

**THE 2002 MARKETING MANAGEMENT ASSOCIATION
PROCEEDINGS**

Dear MMA Member:

I am delighted to present the Proceedings of the 2002 Marketing Management Association Spring Conference to you on behalf of the officers, board members and all participants. The competitive papers were put through multiple reviews before being accepted for presentation at the conference and publication in the proceedings.

Bob Erffmeyer has put together an outstanding program for our 25th Anniversary Spring Conference. His job was especially challenging this year due to our conference deadlines being so close to the events of September 11th. Hats off to Bob, however, for stepping up to the challenge and making this the best Spring Conference ever. Many thanks to Bob!

Bob Green, with the assistance of Michelle Kunz, has done an excellent job of putting together this year's Proceedings. Many thanks to Bob and Michelle!

Congratulations to Phylis Mansfield for receiving the Richard D. Irwin Award, Ernst Bekkering and Brian Engelland for receiving the Marketing Education Award, Irena Vida and Jim Reardon for receiving the Firooz Hekmat Award and Jag Sheth for receiving the Career Award for Innovative Contributions to Marketing. Enjoy the Conference!

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In 1995, the Board of Directors initiated action to honor Marketing Management Association members who have served the Association and the profession particularly well with the designation "Fellow of the Marketing Management Association." Fellows of the Association are also designed as life members.

We continue to honor those who have served as each richly deserves the gratitude and approbation the title of Fellow is intended to convey.

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**MARKETING MANAGEMENT ASSOCIATION
SPRING 2002 CONFERENCE BEST PAPERS**

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**Anomie and Disaster in Corporate Culture: The Impact of Mergers and Acquisitions on
the Ethical Climate of Market Organizations**

Phylis M. Mansfield, Pennsylvania State University - Erie

MARKETING EDUCATION AWARD

Extending Quality Assessment Beyond the Classroom: The Campus Computer Lab Scale
Ernst Bekkering, Mississippi State University
Brian Engelland, Mississippi State University

FIROOZ HEKMAT BUYER BEHAVIOR AWARD

**An Investigation of Cultural Openness and Consumer Ethnocentricity in Four Central
European Countries**

Irena Vida, University of Ljubljana
James Reardon, University of Northern Colorado

CAREER AWARD FOR INNOVATIVE CONTRIBUTIONS TO MARKETING

Jagdish Sheth, Emory University

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CONVENIENCE STORES IN JAPAN

*Michael Kublin, The University of New Haven
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ABSTRACT

Today, there are over 40,000 convenience stores in Japan. Over the years, the stores' competitive strength has shifted from providing convenience (time and place utilities) to providing the right merchandise. The success of the various convenience store chains has been based on their ability to analyze the customer needs and to deliver the merchandise just-in-time.

The initial advantage of Japanese convenience stores was that they were open late in the evening. In marketing terms, their strategic competency was the ability to provide time and place utilities. When convenience stores were first introduced in 1973, mom-and-pop stores closed by 6:00 p.m. There was literally no place to go to buy cigarettes, a snack, beer, or even a newspaper.

Japanese convenience stores have continued to prosper because they have been able to identify and satisfy the needs of a rapidly changing society. Instead of purchasing a week's groceries all at once, many Japanese make frequent trips to a convenience store to pick up ready-to-cook or prepared food. The stores also serve as fast food restaurants, outlets for household sundries and emergency products, and as newsstands. On average, a store is about 1,000 square feet in size and carries 3,000 items. To cater to their customers' needs, large convenience chains change 60 to 70% of merchandise each year.

Many Japanese convenience stores also fulfill their neighborhood's need for a "community service center." In Japan, few people use personal checks and utility companies do not accept credit card payment. Unless a bill can be charged directly to a bank account, Japanese people need a place to pay their bills. Instead of going to a post office or bank to pay utility, phone, or mail order bills, many people go to a local convenience store. Seven-Eleven started bill payment service in 1987. Today, the chain processes 85 million transactions a year.

Japanese convenience stores serve as a branch office of various organizations. Customers can drop off packages for overnight delivery. They can also make a payment and pick up merchandise ordered from mail order firms or online vendors. Almost all stores now have ATMs. AmPm stores have installed kiosks that process small loan applications and dispense cash to users. Itoyokado, the owner of Seven-Eleven, started a new bank, IY Bank, which offers savings accounts to their customers. Convenience stores also process car rental and driving school applications. High school students order college catalogs and application forms at convenience stores. Some stores print greeting and business cards, and sell stamps, post cards, and lotto tickets.

After more than twenty-five years of rapid expansion, the convenience store chains now face market saturation. In response, virtually all the major chains have entered the e-commerce business. To date, they are all pursuing some version of a "the more the better" approach and have failed to differentiate themselves from one another. To succeed, a chain will have to develop a distinctive menu of offerings. It is too early to conclude e-commerce is an appropriate strategy. But it is still early days.

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MARKETING VLADIMIR PUTIN TO THE WORLD

John S. Bowdidge, Southwest Missouri State University

ABSTRACT

You can market anything! When a new Head of State appears on the world stage, it is important that he or she receive proper promotion. Vladimir Putin is being marketed to the world. We see him as a KGB officer with strong Christian principles that he had to keep secret

INTRODUCTION

There is nothing wrong with *marketing*. Many years ago, a young man from a very small village in Galilee recommended to his followers that they adopt a marketing strategy. His recommendation was first written down as: "Go ye into all the world and preach the gospel to every creature" (Eta Kainuh, p.101). As we know, over the years that followed, that approach was implemented quite well, and the traditional *Four P's* were present. Those followers had a **product**, they could get it to the **place** where the consumers were located, the **price** could sometimes be quite heavy but still worth the sacrifice, and much of the **promotion** was superb!

If there is nothing wrong with marketing, can there be something wrong about marketing a new national leader to the world? Of course not! And it is the position of this research paper that a strong *promotional* campaign is under way to create for the world the most positive image possible for the new Russian President Vladimir Putin. We shall discover that much of the strategy is coming from within the Kremlin. But it will also be noted that the mass media have contributed to the effort in the total absence of influence from the Kremlin.

Before details of a massive promotional campaign can be developed, there must first of all be a careful analysis of the product.

PRODUCT ANALYSIS

Ideally, analysis of the product must include attention to something more than just the product's strengths. There must be a frank and objective consideration of the product's **weaknesses**, too. Being open and honest regarding the latter can sometimes largely determine the nature of promotional strategies.

Whether they are totally true or not, two marketing legends persist. When scientists at Procter &

Gamble developed a new bar soap, they hesitated to admit to management that their new creation might bother consumers because the bar's molecular structure caused it to *float* in a bathtub of water! The spin doctors of P&G solved the problem by developing the slogan: It's 99 and 44/100 percent pure; it *floats!* Procter & Gamble to this day has never satisfactorily explained the correlation between *purity* and *floating*. At Kellogg, a new rice cereal was developed. Trouble was, when you poured milk on the delicious breakfast treat, strange noises emanated from the bowl. Certainly, that would scare away cereal consumers. The promotion office had the answer. That exotic crackling sound was a sign of *freshness*. In fact, Kellogg gave the sound **three names**: Snap, Crackle, and Pop!

Our first step, then, is to consider some of the *liabilities* of our product: Vladimir Vladimirovitch Putin.

LIABILITIES OF THE PRODUCT

As with any Head of State, there will be criticism of that person's words and deeds both at home and abroad. Then, how is President Putin seen by the rest of the world, especially The West?

A key element in how the world sees Putin is the relationship maintained between Russia and the United States. Incoming President George W. Bush publicly wondered about this relationship in an ABC-TV interview, according to Moscow's *Pravda* on January 23: I still do not know, but I hope, that Russia is our friend. We see lying ahead a duty to work jointly with Russia, and I hope that during this period we will be friends (George Bush, 2001).

Objective observers could maintain that President Bush can have a major impact on the ties between the two nations, especially when the Greek *Patras Today* published this short notice two weeks after that Bush comment on ABC-TV:

Moscow, Russia: Russia is investigating the possibility that there is a renewing of the technology for Star Wars, the program pushed by former American President Ronald Reagan (Epistrophe, 2001).

Apparently, the proposed U.S. move was no secret, according to Germany's *Handelsblatt*. On January 17, much of Washington and the world was concerned about the Senate confirmation hearings on John Ashcroft for Attorney-General. By the way, when Ashcroft finally made it, *Gazeta.Ru* headlined: Senate confirms Ashcroft (Senat, 2001). On that same January 17, in a very quiet Senate hearing virtually in the shadows while the spotlights focused on Ashcroft the appointee for U.S. Secretary of State made a statement: U.S. Secretary of State [appointee] Colin Powell said...the Anti-Ballistic Missile Treaty in its current form is no longer adequate for the new American defense strategy (US-Raketenabwehr, 2001).

In reaction to such reports, Vladimir Putin made it quite clear on January 26, 2001 that he does not approve of the United States renewing the Star Wars technology, as reported by the Paris daily *Le Figaro* with the help of *Agence France Presse*:

The Russian President has warned the new American Administration that the deployment of an anti-missile system will have "irreparable" consequences. He equally considers that the normalization of relations with NATO will not easily move forward and he judges as unacceptable the [NATO] expansion to formerly Communist countries (Avertissement, 2001).

