exceptionally well on

entrance exams, this student segment is very desirable to Western universities (Chan, 1999).

However, two recent articles in the business press also are indicative of far-reaching developments taking place in this emerging Eastern student segment. First, Clay Chandler (2005) profiles Tsinghua University in Beijing, China, often described as “China’s MIT”. Here, professor Li Mingzhi’s Socratic approach to his competitiveness class is a radical departure from the “stuffy lectures and rote memorization” that remain the standard pedagogical approach in China. And second, Bruce Einhorn (2005) looks at Shantou University in China’s Guangdong province. Here, American-trained, Chinese educators want to forsake the traditional learning style – rote learning – and replace it with a new pedagogy to nurture students to “really be inspired to be creative, inquisitive learners”. In China, according to Einhorn, some educators are starting to refer to rote learning as “*tianya*”, the word for force-feeding a duck. Hence, there appears to be a reassessment of educational models in the East that should impact the West.

PURPOSE OF THE PAPER

Given the globalization of business and education, Far Easterners, specifically the Chinese, are looking to the Western educational setting for creativity, discussion, and debate. The West is challenged to become more responsible and accountable to educate students with an international

perspective. The ultimate goal of this paper is to contrast a “continuum” of educational thought – East and West – and develop a working educational model for global instruction. Specifically, this paper will: [1] compare and contrast distinctive features of education that are culturally more Chinese [Confucian] with those features that are culturally more Western [Socratic]; [2] illustrate how an appreciation of these distinctive features can enhance student learning and teacher effectiveness by incorporating lessons learned from the qualitative-quantitative continuum in research; and [3] offer a new Mobius Model of Global Instruction (MMGI) that embodies an evolving global perspective.

Cultural Context of Learning

According to Cheng and Clark (1993), foreign students, as well as American faculty, bring to the classroom a set of internalized cultural values and beliefs that are second nature to them. These values and beliefs affect students’ and faculty’s communicative and social interactive competencies. Hence, students’ learning competencies and faculty’s teaching effectiveness have inherent cultural biases. It therefore becomes essential that faculty become more knowledgeable about their foreign students’ native cultures and their learning and communication styles.

In an attempt to facilitate understanding and discussion of possible cultural differences within a classroom, key differences between Eastern and Western educational systems will be explored. Confucianism, the dominant philosophy in China, emphasizes the national importance of each member of society – for the benefit of society. Therefore, according to Chan (1999), the primary influence on Chinese learning is derived from Confucius, and as such, may be thought of as Confucian-oriented learning. Confucian-oriented learning inherently places the society before any one individual.

Let us contrast Confucius with Socrates in terms of origin of thought and purpose. Socrates has had a profound influence on Western philosophy (Tweed and Lehman, 2002). Given this, we may think of the culturally Western educational approach as Socratic – oriented learning. As such, Socratic teaching methods are individual by design, and personal by nature.

Much has been written on these two distinct approaches to life (Biggs, 1996; Dillon, 1998; Copeland, 2005), and it is useful to highlight key cultural differences in learning styles. In Table 1 the

reader will find a brief overview, adapted from Chan (1999) and Tweed and Lehman (2002). The information highlighted in Table 1 will later be incorporated into an innovative model of global instruction.

SEEKING A HYBRID APPROACH IN EDUCATION

As illustrated by the two Chinese Universities – Tsinghua and Shantou – international educators are seeking new pedagogical approaches in the classroom. And with increased contact between China and the rest of the world, it becomes imperative that Chinese educators become more familiar with Western ways. Likewise, the high rates of examination success of Chinese students suggest that Westerners may benefit from an understanding of Chinese cultural values and how these educational practices can lead to high achievement. What follows are two central features of ‘Confucian’ and ‘Socratic’ learning, adapted from Leung (2001). They are presented in the form of dichotomies in order to provoke discussion and lay the foundation for a new hybrid approach in global education. As global educators, we need to become more sensitive to students’ learning styles and cultural differences that may exist, assuming the goal is to maximize student outcomes.