Le Figaro tells us that another voice is being heard in the matter: "*La Chine est avec la Russie l'un des plus fervents opposants au NMD* (Avertissement, 2001), meaning: **China** is, with Russia, one of the most fervent opponents of the [U.S.] national missile defense system. Although no major world power was specifically mentioned in this next quote, accurately guessing that world power would not be difficult: The Russian President also denounced certain forces which wish to cultivate the image of a dangerous Russia in order to especially justify the use of force (Avertissement, 2001).

According to the February 4 issue of Germany's *Handelsblatt*, Putin had his top military subordinate saying the same thing:

The Russian military leadership has threatened the Americans with counter measures in case the USA, in

violation of the 1972 Anti-Ballistic Missile Treaty, installs a rocket defense system. Despite tight funds, we have the capability to protect ourselves from this threat, said the Deputy Chief of the General Staff Valeri Manilov on Friday in a news conference in Moscow (US-Raketenabwehr, 2001).

There they are: some of the aspects of this new Russian President that the promotion specialists must deal with in devising an effective marketing strategy. Fortunately, there are some *assets* to be employed in the campaign.

POSITIVE QUALITIES TO BE EMPHASIZED

Alas, there are features of Vladimir Putin that lend themselves to effective promotion. We shall identify a few.

International Gestures

To vastly understate the situation, we could say that Russia owes money to various foreign nations. There have been, in the past, numerous hints that some of this debt would never be repaid. The English-language *Moscow Times* (January 19, 2001) reported the expected reaction to such a Russian attitude:

Russia drew a sharp response from the Paris Club of creditor nations after it said in early January it would not service first quarter debt to the organisation [British spelling!] (Putin Orders, 2001).

President Putin comes on the scene and has some instructions for his Government! *Pravda* headlined it this way: "Vladimir Putin orders the settlement of the problems regarding the paying of Russia's foreign debt" (Vladimir, January 19, 2001). And the President wants it done quickly, within two to three weeks. *Lenta.Ru* sketched a rather positive portrait of Putin as it explained his rationale for that order: Vladimir Putin noted that Russia *has* never refused and *will* never refuse to carry out its financial obligations to creditors (Putin dol, 2001).

Perhaps more important to Americans would have been Putins handling of the Edmond Pope case. Pope, a former U.S. naval intelligence officer, had been found guilty by a Russian court of espionage and was sentenced to twenty years in prison. Here is the happy December 14, 2000 report that correspondent Halvor Tjønn sent back from Moscow to his hometown newspaper, *Aftenposten* of Oslo, Norway:

Edmond Pope løslatt fra Lefortovo-fengselet i Moskva. Putins benådning av Pope "ingen velkomstgave til Bush" (Tjønn, 2000). Edmond Pope is released from Leforto Prison in Moscow. Putin's pardoning of Pope sends a welcoming gift to [incoming USA President] Bush.

In mid-February, 2001, *Stranu.Ru* offered this summer possibility for those two very important Heads of State to sit down and talk and for George to thank Vladimir for the latter's mercy shown to Edmond Pope: Secretary of the Russian Security Council Sergei Ivanov will not rule out the possibility of the carrying out of a meeting of the Presidents of Russia and the USA Vladimir Putin and George Bush at the summer summit of the 'Big Eight' in Genoa, Italy (Putin ee Bush, 2001).

Even as we have searched for the *positive* aspects of our product, it has been noticed that we have encountered a certain degree of skepticism. However, in the next area of our research, the positive vibrations are stronger and the level of skepticism is considerably diminished.

Religion

There is evidence that Vladimir Vladimirovitch Putin is a religious man. In this brief sketch from *Paris Match*, we see the President in church. This passage, all by itself, is witness to the changes which have taken place since the days of Stalin or Brezhnev:

A l'occasion du Noël orthodoxe, Vladimir Poutine a assisté à une messe dans la cathédrale du Christ-Sauveur, détruite par Staline et reconstruite à l'identique (Peyrard, 2000, p. 61) At the observance of [Russian] Orthodox Christmas, Vladimir Putin assisted at a mass in the Cathedral of Christ the Saviour, [a structure] destroyed by Stalin and [now] reconstructed to its identical original.

According to *Pravda*, it was at that very same service January 7, 2000, Russian Orthodox Christmas that Putin was quoted as saying the following: Today we need to talk not so much of economic and military rebirth. Rather, in first place is **spiritual** rebirth (Vladimir, 2000).

Paris Match also helps us to see that Putin is no stranger at the Church:

Accompanied by his wife Ludmilla and their two daughters, Katia, 13...and Mascha, 15...

Vladimir Putin goes regularly to religious services at the Cathedral of Christ the Saviour in Moscow where he talks with the Patriarch Alexis II (Peyrard, 2000, p. 63).

Bob Djurdjevic, in *The Wall Street Journal* (February 3, 2000), tells us: When Mr. Putin became president on Dec. 31 [1999], he specifically asked for the Russian Patriarch Alexy's blessings.... (Djurdjevic, 2000). Djurdjevic then quoted a major American magazine:

Newsweek also reported that Mr. Putin became religious three years ago, after rescuing his two daughters, now ages 13 and 14, from a fire at a dacha (country home) near St. Petersburg (Djurdjevic, 2000).

More details on that fire were furnished to *Paris Match* by Ludmilla Sobtchak, widow of a former mayor of Saint Petersburg, Anatoli Sobtchak a *mentor* to the young Vladimir Putin. For those details to have meaning, some background is required. In the process, we learn something of how religion was very much alive even under the atheistic Soviet rule. Widow Sobtchak narrates:

One day when [Putin] had to go to Israel with my husband on a business trip, [Putin's mother] gave him the cross with which he was baptized and asked him to have it consecrated [in Israel] near the tomb of Christ. Since he was a [KGB] security officer, religion was forbidden for him. However, he accepted [the cross] and carried out his mother's wishes (Sobtchak, 2000).

According to Madame Sobtchak, Putin was wearing the cross many years later in 1996 as he stepped into a Russian bath under the family's summer home or *dacha*. Getting into the bath, he took off the cross. At this time, the *dacha* caught fire while Putin's two daughters were on the second floor. Immediately, Putin emerged wearing a towel around his torso, went to the second floor, knotted some sheets together and helped his daughters to descend. Within minutes, the *dacha* was a total loss. A few days later, going through the ashes, the cross was found. Madame Sobtchak concludes: Ever since, Vladimir Putin has had [the cross] with him. The Hand of God had protected his family, without any doubt (Sobtchak, 2000).

And there is evidence, via *Lenta.Ru*, that Putin respects the religion of others. This message was delivered in late September of 2000: With all my heart and soul, I congratulate Russian Jews on the holiday Rosh Hashanah (New Year)!... I sincerely wish you health,

happiness and all things good. May peace and prosperity be allowed to reign in your homes. For many Russians followers of Judaism today is a great day of spiritual purification and circumspection, a time for moral and religious development and perfection.... (Putin ot vcei dooshee, 2001).

CONCLUSION

On final consideration, Vladimir Putin is a product that we feel can be successfully promoted. As happens with many an account executive with an

advertising agency, there is a tendency to become thoroughly wrapped up in your product, to **sell yourself** on the product. Perhaps we have succumbed. We have sold this President to ourselves to such an extent that we can almost hear him saying with the Psalmist a set of words that have been uttered by many a Head of State under terrific pressure: O God, be not far from me: O my God, make haste for my help. Let them be confounded and consumed that are adversaries to my soul.... (Biblia, 1995, p. 599). If indeed Putin has never uttered such words, in time he might.

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THE FEASIBILITY EFFICIENT FRONTIER: A STRATEGIC PLANNING TOOL FOR GLOBAL MARKETING

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ABSTRACT

This paper presents a strategic planning model for multinational corporations (MNCs). The model is performance-driven, where the MNC management develops, using the Feasibility Efficient Frontier (FEF) procedure, multiple target vectors (TVs) for each strategic unit (SU) of the MNC international portfolio, and select few for targeting using an integer-programming model. Strategies to achieve the selected target vectors will be developed at the SU level drawing on the MNC resources and competencies.

INTRODUCTION

Research into the phenomenon of global business activities and the multinational enterprise has been extensive over the past few decades. In the 1970's the focus of the research was "standardization vs. adaptation." The 1980's witnessed a slight change in the debate to "globalization vs. localization;" (Levitt 1983; Douglas and Wind 1987; Yip, Loewe, and Yosino 1988; Douglas and Craig 1989; Walters and Toyne 1989), and the 1990's continued the debate with a focus on "global integration vs. local responsiveness" (Fleener 1993; Craig and Douglas 1996; Craig and Douglas 1996; Szymanski and Bharadwaj 1993; Ozsomer and Prussia 2000; Kotabe 2001).

As interesting as the ensuing debate has been over the issues above, many multinational companies are waking up to the realization that the core issues of standardization vs. adaptation are not the most relevant decisions to be made in the context of global marketing planning. Catoera and Graham (2001) suggest that the most crucial question for international marketers in the 21st century is "what are the most efficient ways to segment global markets?" Moreover, the authors report that nearly 75% of North American and European companies are revamping their business processes and formalizing their strategic planning processes in order to stay competitive.

Although the need for a systematic approach to strategic marketing planning for MNCs is obvious, in practice, on one hand, there is very little sophisticated strategic planning for international

operations. Traditionally, executives have often used unsophisticated analytical approaches in making both domestic and multinational strategic decisions (Korbin, 1976; Brandt, and Richers 1980; and Griffin 1989); however the latest development in information technology and communication improved the effectiveness and speed of the decision-making processes of MNCs. On the other hand, the literature related to strategic marketing planning for MNCs comprises descriptive, comparative, and exploratory studies highlighting certain aspects of international marketing, and attempting to conceptualize and model certain aspects of strategic marketing for multinational operations. None of the studies focused on a performance-driven approach for the total firm to optimize overall the strategic alternatives open for the firm worldwide.