Product versus Process

In China, there is an emphasis on the “two basics” – basic knowledge and basic skills (Leung, 2001). The most important Chinese goal in any learning task is to acquire and understand the distinctive knowledge structure, and the foremost task of the teacher is to help the student acquire the content. The Western view stresses more the getting hold of the ways that the body of knowledge is discerned. As a result, some have argued that there has been more of a focus on the “process of doing” rather than learning the content itself (Biggs, 1996).

Rote Learning versus Meaningful Learning

The Chinese have always stressed memorization as an accepted way of learning, even when memorizing pieces of information that are not totally understood (Liu, 1986). The dominant Western conception of learning is summarized by Leung (2001), specifically, that true learning is, by definition, meaningful learning. Therefore, students should first understand before committing information to memory, if there is a need to memorize at all.

Table 1
Cultural Influences on Learning Styles

Culturally Eastern Chinese Emphasis	Culturally Western American Emphasis
Confucian – Oriented Learning	Socratic – Oriented Learning
Collaborative Approach	Individualistic Approach
<ul style="list-style-type: none"> * Emphasize sense of belonging; group problem solving * Encourage compromise, harmonious relationships * Respect expertise of teachers 	<ul style="list-style-type: none"> * Emphasize independence; high level of competition * Value on self; personal achievement * Teachers are guides, not experts
Acquire Essential Knowledge	Express Personal Hypotheses
<ul style="list-style-type: none"> * Apply what “collective” considers essential 	<ul style="list-style-type: none"> * Doubt, assert one’s “independence”
Desire Structured Tasks	Desire Self-Directed Tasks
<ul style="list-style-type: none"> * Chosen by trusted peers, authority figures 	<ul style="list-style-type: none"> * Find own way
Postpone Questioning	Overt Questioning
<ul style="list-style-type: none"> * Less likely to speak out – ‘face’ (mien tzu) * Criticise at “end” of learning process 	<ul style="list-style-type: none"> * Generate new ideas openly * Evaluate, doubt “during” learning process

Why the Need For A Hybrid Model

It is often assumed that Eastern and Western educational philosophies are somewhat linear in direction, that is, there is an expected or recognized goal. However, the means to reaching the goal is often debated. The essence of the East versus West controversy is a matter of focus. The East focuses on the “Ends”, and the West focuses on the “Means”. Yet ironically, both East and West desire the same characteristic in their future leaders – to be global in perspective and practical in function. Perhaps there are lessons to be learned from the research field, where significant improvements have been made in both qualitative and quantitative approaches.

Qualitative-Quantitative Research Models

Newman and Benz (1998) have discussed the choices that confront qualitative and quantitative researchers. The authors explain that the research

community has been immersed in a false dichotomy. Newman and Benz assert that it is not a matter of which model, but which method answers the question of interest and leads to the other. Simply stated, qualitative research findings should lead to quantitative studies and quantitative findings should lead to further qualitative study. Hence, it is a continuum, visualized as a circle, both feeding the other. Newman and Benz rejected the belief that one research method should be favored over another.

In 2003, Alicia Clegg reiterated the Newman and Benz sentiment in a special report to market researchers. She stated that the objective-quantitative and intuitive-qualitative approaches have traditionally worked separately, but it is now time to integrate the two. She reviewed how each type of researcher cannot identify with each other, often working in “parallel universes”. However, when the approaches are integrated, she concluded that more sophisticated research designs and interpretations are

possible. Moreover, Lund (2005) asserted that the differences between qualitative and quantitative research have often been exaggerated. The author summarized his feelings by stating that the research methods do not represent two paradigms but one, and should be combined into one common empirical research design.

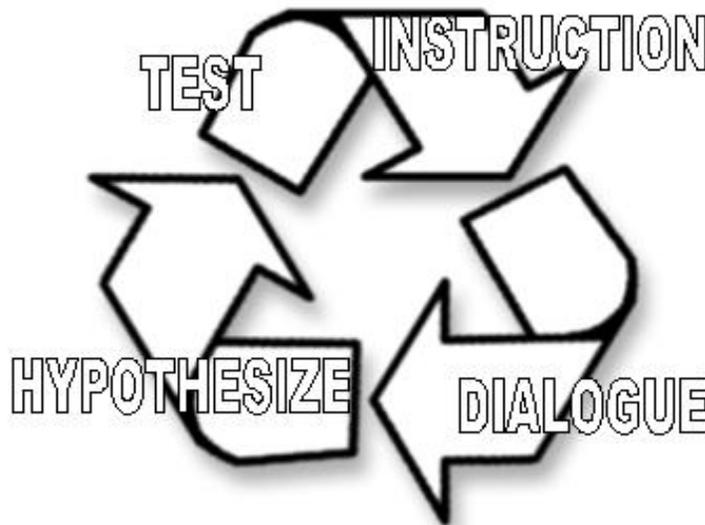
The argument for combining qualitative-quantitative assessment models in research is pertinent to better understanding the trends in global education. The mind-set should be one of incorporation, and not “cherry picking” the best of each model. Newman and Benz (1998) offer a circle as the conceptual model to build research. However,

given the ever changing, developing, and connected world, a more adaptive model appears warranted in terms of global educational instruction. The current educational paradigm maintains two instructional models. However, they are in need of revision, given the realities of global education. Thus, lessons learned from the qualitative-quantitative debates in research have been revisited and modified.

Table 2

**Mobius Model
Instruction
(MMGI)**

of Global



Note. An educator can begin anywhere in the MMGI. There is no recognized starting or ending point; the focus is on experiential learning and the gathering of information.

MOBIUS MODEL OF GLOBAL INSTRUCTION

Throughout this paper, it was apparent that a new model of global instruction would be offered. The Mobius Model of Global Instruction (MMGI) is a conceptual effort recognizing that a university’s student base is world wide. Therefore, we must learn to communicate with efficiency and purpose. In Table 1 the primary characteristics of Eastern and Western thought were summarized with respect to educational practice. The MMGI is an attempt to re-format through cognitive restructuring the process of

global instruction. Special emphasis is placed on the conceptual goal of education -- to create leaders. The MMGI avoids the universal means versus ends debates; sidesteps the educational process versus outcomes trap; and eschews the use of two columns to distinguish one from the other. What follows is a brief overview of the proposed MMGI, illustrated in Table 2.

The Mobius Model of Global Instruction is a non-bounding cycle of classroom interaction that feeds back-and-forth between student, teacher,

testing, hypotheses, dialogue and instruction. The primary purpose of the MMGI is to break the conceptual dichotomies adopted by the East and West. The MMGI acknowledges the importance of instruction, dialogue, hypothesis development, and testing. However, all component parts are introduced as equal partners in global instruction. Moreover, there is no established beginning or ending point.

Since the MMGI has no real beginning or ending, an instructor is free to begin wherever he or she believes student needs will be best met. Therefore, it is completely appropriate to begin with a test; move on to instruction; and dialogue, given the individual or group testing outcomes. It is equally appropriate for an instructor to begin with hypotheses; offer the where, when, and how a specific theory may be utilized; develop an open dialogue format where students can request specific instruction – to which, the instructor will eventually test to determine if the concepts have been learned.

The Mobius Model of Global Instruction provides three key benefits by: (1) enhancing both collaborative skills and individual development simultaneously; (2) providing the ability to explore self-derived hypotheses via structured tasks; and (3) providing flexibility in addressing questions either during the lesson or at its completion. The instructor is the guide or mentor, leading the student to self-enlightenment through group competition. A possible weakness associated with this approach is the omission of a critical component, like testing of key concepts.

Applying the Mobius Model Of Global Instruction

Given the aforementioned “product versus process” debate, the MMGI would merge these contradictory philosophies and view them as complementary. All theory should have application, and all application should be driven by theory. For this reason, curriculum would not be developed as pure theory or application, but would encompass all that would be necessary to enhance a fuller understanding.

The other debate focused on “rote learning versus meaningful learning”. When applying the Mobius Model of Global Instruction, blending rote and meaningful learning is possible if application exercises like labs and field experiences are provided and meaningful discussion encouraged. An important part of the meaningful discussion could focus on the “why” or “where” any rote learning of information can be applied.

SUMMARY AND CONCLUDING COMMENTS

The purpose of this paper was to illustrate the distinctive features of Eastern and Western educational paradigms, and stress that these features are an expression of underlying cultural values. However, it is important to note that the winds of creative destruction are blowing and it may be time for a new hybrid model to emerge.