This paper attempts to fill the gap in the literature by presenting a performance-driven, systematic and integrative approach to strategic planning for MNCs. This approach makes it possible for these companies to consider and analyze all possible and feasible alternative strategic moves available to them. In this approach, the MNC top management (considering the MNC current/potential international portfolio) has the option to develop implementable strategies, evaluate these strategies, and select the ones closest to achieving the goals of the organization, however, they have a more effective alternative to pursue, which is to develop multiple performance targets (for each SU) and select those, which are feasible and most desirable for achieving the overall goals of the organization. Therefore, the approach is performance-driven and advocates that corporate management is ultimately interested in

achieving certain goals. Thus determining these goals in the form of performance targets for the corporation and its Strategic Units (SUs) is a major step in the strategic planning process. In support of this argument some authors view strategy as encompassing the determination of the goals and objectives of the enterprise (Chandler 1962; Clark, Clark, and Verzilli 1985; Ozsomer and Prussia 2000; Catoera and Graham 2001).

DEFINITIONS AND CONSIDERATIONS

The development of a strategic planning model for multinational marketing was guided by five main considerations. The first one was the application of a modified portfolio analysis approach to international marketing decision situations. The second consideration is multiple planning through the development of multiple Target Vectors (TVs) for the corporate Strategic Units (SUs). The third consideration is the exercise of developing target vectors which involves SU managers in making explicit assumptions and providing judgment about the environmental dynamics, future changes, and expected performance relative to each of these SUs. The fourth consideration is the optimization overall the MNC international portfolio. The fifth, and of special importance, the involvement of the SU manager in developing the appropriate strategies to achieve the selected target vectors, thus achieving global planning and local action. Ozsomer and Prussia (2000) reported that interviewed managers often attributed their success to local market familiarity and to adapting their marketing strategies to the market...one executive emphasized that "in an increasingly competitive local market, adaptation is a way we differentiate ourselves from competition." A locally adapted marketing strategy is a way to gain competitive superiority over competitors. The proposed model in this paper does not claim to determine the optimum international strategic targets and portfolio, but to determine the ones, which are closest to achieving the goals and objectives of the MNC as a whole. These considerations are developed further in this paper.

In this research, a multinational firm is simply defined as a firm, which operates (i.e., has major marketing and production facilities) in two or more countries, has adopted a global outlook, and is making its strategic decisions in the light of options open to it anywhere in the world. The MNC must be viewed as a cluster of mutually exclusive and

relevant strategic units. The SU is defined along two dimensions: The first is the country (with delineated geographic borders and national sovereignty); the second dimension involves the plane or planes on which battles for global leadership are waged. According to Prahalad and Hamel (1990) the three planes are: Core competence, core products, and end products. A corporation must know whether it is winning or losing on all three planes.

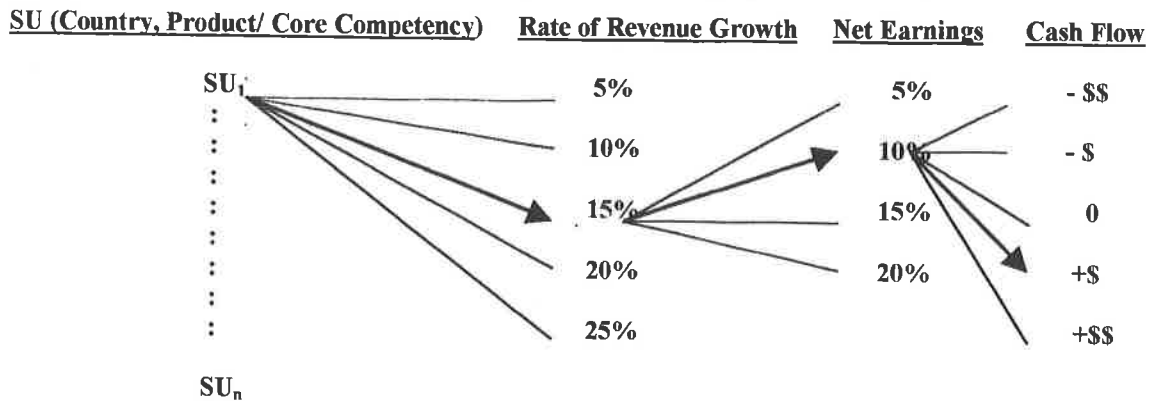
For the sake of generalization of the model, MNC's management may adopt this definition of SU, but may develop their own definition that may be more strategically relevant to their specific planning needs. As SU is then identified by a country and one or more of the following: core competence, core product, or end product. Moreover, the SU is then characterized by a target vector and a strategy to achieve the target vector.

Core competencies are the collective learning in the organization especially how to coordinate diverse production skills and integrate multiple streams of technologies. They are about organization, communication, and coordination of resources, and the ultimate delivery of value (Prahalad and Hamel, 1990).

The core product ---the tangible manifestation of one or more core competencies--- is then the tangible link between the identified core competencies and the end product. An example of these three planes for Honda would be the following: Honda's identified core competency was its design and development skills, which are behind Honda's well recognized engines (core products), which have been responsible for the proliferation of Honda motorcycles, generators, etc. (end products).

A target vector is defined as a set of performance measures (e.g. gaining leadership in the design and development of a particular class of product functionality, maximizing the world's manufacturing share in a core product, and the more traditional measures of return on investment, and cash flow), to be achieved over a specified period of time (Figure 1). The MNC management may use their own set of performance measure to generate the target vectors. They may also use a different set of definitions and terms. Regardless of the definitions used, the method developed here will be the same. In the following sections, and for simplicity, a two-component target vector is used.

FIGURE 1
An Example of a Target Vector



→ This line on the Figure indicates a target vector

CONCEPTUAL FRAMEWORK AND PROCEDURES

The multinational firm is analyzed as a collection of interdependent SUs. The concept of an SU emerges from the recognition that organizational entities differ in their objectives, roles, and contribution to the achievement of overall corporate goals. Not all units need to grow at the same rate, produce the same level of profitability, and contribute equally to cash flow objectives. This concept of the organization as a collection of units having different objectives is at the very root of utilized approaches to strategic market planning. The term portfolio is commonly used to describe such as collection. The significance of the portfolio concept increases with its application in multinational marketing.

The proposed framework for strategic planning in MNCs comprises six major steps (Figure 2). Steps 1 and 2 will not be addressed in this paper because of space constraint and because new contribution in such discussion is very little over current literature. The focus here is on the Feasibility Efficient Frontier (FEF) concept and procedure to develop multiple target vectors for each SU, and on the optimization model.

Development of Target Vectors

The development of target vectors starts with strategic segmentation of the MNC. In this research the SU is defined as a product-country combination. Then the current portfolio of SUs should be analyzed and current resources, strategies, and performance be assessed. The purpose of this is

very much educational to top management and managers of the SUs. The use of market attractiveness-business position-risk matrix is suggested (Figure 3). Each SU is characterized by a strategy and a performance vector, and each target performance vector is characterized by its feasibility and desirability. A two-component target vector can be represented by a point on a two-dimensional graph (Figure 4). When a target vector is feasible, it means that it is implementable and achievable. In more practical terms, if an SU manager judges a target vector as feasible it implies that he/she must be able to develop a strategy, which achieves that target vector. It has to be noted here that a target vector may not actually be achieved. This is always the case in planning; management tries to achieve what is planned. A target vector (TV thereafter) is desirable when it adds most to the achievement of the firm's goals and mission and matches to management aspirations. Most of the time, feasible and desirable are contradictory terms.