Of course, caution must be exercised in examining any theoretical framework that oversimplifies the learning process. And there is no reason to assume that one culture of learning is superior to another. What was introduced in the Mobius Model of Global Instruction (MMGI) was more of a philosophical approach to viewing the educational process as not being linear or a true continuum – but rather functioning more like a complicated Mobius.

The functional Mobius strip “as a model” is a common analogy. For example, Demarest, et al. (2004) used the concept in organizational development to introduce a process that focuses on obtaining consensus in communication. The goal is to foster complementary perspectives, i.e., “cognitive spin”, and eventually have participants recognize that they are expressing the same idea, albeit from a different point of view.

For clarification, the MMGI proposed in this paper differs from Demarest, et al. in two ways: (1) consensus or “cognitive spin” is not the goal—learning is; and (2) although Demarest, et al. used a Mobius, they employ the strip, therefore, a looped two-participant model. The MMGI presented in this paper is a four-function model, similar to the recycling model, that highlights the interaction between teaching and instruction in four unified parts (i.e. instruction, dialogue, hypothesize, and test). However, both models exhibit an underlying belief in respectful sharing.

What was neglected in this discussion was where it would be most appropriate to establish this “new” Mobius model as the standard means of instruction. No concept was introduced that could not be implemented in any university, college, or curriculum. Even the recognized major concentration of international-marketing strongly suggests a marriage between global application and content concentration.

As a caution, the Mobius Model of Global Instruction does not propose the elimination of testing or rote learning from the classroom. We believe this to be a mistake, even if substituted with more dialogue or instruction. Moreover, future research should explore other cultures like the Hispanic population, for global perspectives on educational initiatives or philosophy and assess if the MMGI is relevant.

In this paper, the East versus West paradigm was introduced as an illustration, and not to diminish or disparage other cultures. The East versus West analogy was a rudimentary attempt to segment or divide the world into two distinct halves. Realistically, it must be reiterated that there is wide variation within the East or the West. For example, teaching styles in the United States, Canada, or Europe vary substantially. As a final disclaimer or research limitation, the phrase “global instruction” was used more as a metaphor to stress conceptual points and not presented as an operational definition.

The purpose of this assessment was to recognize within conceptual limits cultural differences in the classroom and to offer suggestions that could complement the curriculum. In addition, it must be reiterated that individual and cultural differences do exist, but faculty often forget. The marketing profession has always been known for its innovation and insight into both their product and customers. It is in this spirit that suggestions were offered to improve the global educational experience.

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UNDERSTANDING STUDENT UNDERSTANDING: DEVELOPING CIVIC-MINDED BUSINESS STUDENTS THROUGH SERVICE LEARNING

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ABSTRACT

Society calls for business schools to assume greater responsibility for developing socially responsible business students. Researching student understanding of their service-learning experience(s) enables improved projects for clients and enhanced student understanding of civic awareness. Service learning is a life-changing experience for many or at least an eye-opener for almost all.

INTRODUCTION

Many experts conclude that ethical improprieties are pandemic in global business practice and are not limited to just a few individuals (Adler, 2002). These ethical lapses undermine the public's trust in business, the marketplace, and the governments that are supposed to regulate these businesses and business leaders and safeguard a just society. Critical and constant societal complaints about business practice turn quickly into demands for the business schools of America and the world to develop ethical and socially responsible management students. Thus, it is clear that business schools must do better in teaching the whole student. Service-learning pedagogy employed in business school curricula may offer an important partial solution to these critical societal demands

THE CHALLENGE FACING BUSINESS SCHOOLS

Although many argue that emphasis on shareholder value is the only valid measure of business success, this emphasis may also assist in creating socialization and rationalization pressures that lead to unethical behaviors (Anand, Ashforth, and Joshi, 2004). Students currently leave business schools with a stunted knowledge base that is primarily functional and transactional (Godfrey, Illes, and Berry, 2005).