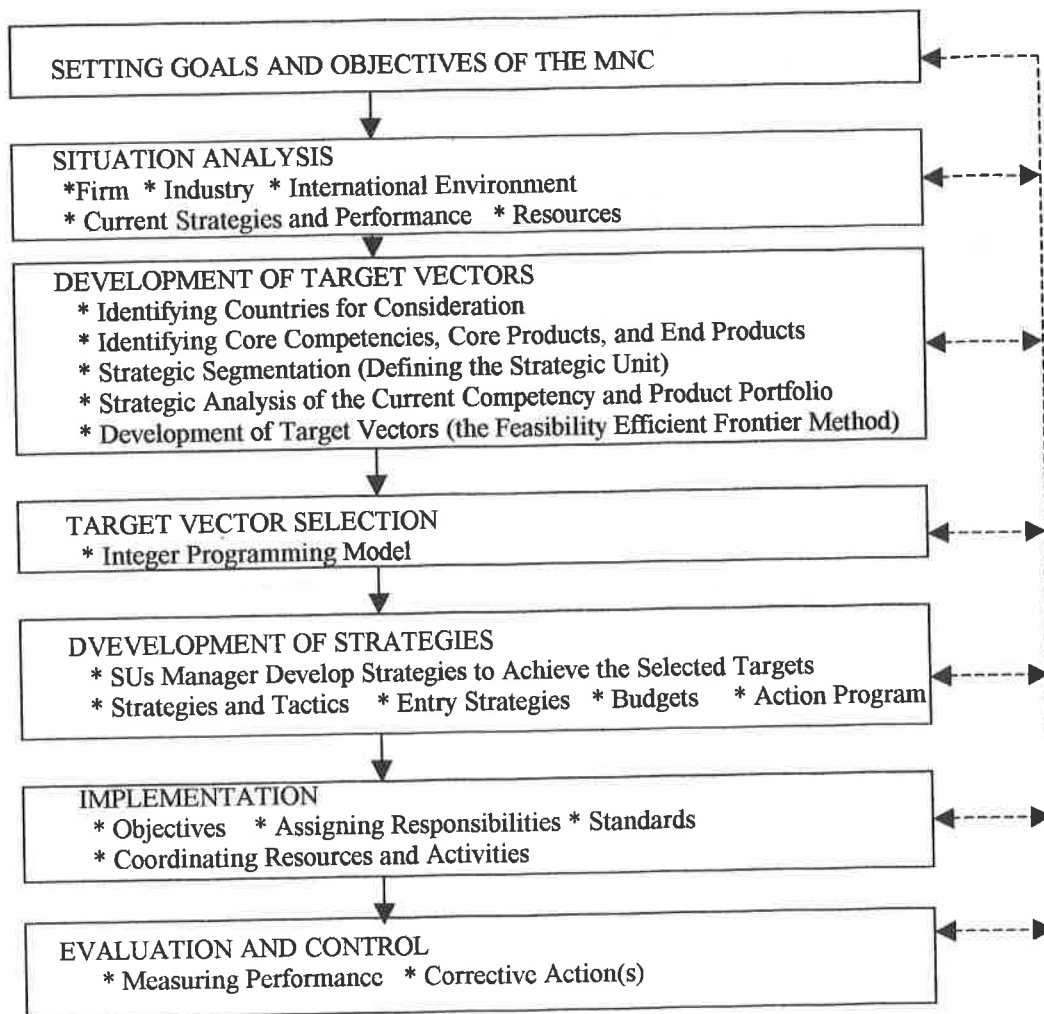
TVs can be developed by the tradeoff among different levels of the components used (in this case tradeoff among levels of cash flow and ROI). The developed TVs have different degrees of feasibility and desirability. The firm's management is interested in the most desirable TVs; but not all the most desirable TVs are always feasible. Therefore, TVs, which are most desirable and, at the same time, feasible are of interest to the firm's top management. Points representing these feasible and desirable target vectors on a two-dimensional graph (A, F₁, F₂, F₃, C) make the Feasibility Efficient Frontier (FEF) as in Figure 4. The net result of this process is to identify the feasible range, develop multiple TVs, and select

the TVs or points of the FEF that best achieve the goals of the firm. Selection will be based on what is best for the firm as a whole, not on what is best for each individual SU. Portfolio theory and concepts are applied here to provide the MNC's management with

important tools for understanding the function of individual SUs in the total enterprise and enable resource allocation decisions to be made on a firmer conceptual footing than had been possible previously.

FIGURE 2

A Framework for Multinational Strategic Planning Using the Feasibility Efficient Frontier Approach



Construction of the Feasibility Efficient Frontier

Each of the performance measures (e.g. leadership in design and development, ROI, cash flow, market share, etc.) has certain upper limits beyond which all points are unfeasible (impossible to achieve) and lower limits below which all points are definitely undesirable. These values can be assessed by asking the SU manager the following: given no "restrictions", what are the maximum that can be achieved and the minimum (the worst that may happen) values feasible? Knowing these minimum and maximum values, the limits (or extremes) of the FEF can be determined. For example, in Figure 5, ABCD is called the feasibility workspace (for a two component TV case) and must contain the FEF. The feasibility workspace ABCD is determined by the straight lines (as boundaries) drawn at the maximum and minimum values of the two performance measures (i.e., ROI and cash flow) on a two-dimensional graph. The coordinates of each point in this feasible workspace make up a target vector. The FEF is located somewhere in the feasibility workspace and contains the most desirable and feasible points of TVs. A major step here is to determine the location of the FEF. This can be done by allowing the SU manager to do systematic tradeoffs along some of the straight lines joining D (x_m, y_m) in Figure 5 to I (middle point of AB), B, and G (middle point of BC) and/or the lines joining C (x_M, y_m) to I (middle point of AB), A, and N (the middle point of AD). Which lines to use can be determined systematically, and that depends on the performance measure used. It is important to mention that the same method can be applied to construct three-component target vectors, and an interactive computer program can be developed to do this exercise.

Target Vectors Selection

An integer programming approach is adopted to solve the problem. This approach is similar to Zoltners' (1976) application of integer programming to sales resource allocation. The portfolio management is conducted essentially by central control over resource allocation, where corporate management allocates resources on the basis of the relative expected future of each SU.

Assumptions

Strategic units are defined; situation has been analyzed; objectives, goals, policy, organizational and resource constraints are set and stated by top management, and target vectors are

developed for each SU. The MNC is segmented into N strategic units indexed by $j = 1, 2, \dots, N$. For SU_j , management develops multiple feasible target vectors. A decision variable x_{ij} will be associated with each target vector. The decision variable x_{ij} equals 1 or 0 as follows:

1 if target vector (i) is selected for SU_j for $I \in S_j$ and $j = 1, 2, \dots, N$, where S_j is the index set of feasible target vectors for a strategic unit j (SU_j) and N is the number of SUs.

0 Otherwise

The Basic Mathematical Model

$$\text{Maximize: } \sum_{j=1}^N \sum_{i \in S_j} x_{ij} \bullet e_{ij} \quad (1)$$

$$\text{Subject to: } \sum_{j=1}^N \sum_{i \in S_j} r_{ij} \bullet x_{ij} \leq K \quad (2)$$

$$cf \leq \sum_{j=1}^N \sum_{i \in S_j} c_{ij} \bullet x_{ij} \leq CF \quad (3)$$

$$z_m \leq \sum_{j=1}^N \sum_{i \in S_j} z_{ij} \bullet x_{ij} \leq z_M \quad (4)$$

$$\sum_{i \in S_j} x_{ij} = 1 \text{ for each } j = 1, 2, \dots, N \quad (5)$$

$$x_{ij} = 0 \text{ or } 1 \text{ for each } i \in S_j, j = 1, 2, \dots, N \quad (6)$$

where:

- N is the number of SUs : $J = 1, 2, \dots, N$;
- S_j is the index set of feasible target vectors in strategic unit j;
- x_{ij} is a decision variable associated with target vector (i) for strategic unit j;
- e_{ij} is the net earnings associated with target vector (i) in strategic unit j;
- r_{ij} is the resource (e.g., marketing resource: Dollars, efforts, etc.; capital investment; etc.) consumed to achieve target vector (i) in strategic unit j
- K is the maximum amount of the above resource (r) available for the planning period;
- c_{ij} is the cash generated or needed if target vector (i) is selected for SU j;
- CF is the maximum level of cash that the management will allow to keep on hand;
- cf is the minimum level of cash that the management will allow to keep on hand or the maximum amount of cash the management can borrow;

- Z_m is the level of risk (index for the firm's portfolio) that the management is willing to accept at any time;
- Z_M is the maximum level of risk (index for the firm's portfolio) that the management will allow;
- Z_{ij} is the risk level assumed if the target vector (i) is selected for strategic unit j .

Objective Function

The objective function (1) of the mathematical program represents the expected net earnings associated with any possible combination of target vectors in different SUs. It should be mentioned here that the objective function could be modified to accommodate the interest of the management concerning maximizing or minimizing other outcomes (e.g., maximize sales/ROI, subject to cash, risk, and investment constraints).

Constraints

The following are examples: setting upper and lower limits for cash flow; setting upper and lower limits for risk; resource constraints; and technical constraints. Constraint (2) of the mathematical program is a resource constraint which ensures that the total resources allocated to achieve the selected target vectors do not exceed the resources available for the planning period. Constraint (3) is a balance constraint, which will ensure that cash flow is balance over the planning period or, at least, the cash flow level falls between a minimum and maximum set by the management. Constraint (4) is also a balance constraint, which will ensure that the overall risk of the firm's portfolio falls within the range of risk preference of the MNC's management. Constraints (5) and (6) are technical constraints to ensure that exactly one target vector is chosen for each SU.

CONCLUSION AND ORGANIZATIONAL IMPLICATIONS

During the last three decades, modern business enterprises have substantially expanded their activities. Rationale for this expansion is profit, enhanced by other encouraging factors and a favorable environment. Recent changes in the world environment and the world power equation have made life difficult for MNCs. Yet, there seems to be a substantial body of evidence to indicate that international activities of US-based and foreign

corporations will continue to grow in spite of the numerous obstacles to international investment and marketing. The MNC will remain as an important component of the world economy.

New planning approaches to deal with the complexity of the current and future environments are required. The need is urgent for strategic planning since a major problem at the outset of the MNC's activities is to make decisions concerning market and strategy selection, resource allocation, and mission determination. The solution to this problem is important to the firm's survival and growth. From a practical point of view, more and more MNCs have recognized how rapidly the world is changing and are now convinced that a systematic exploration of the future, inherent in the planning process, is indeed a vital function.

In response to the above problem, this paper presented an integrative framework, including procedural prescriptions for strategic planning in MNCs. In particular it focused on resource allocation and target development and selection. This framework includes strategic portfolio analysis, the feasibility efficient frontier for target vectors development, and optimization via integer programming. The framework can be used in national marketing, but has a special relevance to multinational marketing.