Marketing educators have a specific and inescapable responsibility to our students and to society because we are teaching the world's future practitioners, and often times we are teaching the practicing managers (Papamarcos, 2005). In short,

marketing professors need to actively accept the responsibility of advancing social awareness, reasoning skills, and the core principles of ethical behavior that will assist students as they assume their roles as the world's future business leaders.

THE RESEARCH QUESTION

This exploratory study attempts to understand the take-away and the learning that students experience through their service-learning projects. What are the longer-term consequences or fundamental changes in student perspectives attributable to their service-learning experiences, if any? Are there potential consequences for business practice in the future due to increased student awareness of corporate social responsibility or changed student values regarding the role of business in society?

METHODS

With a total sample size of 133, written depth interviews were performed with service learning students via a take-home portion of the final exam in four service learning business courses at one western region university. Three of the courses were in the marketing discipline while one was in management. Service learning projects assigned in the courses were similar in scope: student groups worked with community business clients to produce annual marketing plans or other projects related to their specific business operations.

The nature of the data discussed in this study is anecdotal, providing evidence of educational outcomes experienced by individual students about

the phenomenon of a service learning experience. Thus, it is not our intention here to represent generalizability about all service learning pedagogy employed in all business schools. However, we think that in addition to representing an interesting perspective, that is, that of the students,' this study additionally offers clues for future research directions.

THE FOUR RS OF SERVICE-LEARNING: REALITY

Reality incorporates real and rigorous academic content, and the service-learning experiences enhance this academic content by allowing students to apply the content in a real-world setting (Godfrey, 1999). This is *Reality* as the educational experiences of students engaged in service-learning goes beyond the classroom and the textbooks and addresses real-life issues and challenges (Lester, et al., 2005). *Reality* also refers to the range of social issues that our students grapple with as they undertake their work in settings where significant social issues such as poverty, homelessness, hunger, or illiteracy are the focus of activity (Jacoby, 1996). A student quote related to this aspect of Reality in our study follow:

This SL project was more realistic and reflective of the real business world as opposed to other classes. We gained a reality of working in teams, writing a real marketing plan, working with an actual client, and interacting with one another. In other classes, we have only read from textbooks and case studies the kinds of things we actually did in this class.

With the SL project we were able to apply what we learned in class rather than just reading and learning about it from a textbook. By having an actual project, we were able to learn more quickly how the concepts applied, as well as extract more knowledge from the experience, than if we had not done the project. By having hands-on experience we were able to retain the knowledge a lot better.

Students are also expected to produce real-life results that make a positive and perhaps sustainable difference in the lives of others. In short, students move from theory to application, and learn about management through their direct experience. *Reality* works to counter the shortcoming of the typical business school functional focus by putting

students in the middle of situations that span functions, cross disciplines, and bring them into contact with multiple stakeholders representing different interests and varied demands. Related student comments include:

I feel as though this course helped me apply a lot of the concepts that were in the course. As I would combine the information that I was learning and apply it to the project, it started to make more sense. It was the hands-on experience that made the experience more valuable to me.

Thus, student comments in our study support that Reality is evidenced in the service learning experience through increased depth of course work understanding via concept and theory application in a real world setting. In addition, students expressed gaining keen insight about the complexity of issues raised within a real business context, as well as a sense of confidence about the quality of contributions they will be prepared to make as business professionals in the future.

REFLECTION – PERSONAL SELF KNOWLEDGE AND AWARENESS

Reflection forces students to think deeply and write cogently about how the service experience has affected *them*, not only about how their efforts affected the clients or the agency. Formal reflection tools include student journals, reflective essays, portfolios, and oral interviews. Reflection invites students to make deep, internal links between the experiences they have had, their academic coursework, and their own selves and lives; thus, it works to increase the likelihood that service-learning provides education, not merely experience (Giles, 1990, Jacoby, 1996). Dewey (1938) terms this continued awareness and thoughtful reflection the experience of learning. A student comment summarizes this aspect of Reflection:

By working in a group, it allowed me to identify strengths and weaknesses that I had which could be improved upon the next time I had to work in a group. With this SL opportunity, I was not only able to learn how to write a marketing plan, but I was able to implement what I had learned and build a marketing plan for an actual business.