The primary purpose of strategic planning is to enable management to make decisions today, which will affect the firm over the long run, which is characterized by risk and uncertainty. If strategic planning is to be useful to management, it must be an integral part of the decision making process. Therefore, coordination and integration of the strategic plan into project plans and operating plans should be achieved. The most severe test of a strategic planning system is whether or not top management and line managers will actually make decisions based on the strategic plan. If this does not happen, then the strategic plan has little value. Success in achieving the desired results requires considerations of human, administrative, and other implementation issues. The approach developed in this research allows effective involvement of multiple management levels of the MNC. It will be further evaluated and the effectiveness that it brings to the area of multinational strategic planning can be tested by applying the model to a real-world company.

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PROBLEM SOLVING WITH TRIZ: HISTORICAL PERSPECTIVES AND UNDERSTANDING IDEALITY

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ABSTRACT

This paper introduces TRIZ, a methodology for producing systematic innovation, by tracing its historical development to its present form. The paper also introduces the concept of ideality, one of the basic premises of TRIZ. Examples and case studies are provided. Business schools face the challenge of diffusing knowledge about TRIZ.

INTRODUCTION

Creativity and innovation have become strategic issues as organizations strive to remain competitive. Business leaders are asking the question: "How can we teach our people to be creative and innovative?" As a result, colleges and universities have taken interest in creativity and innovation education, although creativity and innovation as disciplines are not well understood.

Many people believe that creative or innovative thinking is the result of luck or chance. Others believe that inventive solutions are developed by people who are gifted in some special way. The problem with relying on luck, genius, etc., is that there is no reliable or repeatable method for teaching or achieving innovation. Therefore, improving productivity in the area of innovation becomes problematic (Clarke 1997).

Some approaches to improving productivity in innovation have been offered. Those who believe that group dynamics are important to the innovation process advocate methods such as synectics or brainstorming. Others advocate working on an idea, allowing time for incubation, and then waiting for inspiration. Still others believe in the Thomas Edison "trial and error" approach, which focuses on 1% inspiration and 99% perspiration.

Edward de Bono (1992), the creator of lateral thinking, demonstrated that creativity is a skill that can be taught and developed by individuals. While de Bono's work has gained some acceptance in the West, another approach to innovation, TRIZ, is relatively unknown. This is largely due to the fact that TRIZ (pronounced "treez") was not generally

available in the West until the 1990s. TRIZ, The Theory of Inventive Problem Solving, provides a methodology by which people can systematically solve problems and enhance decision-making. Innovation by trial and error is replaced with a systematic approach that allows people to mimic the way gifted inventors solve problems (*Ideation/TRIZ Methodology* 2001). The use of TRIZ also affects the neural networks in the brain, allowing people to become more creative and approach problems from different angles (Kaplan 1996).

Engineering schools in North America are beginning to embrace TRIZ, due to its ability to provide innovative solutions to technical problems in design, R&D, manufacturing, safety, reliability, and quality control (*Ideation/TRIZ Methodology* 2001). In the foreseeable future, TRIZ will be a required subject in engineering programs. Business schools will likely follow engineering schools as TRIZ continues expanding into the area of solving non-technical problems. Moreover, the science of TRIZ includes the evolution of future generations of systems. This knowledge is invaluable for developing business strategy, developing new products, and erecting patent fences.

THE HISTORY OF TRIZ

TRIZ is an acronym for the Russian words Teoriya Resheniya Izobretatelskikh Zadatch, which, when translated, mean Theory of the Solution of Inventive Problems (Kaplan 1996; Terninko, Zusman, and Zlotin 1998). Today, TRIZ is commonly used to refer to the Theory of Inventive Problem Solving, a slight variation of the literal translation.

Genrich Altshuller (1984) is considered the founder of TRIZ. Altshuller began developing TRIZ in 1946, while employed in the patent department of the Soviet navy. Under Stalin's regime, Altshuller and colleagues studied tens of thousands of author's certificates (a type invention registration used in the Soviet Union) and patents (rarely granted in the Soviet Union) and discovered that principles of inventive thinking existed (Terninko, Zusman, and Zlotin 1998).

Altshuller was particularly interested in "inventive problems," which he defined as problems that had no known solution or problems for which the known or generally accepted solution created other problems. Educated as a mechanical engineer, Altshuller noticed inventive problems could be codified, classified, and solved methodically, just like other engineering problems" (Kaplan 1996, p. 1). Altshuller sought to extract knowledge from inventions, compile that knowledge in usable form, and make the knowledge available to inventors in any area or discipline (Terninko, Zusman, and Zlotin 1998). By identifying and categorizing the patterns in innovative solutions, Altshuller realized that one could gain access to solutions that would normally be "unavailable" due to one's specialization or narrow field of vision. The ideal system would allow inventors to match their problems to similar standard problems, which would lead to sets of potential standard solutions. Altshuller (1984) wanted results that were not dependent on personal creativity or psychological techniques, like brainstorming.

While analyzing patents, Altshuller noticed that the same contradiction had been addressed in unrelated industries. Perhaps even more intriguing (and disturbing) was the time gap between the applications. Similar solutions were years apart. Altshuller realized the time gap was unnecessary; had the solutions been "accessible" to inventors, the solutions would have been applied much earlier to other areas. For example, the same process (gradually increase the pressure, then suddenly drop the pressure) is used in sweet pepper canning, shelling cedar nuts, shelling sunflower seeds, producing powder sugar, cleaning filters, and splitting imperfect diamond crystals (Terninko, Zusman, and Zlotin 1998). While the process in each case is conceptually similar, the date of innovation is not. For example, there is an eighteen-year gap between the 1968 patent for pepper canning patent and the 1986 patent for cedar nut shelling (Terninko, Zusman, and Zlotin 1998).

The combined discovery that there were both regularities in design evolution and principles used in innovative solutions sparked a revolution in the field of inventive problem solving (Terninko, Zusman, and Zlotin 1998). In a 1948 letter to Stalin, Altshuller and his boyhood friend, Raphael Shapiro, shared their discovery and voiced concerns about future inventions in the Soviet Union (Terninko, Zusman, and Zlotin 1998). Their views were not well received; they were interrogated and tortured, then sentenced to twenty-five years in a prison camp above the Arctic Circle (Terninko, Zusman, and Zlotin 1998). This proved to be a sort of blessing in disguise, as the camp contained professors, scientists, etc. About a year after Stalin's death in 1953, Altshuller and Shapiro were released, which allowed them to publish their first article in 1956; Shapiro published the first book on TRIZ in 1961, but later lost interest in furthering the dissemination of TRIZ (Terninko, Zusman, and Zlotin 1998). Because of resistance by the State Committee of Inventive Affairs and the Society of Inventors (Altshuller was an intellectual Jew), Altshuller went underground, writing science fiction stories under the pen name H. Altov (see, e.g., Altshuller 1996).

Over the next few decades, professionals applied TRIZ to multiple disciplines, and the methodology improved. In the 1970s, Altshuller's books and articles were finally translated and circulated in Germany and Poland, and eventually reached Japan and the West (Terninko, Zusman, and Zlotin 1998). By the 1980s, Altshuller estimated that close to 100 TRIZ institutes had been established (Terninko, Zusman, and Zlotin 1998). The decades of success enjoyed by Altshuller and his followers had allowed them to enhance TRIZ, develop new tools, and accelerate the TRIZ learning curve. By 1985, Altshuller had written over 14 books, which constitute the collection of ideas and principles now known as Classical TRIZ.

The breakup of the Soviet Union provided many challenges and opportunities; TRIZ flourished after Perestroika. Many TRIZ experts left Eastern Europe when North American businesses expressed an interest in applying TRIZ to their problems. TRIZ methodology was further enhanced by the development of new tools and applications, including sophisticated TRIZ software.

BASIC PREMISES OF CLASSICAL TRIZ

Many traditional approaches to creativity and innovation have a fatal flaw: as the complexity of the problem increases, the efficiency and effectiveness of the method decreases. For example, while all innovation requires some elements of trial and error, relying on trial and error to solve complex problems is terribly inefficient, since the number of trials can be astronomical (Salamatov 1999). Furthermore, the trial and error method provides no guarantee of a solution, since the trials may be conducted using the wrong variants (Altshuller 1984; Salamatov 1999). Altshuller was particularly interested in reducing the time required to produce an invention and developing a structured, repeatable process to enhance breakthrough thinking (Terninko, Zusman, and Zlotin 1998).

Altshuller identified three basic premises of TRIZ: ideality, contradictions, and systems approach. More specifically, "1) the ideal design is a goal, 2) contradictions help solve problems, and 3) the innovative process can be structured systematically" (Terninko, Zusman, and Zlotin 1998, p. 3). While systematic innovation may seem like an oxymoron, TRIZ is built on the "realization that contradictions can be methodically resolved through application of innovative solutions" (Terninko, Zusman, and Zlotin 1998, p. 3). The remainder of this paper focuses on the first premise of Classical TRIZ, ideality. While ideality, contradictions, and resources are all integral to Classical TRIZ, modern TRIZ has evolved into a larger science. Future papers will integrate the concept of ideality with contradictions and systems thinking, as well address aspects of modern TRIZ.

IDEALITY

When approaching any problem, there are two possible points of view. The first is aimed at improving the current undesired situation by asking: "How can we improve the current situation or process?" The second point of view starts from a vision of ideality and asks: "What is the ideal solution?" The distinction is critical, since each point of view leads one down a different path and toward different sets of possible solutions (Clarke 1997). TRIZ attacks problems from the second point of view.

All systems have useful effects and harmful effects. Anything of value created by the system's

functioning is a useful effect. The domain of harmful effects can be equally large (the system's costs, the space it uses, the fuel it uses, the noise it makes, etc.). Altshuller defined ideality as the quotient of the sum of the system's useful effects (U_i) divided by the sum of the system's harmful effects (H_j). Thus, ideality is expressed as:

$$\text{Ideality} = I = \frac{\sum U_i}{\sum H_j}$$

Altshuller noted that as systems evolve, they increase their degree of ideality. In other words, the sum of useful effects trend upward and the sum of harmful effects trend downward. Systems become more efficient and effective, although they rarely reach perfection. From this idea, Altshuller introduced the concept of the Ideal Final Result (IFR): the useful effects are great and the harmful effects are reduced to zero. In other words, in the ideal system, the function is performed without the existence of the system. For example, the IFR for a machine is that "the function of the machine exists, but the machine itself does not" (Kaplan 1996, p. 4). Thus, in TRIZ nomenclature, ideality represents the state in which performing a desired function or effect occurs without the need for the system.

While it is quite rare to achieve ideality, using ideality as a goal is very effective at reducing psychological inertia. By defining the IFR, one is led in the direction of completely different solution paths. Rather than concentrating on small, incremental improvements, one imagines the ideal state in which the desired function occurs, but the problem is absent. Traditional problem solving involves compromises and trade-offs, but ideality pursues solutions that eliminate the need to compromise (*Ideation/TRIZ Methodology* 2001). For example, traditional problem solving might lead to compromise that increases the ideality ratio by increasing both useful and harmful effects. The increase in the useful effect (numerator) would merely be larger than the increase in the harmful effect (denominator). Alternatively, similar results could be achieved by decreasing the harmful effect (denominator) by more than the decrease in the useful effect (numerator). In contrast, TRIZ improves the ideality ratio by increasing the useful effect (numerator) while simultaneously decreasing the harmful effect (denominator).

Terninko, Zusman, and Zlotin (1998) outline six paths to improve ideality. These are presented below along with examples from Terninko, Zusman, and Zlotin (1998) and the *Innovation Workbench Software* (2001):

- Exclude auxiliary functions. Examples: Painting without solvents is accomplished by using an electrostatic field to coat metal parts with powdered paint. The parts are heated and the powder melts. The German C11 automatic rifle uses cartridges that have no cases. The expensive brass case was eliminated.
- Exclude elements and delegate the functions of those system elements to resources. Example: The expensive transmission that drives the propeller blades on the tail of a helicopter can be eliminated by directing a stream of exhaust gas from the motor onto the main blades to stabilize the helicopter.
- Identify self-service. Example: See the Container Destruction Problem case later in this paper.
- Replace elements, parts, or total system (use a model or copy). Examples: Airports simulate landing gear wheel traction using a test vehicle on the runway. Barbers in training can practice shaving balloons that are covered with shaving cream.
- Change or simplify the principle of operation. Example: To prevent sagging, hot sheets of glass are rolled on a pool of molten tin instead of a conveyor with rollers.
- Utilize resources (substances, fields, field properties, functional characteristics, or other attributes in the system). Examples: Exhaust pipes on trucks operating in deep open pits can be directed into the truck bed, allowing the coal, rock, etc., to filter out fumes. Snow can be blown into coalmines to cool the air and prevent explosions.

Since utilizing resources is at the heart of achieving ideality, the following section is devoted to that topic.

Resources

The key to achieving ideality in a structured and repeatable way is to identify resources already existing in the system that can be used to fix the problem. These resources can be used as is or combined to perform the function. If the resources already exist, they do not have to be purchased. This means that the problem has been solved at no additional cost. Since cost is a harmful factor, the solution moves the system closer to becoming an ideal system (*Ideation/TRIZ Methodology* 2001).

An abundance of resources exists in most systems, and TRIZ practitioners are adept at identifying these resources. Many resources are things normally thought of as harmful side effects (e.g., vibration or heat). TRIZ practitioners examine whether they can convert these resources into something that can solve the problem. Other resources appear non-existent. For example, Terninko, Zusman, and Zlotin (1998) point out that dead space is a resource used for temperature insulation (Thermo Pane windows) and sound insulation (sound baffles). Most resources fall into one or more of the following categories (*Ideation/TRIZ Methodology* 2001):

- Any substance, including waste, available in the system or its environment.
- Something with the functional and technological ability to jointly perform additional functions.
- An energy reserve, free time, unoccupied space, information, etc.

Ideality and Resources Case Study #1: Container Destruction Problem

The Container Destruction Problem is a real world example commonly found in the TRIZ literature (Clarke 1997; *Ideation/TRIZ Methodology* 2001; Terninko, Zusman, and Zlotin 1998) to illustrate how resources can be used to move a system towards ideality. This case involves a company that tests the resistance of a metal alloy to an acid environment. The metal alloy specimen is placed in a container filled with acid. After some time, the container is emptied and the specimen is inspected to determine what effects the acid had on the specimen. Unfortunately, the acid also damages

the walls of the container, corrupting and invalidating the test results.

The case becomes more complex if one assumes the company performs tests for thousands of customers and has laboratory space filled with thousands of testing containers. The company realizes that customers have been gradually increasing the resistance of the products they manufacture. To make matters worse, the customers have increased the specifications for the tests (stronger acids, length of time, etc.). Therefore, the problem will not go away. Typical non-TRIZ solutions are to use a container made of a different material or to coat the containers with a special material. Assume the cost of either proposed solution is prohibitive.

To define ideality in the Container Destruction Problem, one first identifies the system. The system that contains the degradation problem is the container. It holds the acid and the specimen. By definition, ideality consists of having the function performed (acid in contact with specimen) without the existence of the system (the container).

Ideality is often achieved by performing the function with existing resources. The obvious resources in this system include the container, the specimen, and the acid. According to ideality, the container should not exist, so the focus is directed at the other resources. Focusing on the specimen, additional resources can be identified (geometric resources include size, shape, volume, etc.). The acid has resources, too (fluidity, specific gravity, volume, etc.). The environment surrounding the specimen and acid contains resources such as gravity, temperature, humidity, etc.

TRIZ practitioners develop the ability to find resources inside the system that contains the problem and use those resources to solve the problem. Often they transform resources or recombine resources in new ways. In this case, gravity, the fluidity of the acid, and the shape of the specimen were combined to create a solution. By changing the shape of the specimen, it became the container for the acid.

As mentioned earlier, TRIZ emphasizes achieving ideality using a structured and repeatable method. The process must be teachable and transferable to be valuable (Clarke 1997). Whether one can solve the Container Destruction Problem is

not important. One must be able to produce inventive solutions (ideality) consistently. TRIZ provides the structured methodology for achieving that goal.

Perspectives on Ideality

Ideality has subsets, since it can be defined from many perspectives. The ideal cell phone would have different meanings to different parties (the designer, the manufacturer, the distributor, the user). Even the users might have different views of the ideal cell phone, depending on whether it was used at home, at the office, or while traveling. The Container Destruction Problem was approached from the testing company's point of view. The container manufacturer would have a different view regarding how to solve the problem. In summary, innovation can be driven from many different points of view (Clarke 1997).

Local Ideality

Since ideality involves solving problems with existing resources, the solution will differ based on the environment and location in which the problem is present. The manufacturer of cell phone batteries may have made a significant capital investment to generate profits. The manufacturer would focus on using existing resources to generate a solution. At the same time, one should not ignore higher-level forms of ideality, such as performing the cell phone's energy function without a battery. Local ideality can be viewed as a "tactical" approach while high-level ideality can be viewed as a "strategic" approach (*Ideation/TRIZ Methodology* 2001). The Container Destruction Problem solution involved the ability (resource) to drill a hole in the specimen or have the specimens already delivered by customers in unique shapes. Understanding local ideality is critical. Ideality is achieved through resources, so local resources will be used to achieve local ideality (Clarke 1997).

Super-Effects

Super-effects are often achieved when one approaches a near ideal solution; the value-added outcome exceeds expectations. The Container Destruction Problem solution illustrates several possible super-effects: 1) the company may have freed up considerable lab space, since containers no longer need to be stored; 2) investment in containers was reduced to zero; and 3) costs associated with

handling, storing, and cleaning containers were eliminated.

Derived Resources

Most resources fall into one or more categories: readily available resources, substance resources, and derived resources. Readily available resources can be used in their existing state. Substance resources include material from which the system and its environment are composed; any system that has not reached ideality has substance resources (Terninko, Zusman, and Zlotin 1998). While some resources are easily identifiable in a system, other resources are hidden within these resources. The hidden resources are called derived resources, since they are derived from combining, transforming, concentrating, and/or intensifying readily available resources (*Ideation/TRIZ Methodology* 2001; Terninko, Zusman, and Zlotin 1998).

TRIZ experts develop the ability to identify, modify, and combine resources. By looking deep inside the system, TRIZ practitioners discover new opportunities. In the Container Destruction Problem, the specimen was a resource. As one looks deeper, one realizes the specimen has shape. Going still deeper, the word shape reveals myriad resources, such as diameter, roundness, surface finish, and height (*Ideation/TRIZ Methodology* 2001). TRIZ practitioners do not generate long lists of resources and derived resources, however. They learn to find the right combination of resources without creating an exhaustive list of resources and potential combinations.