Reflection counters the narrowness of much business school education and it requires students to think deeply and try to blend their external service experience with their academic experiences, and also

their internal attitudes and philosophies. Students learn to think critically about their own experiences, and about how these experiences affect the lives of others. This combination of concrete experiences with reflective opportunities is almost unique to service-learning. A student in our study stated:

I have never taken a class where we had the opportunity to go out and help others. The chance we had to actually approach a company to offer them a marketing plan that could help them in the future is a very valuable experience. This is something that I feel I will be doing for the rest of my life. This helped me better my communication skills and gave me more confidence when actually setting foot in the real business world.

Thus, Reflection provides a method for students to think more deeply about their educational experience and how it relates to their professional lives for the longer term. In addition, when students in our study were asked to reflect on the most important personal outcomes derived from their service learning experiences, the acknowledgement of personal ethical growth such as the above, was evidenced numerous times.

RECIPROCITY – THE ANTI-TRANSACTION

Reciprocity ensures that both the service recipients and students gain from the exchange (Jacoby, 1996) and means that community agencies or aid recipients should be regarded as partners rather than simply clients. The goal of service-learning is that each party benefits, learns from the other, and teaches the other during the course of the experience (Jacoby, 2003). Examples of our students' support of this experience include:

My group and I gave the client agency valuable information, based upon our research, about competitors, the industry, marketing, potential customers, feedback from people in the community. We gave tactical recommendations the client could implement and use to increase sales. We helped the client identify their greatest strengths and weaknesses and gave ideas how to overcome their weaknesses. The client I worked with taught me more about the financial industry, the real business world, and what has successfully worked for him and what has not in regard to marketing efforts.

Reciprocity means that students and community partners contribute different types of knowledge that work together to reinforce learning and improve performance by both parties. Service-learning can be a transformational experience (Salimbene, et al., 2005), and may have a life-changing impact on the student. Thus, students exercise and develop their managerial competencies, but expand the ways they observe, interact, and cope with the world around them. Evidence from our study that the service learning experience accomplishes this includes the following student comment:

We went into the project with an open mind, realizing that we could help this company. What I received was an eye-opening experience on how marketing data is collected and reviewed. I received knowledge of the process and our client received an actual marketing plan and good data.

Thus, Reciprocity was evidenced by our student comments in each dimension previously described by the literature. Students felt that they were engaged in an exchange of value between their client's inputs and their student group outputs, and that each of these contributions was significant and meaningful. In addition, students expressed ethical growth via understanding that the nature of business is not limited exclusively to financial performance, but that it also should involve giving back to one's community.

RESPONSIBILITY – WHERE ETHICS BECOMES REAL

Responsibility leads to awareness about the obligations to citizenship; there is a moral imperative for students and business leaders to use their business skills, talents, and knowledge to better those communities where they live and work. This added dimension allows a shift of understanding regarding the student's future responsibility to themselves, their organizations, and society as a whole (Logan, 2002). Expressions of this enhanced sense of responsibility are found in the following student comments:

I felt a great amount of responsibility not only for myself, but for my teammates as well as the client I was working for.

This change of orientation may result in a life-long productive civic engagement. This is hardly new, of course, as classical philosophers such as Aristotle (1941) and Cicero (44 BC/1991) viewed ethics as having both a private and public component, with the public component defined by a life working toward betterment of the community. Student comments follow:

I learned that I can make difference. The project that we did I KNOW helped our client a great deal and it was an eye-opener that I could actually help businesses or people in that way. I also learned that you can do a great deal with a group if you put your mind to it.

The principle of Responsibility stands as a direct and clear counterpoint to the prevailing paradigm that holds shareholder wealth maximization as being the only valid role or rule of managers. Students learn about the innate rights of others as human beings in our society, and more fully understand the opportunities they and their firms have to contribute to the needs and interests of *others*, where *others* are not uniquely shareholders. Students develop an ethical compass (Salimbene, et al., 2005), and become increasingly aware in their understanding of personal and corporate citizenship, as evidenced in this student's thoughts:

To tell you the truth ever since the first of class, I've called up to primary children's hospital to see when I could volunteer. This is something that makes me feel better about myself, and gives me the opportunity to help others. I really want to volunteer and become active in society. I just wish people would open their eyes and realize how much power they have. I feel that a single person can make the world of difference; we just need to be catalyst.