Secondary Problems

Implementing a solution may present new problems (e.g., how to change the shape of the specimen). TRIZ classifies these as secondary problems. In fact, 99.99% of all TRIZ solutions will introduce secondary problems (*Ideation/TRIZ Methodology* 2001). Most people abandon ideas because of secondary problems. This is a mistake, since secondary problems are usually much easier to solve than primary problems. Therefore, a solution should not be discarded because secondary problems surface. Secondary problems should be documented so that they can be addressed. In fact, the exact same TRIZ methodology is applied to secondary problems to eliminate them.

Ideality and Resources Case Study #2: Pharmaceutical Tablet Inspection Problem

The following case study illustrates how ideality and resources were combined to solve another real world problem. The case study is summarized from *Ideation/TRIZ Methodology* (2001). A 100-year old pharmaceutical company determines the need to reduce labor costs associated with inspection of a high-volume product. The product is produced in tablet form. At the end of the production cycle, the tablets move up a vibratory bowl, are discharged from the bowl, and slide down an inclined plane onto a conveyor. Three people visually inspect the tablets. Tablets are evaluated as good or bad (chipped) before packaging. Chipped tablets are discarded into a trashcan. The production operation has been optimized to the point where all 15 manufacturing stages prior to inspection are best in class. Only 1% of the tablets are damaged at each stage in production. The output is 100,000 tablets per shift. The damage occurs in all 15 stages in roughly equivalent amounts. The result is 15,000 defective tablets per shift, which is unacceptable for packaging purposes. Management has determined that further optimization of the production process is not an option. It is already best in class.

Engineering recommends two solutions. One is a computerized visual inspection system and separation system with a total cost of \$225,000. The other is a state-of-the-art computer-controlled weighing and separating system that weighs tablets and compares each tablet with the expected weight of a non-defective tablet. The cost of this system is the same, although there is some concern that a second system would be needed due to productivity concerns. Management deems that neither solution is acceptable; it would be trading low-cost inspection for high-cost equipment and technicians. Management wants a solution that costs less than \$1000.

For this case, ideality is defined as follows: the function (inspection and sorting of the tablets) should be performed without the existence of the system (the three inspectors). In other words, the tablet should inspect itself. The next step is identifying resources. Although thousands of resources could be found, the engineers have already identified the resources for a near ideal solution. The visual inspection system used wavelengths of light interacting with the tablet surface. The term "visual" contains other possibilities, such as surface

condition, color, reflectivity, tint, shading, etc. The weighing system used weight, which can be defined as the force with which gravity pulls on an object in proportion to its mass. Note that both engineering solutions also focused on what was different between good and defective tablets and how that difference could be detected.

The solution involved creating interaction between defective tablets and the inclined plane. The tablets were rolled on their edge down the plane. The conveyor was moved to create a gap between the inclined plane and the conveyor. The non-defective tablets rolled faster and crossed the gap to the conveyor. The defective tablets had less velocity, so they fell into the trash can, which was positioned between the plane and the conveyor. Thus, the resources of gravitational pull, the inclined plane, the velocity of the rolling tablet, the length of the plane, etc., were all combined to create a near ideal solution.

DISCUSSION AND IMPLICATIONS

One can attempt to solve problems using only personal capabilities and personal knowledge. TRIZ recognizes, however, that applying a methodology and tools significantly leverages one's personal capabilities and personal knowledge. TRIZ provides "the tools to turn anyone with a reasonable amount of intelligence and a little desire into an inventive genius" (Clarke 1997, p.2). Terninko, Zusman, and Zlotin (1998) point out that once one embraces the TRIZ methodology, several changes in thinking occur: 1) tradeoffs and compromise are no longer acceptable, 2) everything becomes a resource for the inventive solution, 3) ideality becomes an expectation rather than a dream, and 4) contradictions will become not only acceptable but attractive.

The more one uses TRIZ, the more one will integrate TRIZ methodology with other problem solving methodologies, enhancing their effectiveness. This means, for example, that people using lateral thinking will benefit from learning TRIZ. At the same time, TRIZ is not designed to replace one's problem solving methods. No tool or method is appropriate for all problems. For simple problems, trial and error may be an appropriate problem-solving tool. When the situation is complex and an innovative method is required for systematically creating solutions, TRIZ will likely become the tool of choice.

Modern TRIZ practitioners utilize new and refined TRIZ tools, including software that masks some of the complexities of TRIZ methodology. For example, the Innovation Workbench® (IWB) software combines a structured TRIZ knowledge base with analytical tools. The IWB is designed so that both novices and experts can apply TRIZ methodology to solve complex, innovative problems. The IWB guides the user through a structured process that emulates the way experienced inventors work (*Ideation/TRIZ Methodology* 2001). Thus, the introduction of software has reduced the amount of practice and knowledge one needs to be effective using TRIZ.

To benefit from TRIZ, one must still practice and apply it on a regular basis. TRIZ results in measurable benefits to organizations. These benefits include improvements in personal development of employees, productivity, time-to-market capability, quality, safety, and reliability as well as decreases in costs, warranty claims, and product recalls (*Ideation/TRIZ Methodology* 2001).

CONCLUSION

Today's businesses operate in an environment characterized by change and competitive pressures. This environment requires a problem solving methodology for systematically eliminating roadblocks to new business processes and new product development processes. To be of value, any such methodology must be reliable, repeatable and teachable (*Ideation/TRIZ Methodology* 2001). TRIZ meets these criteria.

This paper provides only an introduction to the science of TRIZ, and refining TRIZ is an ongoing process. As of 1998, more than two million patents worldwide had been analyzed for patterns that contribute to the TRIZ methodology (Terninko, Zusman, and Zlotin 1998). Although TRIZ was originally applied to technical problem solving, it has become "a system for creative thought which has grown to include applications to management sciences, education, business, marketing, social and political issues, pure science, biology, etc." (Kaplan 1996, p. 26). In addition, TRIZ now includes methods for forecasting the future development of technologies, building patent fences, uncovering causes for disasters, and eliminating potential disasters.

The diffusion of TRIZ provides enormous potential. Due to the circumstances surrounding the historical development of TRIZ, however, only a limited number of people have a working knowledge of TRIZ. Fortunately, TRIZ software will aid the diffusion process by improving access to TRIZ tools.

The challenge facing colleges and universities is leading the dissemination of knowledge about the science and practice of TRIZ. Colleges and universities will need to make a deliberate effort to incorporate TRIZ into their curricula.

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TEACHING MARKETING FOR ENGINEERS: AN OUTCOME ASSESSMENT

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ABSTRACT

Engineering education has not traditionally included business in the curriculum. In this paper, an "enterprise" program is described which has been developed at a university with an engineering emphasis. Students must take a variety of non-engineering courses, including a "marketing module." An outcome assessment of that module is provided.

INTRODUCTION

In 1997, David C. Holloway, then the incoming president of the Society of Automotive Engineers, called for closing the gap between design and marketing (Jackson 1997). Motorola chairman Gary Tooker in his keynote speech at the 1998 conference of the Institute of Electrical and Electronics Engineers took a similar point of view (Tooker 1998). He said that engineers needed to be able to understand customer needs in order to do their jobs well. He called for changes in engineering education to include marketing, as well as other non-technical disciplines, including communication and creativity skills.

Dan McGraw (1999) has said, "For many engineering students ... a practical knowledge of business is becoming almost as important as the technical disciplines in their education." He points out that a major issue is how this need for business education for engineers should be met, especially considering the tight scheduling of technical courses in most engineering programs. McGraw gives examples of three models that are starting to develop. The first is to offer hybrid business/engineering degrees, which is done at Stanford University. The second is to provide courses in entrepreneurship and offer co-op opportunities where business skills are learned, as is done at the University of Wisconsin-Madison. A third approach is to create technical centers, such as Boston University's Center for Photonics, which are designed to take technical ideas to the market.

THE ENTERPRISE PROGRAM

At a small Midwest university, where most of the students are enrolled in the engineering college and the university is primarily known for its engineering graduates, these same questions have been discussed. The university has a small, AACSB accredited school of business as well. Similar to Stanford University and the University of Wisconsin, a dual degree offering in business provides the opportunity for engineers, who frequently take at least five years to graduate, to fold a business degree into their curriculum. In addition, engineering students can take business courses because of interest that they have or as free electives.

As with Boston University, a number of research centers exist, some of which have an entrepreneurial component. Recently, a new center for Center for Technological Innovation, Leadership, and Entrepreneurship was formed to focus more on the entrepreneurial needs of the university community.

Although these opportunities for engineering students have existed for some time, engineering college stakeholders have encouraged the administration of the college to provide more interdisciplinary opportunities. The goal was to integrate interdisciplinary courses into the engineering curriculum, designed for students to develop entrepreneurial, business, and innovative engineering skills. Partly as a result of this feedback from stakeholders, and funded by an NSF grant and grants from industry, the engineering college has established an "enterprise" program as an alternative to the more traditional engineering programs that are offered. Students in the enterprise program are

assigned to teams that are responsible for designing, producing, and commercializing products. For example, the mission of one of the current enterprises is to develop advanced digital wireless communication technology for commercialization. In addition to regular engineering and general education courses, enterprise students are required to take sixteen hours of specialized enterprise "modules." These modules are one-semester credit courses that are designed for enterprise students. The purpose of these modules is to introduce students to entrepreneurial, communications, and business topics that need to be considered in their enterprises. One of these is a marketing module, designed by faculty in the business school.