Thus, as evidenced by student comments in our study, the enhanced sense of Responsibility gained through a service learning experience clearly contributed to ethical development and growth in our business students. Students not only felt this while interacting with their classmates and their clients, but they also expressed how their ethical paradigms had been broadened for their futures as business professionals.

FINDINGS AND CONCLUSION

While anecdotal, our study provides initial evidence that the SL/CE is a life-changing experience for some and at least an eye-opener for many. Students stated that through the service learning method they learned the course subject more thoroughly and better (Reality); that they were able to think deeply about their learning experiences and how these experiences might impact their future careers in business (Reflection); and students believed that the give and take between fellow classmates and clients were valuable exchanges, even instilling increased self confidence (Reciprocity). Finally, students repeatedly expressed that the teaching of ethics and social responsibility via their service learning experience became enhanced, real, upfront and highly personal (Responsibility). Although it is not the single or conclusive answer to ethical and moral lapses in our society, SL/CE clearly represents part of a meaningful beginning toward building a solution.

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UNDERSTANDING THE ACADEMICALLY DISHONEST STUDENT: ARE BUSINESS STUDENTS DIFFERENT FROM OTHER COLLEGE STUDENTS?

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ABSTRACT

There is growing concern that academic dishonesty is becoming a bigger problem due to changes in technology, making it easier for more students to cheat. The issues surrounding cheating include what factors influence cheating (personal, contextual, and situational) and what faculty can do about it. In this paper, we focus on testing a series of hypothesis that aim to describe the academically dishonest student and are business students who cheat different from non-business students who cheat? Results from our study indicate that non-business students are more likely to cheat than business students. In general, students who are members of Greek social organizations, undergraduates, male, and with low self-esteem typically engage in higher levels of academic dishonesty. In terms of comparing business students to non-business students specifically, only employment and innovativeness had an overall significant influence on academic dishonesty. This means that non-business students, who are engaged in higher number of hours of work, would be involved in significantly higher levels of academic dishonesty. Also, business students who were innovative in their approach of coping with classes and professors would engage in higher levels of academic dishonesty. For the other variables tested in this study, none of the interaction effects were significant. The main effect of Major (business v. non-business) was significant for all the variables except one.

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THE NEGATIVE EFFECTS OF LONG TERM CONTRACTS IN THE SERVICE INDUSTRY: A REVIEW OF CURRENT BUSINESS STRATEGIES AND THEIR FUTURE IMPLICATIONS

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ABSTRACT

There are several main differences between a product and a service (intangibility, inseparability, variability, and perishability). These characteristics contribute to confusion for the potential customer. To combat this confusion it is important for the structures of a service firm to be aligned with the environment in which it exists (contingency theory).

The importance of the customer, and delivering quality service has been illustrated in many literature sources. Yet, service firms still exist that exploit the customer or service quality in favor of bottom line profits. A practice which allows companies to disregard the customer is a long term contract. As a result of the contract many sound principles of business may be neglected. The argument in this paper is that the use of a service contract has negative effects on three variables: (1) employees (contributes to a lack of motivation), (2) customers (increases anxiety and lowers perceived value), and (3) firm policies (encourages the firm to erect policies that are only beneficial to the firm). To illustrate these propositions, the cell phone industry will be analyzed. The reason that this industry was selected is the current dominance of long term contractual agreements used in practice. For example phone companies such as Verizon, and Cingular initiate most plans beginning at one year, with increased benefits accrued to those who sign on for additional usage (e.g. free phone). Since major similarities exist across service settings, it is assumed results shown in this paper will be applicable to other service settings.

The conclusion of the paper is that service firms need to understand delivering and receiving mutual benefits is also beneficial for the firm. This allows for a longer term outlook, and develops a relationship with the customer that continues to grow. The use of a long term service contract does not necessarily facilitate this relationship. In former case, customer's become "locked in" as they feel they are getting value and being correctly understood by the company that they have engaged in a relationship. Why would a customer want to switch, since services are seen as risky, and they are satisfied? The point is that there are many better ways to keep a customer than through a contract.

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