THE MARKETING MODULE

The business school already teaches a three-semester credit hours Principles of Marketing course. An important requirement in this course is that students play an interactive marketing computer game called Brands™, developed and updated periodically by Randall Chapman (See the Brands web page at www.chapmanrg.com/BRANDS/HOMEPAGE.HTM). This game has been used in the class because it provides a relatively complex environment, numerous possible marketing actions and marketing research capabilities, and detailed financial records. At the end of the game, students are required to write a marketing plan for the next year, including a detailed budget. The marketing faculty has received very positive feedback from current students and alumni concerning the usefulness of this part of the course.

In developing the marketing module for the enterprise program, the marketing faculty made the Brands™ game a centerpiece. This was done because the marketing faculty, after consulting with their engineering colleagues, thought that marketing planning was the most important skill needed by student in the enterprises. McGraw (1999) mentions the need for engineers to understand business planning, for which marketing planning is a central part. Of course, in developing a one-semester credit course compared to a three-semester credit hours course, material had to be cut. The module was taught one hour per week for 15 weeks. Roughly the first third of the semester was spent covering selected marketing topics, such as "the 4 Ps," segmentation, positioning, SWOT analysis, etc. The second five weeks was devoted to playing the game,

meeting with students about marketing thinking in the game, and in lecturing about additional marketing topics. The last five weeks concentrated on thinking about and writing marketing plans for the game and for the students' enterprises.

OUTCOME ASSESSMENT

The three main goals of the marketing module were: (1) to teach basic marketing terms and concepts, (2) to have students experience marketing decision making in a complex environment with imperfect information, and (3) to develop marketing planning skills in students. The marketing module was first offered during the spring, 2001 semester; eight students took the class. A section of 43 students in the fall term's Principles of Marketing class taught by the same professor was used for comparison purposes in evaluating the outcomes for the marketing module.

The understanding of basic marketing terms and concepts was measured using a twenty item multiple-choice examination that was given to both the principles class and the enterprise class. On the average, the principles class answered about 82% (an average of 16.37 out of 20) of the questions correctly while the enterprise class answered about 64% (an average of 12.88 out of 20) correctly. Two tests were used to see if this difference was statistically significant, an independent sample t-test and the non-parametric Mann-Whitney U-test. Both tests showed that the differences in scores were statistically significant. The t-test statistic equaled 4.675 and had a p-value of less than 0.0005. The Mann-Whitney U equaled 40.5 and also had a p-value of less than 0.0005. The fact that the enterprise students scored lower than the principles students is not surprising given that the enterprise students received two-thirds less instruction. But clearly this is an area that needs to be improved. However, given the time constraints, it may be difficult.

The purpose of the second goal, to have students experience a complex marketing environment, was to get enterprise students to think about their enterprises from a marketing perspective, rather than emphasize the design aspects that are more naturally the purview of engineers. From a qualitative standpoint, based on feedback from students, it appeared that this was successful. Students began to see marketing implications in non-traditional marketing environments. For example, one of the enterprises was called "future car." This

enterprise was really a contest, rather than a true for-profit enterprise. However, one of the observations that the students made was that the enterprise could be viewed as a captive advertising "agency" of the university. The contest provided visibility and recruiting opportunities to the university. This change in point-of-view resulted in a change in planning for that enterprise.

In addition the qualitative feedback, every term for every class, the university requires instructors to hand out a teaching evaluation survey. The teaching evaluation questionnaire is handed out near the end of the term. The instructor then leaves the class. Answers are anonymous. Instructors do not see the results until after grades are posted. The survey is made up of a series of Likert-scaled statements (1 = strongly disagree to 5 = strongly agree). Four of the statements had some bearing on the value of the marketing simulation experience. In the Table 1, the four statements are given along with the mean scores for the principles and enterprise classes. As before, both a t-test and Mann-Whitney

U-test are used to see if the observed difference is significant.

The enterprise students rated the class well in terms of marketing material being thought provoking, important, connected to other material, and interesting. The high average score (4.75 out of 5.00) for the enterprise students' greater interest in marketing is particularly gratifying and relevant to the goals of the course. The enterprise students consistently evaluated the class higher on these characteristics than the principles students, although the results were only marginally significant (two are significant at α 10% and two at α = 5%). Possibly, this is because the enterprise class was taught with the application of the material to the students' enterprises in mind. In addition, the higher scores given by the enterprise students might simply reflect that they liked the instructor, as shown in Table 2 for three additional statements from the teaching evaluation survey.

TABLE 1

Statement	Mean Scores		t-test		U-test	
	Principles	Enterprise	t	p-value	U	p-value
Class sessions were thought provoking	4.20	4.50	1.735	0.091	68.5	0.064
The instructor explained the importance of what we were learning	4.50	5.00	2.446	0.019	64.0	0.045
The instructor made connections between new material and material previously covered	4.17	4.75	2.379	0.023	60.0	0.031
I am more interested in the subject than I was before I took the class	4.27	4.75	1.859	0.071	72.0	0.089

TABLE 2

Statement	Mean Scores		t-test		U-test	
	Principles	Enterprise	t	p-value	U	p-value
The instructor was enthusiastic about teaching	4.57	5.00	2.135	0.040	72.0	0.089
Given the opportunity, I would take another course from this instructor.	4.47	5.00	2.943	0.006	56.0	0.021
Taking everything into account, I consider this instructor to be an excellent teacher.	4.43	5.00	2.792	0.008	56.0	0.021

Outcome evaluation for the goal of developing marketing planning skills is difficult. A qualitative evaluation of the marketing plans that were written is one measure. Based on that, students in the principles class performed better than those in the enterprise class. Again, this is not really surprising because the principles students had much more time and were given much more class credit (3 semester credits versus 1 semester credit) for their work. Another measure of marketing planning ability is what students perceive their ability to be. Clearly, what students think is obviously not always what is true. Nonetheless, an increase in their perceived ability to do marketing planning might be a reasonable surrogate for measuring the increase in their actual ability. As a result, students were asked the following question at the beginning of the course (before) and at the end of the course (after):

Imagine that you are in your first job, just after graduation from the university. Your boss asks you to write a marketing plan for the company (obviously, you will be able to enlist the help of others).

How confident are you now that you would be able to write a high quality marketing plan? [Place a check mark (✓) in the appropriate space.]

Not at all confident :
Completely confident

The *before* and *after* scores (1 = not at all confident, 7 = completely confident) were compared for both the principles and the enterprise students, using a paired sample t-test and the non-parametric Wilcoxon signed ranks test. The results are shown in Table 3

The results indicate that both the principles and enterprise students felt significantly more confident about being able to write a marketing plan in the "real world" after having taken the course. The increase in the confidence for enterprise students appears to be somewhat less than for principles students (2.38 to 5.13 versus 1.94 to 5.55). To test to see if the before and after scores were significantly different for principles and enterprise students, the independent sample t-test and the Mann-Whitney U-test were used. The results are given in Table 4 and indicate that there is not a significant difference between the two classes in terms of their before confidence scores and their after confidence scores, using a 5% alpha value.

TABLE 3

Class	Mean Scores		Paired t-test		Wilcoxon test	
	Before	After	t	p-value	z	p-value
Principles of Marketing Students	1.94	5.55	18.02 7	0.000	4.94 9	0.000
Enterprise Students	2.38	5.13	11.00 0	0.000	2.56 5	0.010

TABLE 4

Type of Score	Mean Scores		t-test		U-test	
	Principles	Enterprise	t	p-value	U	p-value
Before	1.94	2.38	1.097	0.280	74.5	0.085
After	5.55	5.13	1.020	0.314	79.0	0.123

CONCLUSIONS

The results are as one might expect. Because material that was included in the principles of marketing class had to be cut for the enterprise class, it is not surprising that the enterprise students did not perform as well on the multiple-choice examination which tested for marketing terms and concepts. It is difficult to see how much more time can be given to teaching these terms and concepts. Instead, the focus should be on which terms and concepts are most important for engineers in order to best utilize the limited time.

The enterprise students were enthusiastic about the class and gave the course high marks. Certainly, this is partly caused by the very small class size and the consequent ability of the instructor to give individual attention to the students. The class was also designed around the specific needs of the enterprises. However, students and engineering faculty have indicated that more time should be given to the enterprise plans. As a result, the time

spent for writing marketing plans for each enterprise has been increased in the current (fall, 2001) offering of the course. Both the enterprise and principles students have significantly increased confidence in their abilities to write marketing plans. Because marketing planning was the focus of the enterprise class, this result was gratifying.

Not surprisingly, problems have been uncovered with the enterprise program, but for a new program the enterprise concept seems to be working well and is supported by the University's administration. An important problem that needs to be addressed is the fact, mentioned earlier, that some of the enterprises are really design contests and lack the discipline and market focus created by true entrepreneurial projects. To solve this problem, the engineering faculty needs to understand that design contests are not truly enterprises, and they will need to develop more entrepreneurial projects. As the Center for Technological Innovation, Leadership, and Entrepreneurship develops, it may help provide ideas and leadership in this area.

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IF YOU BUILD IT – WILL THEY COME? AN EXPERIMENTAL INVESTIGATION OF WEB-ENHANCED EDUCATION

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ABSTRACT

This paper draws upon the diffusion of innovation literature to identify factors that may influence a student's response to a classroom support website. It also presents the results of an experiment, which tested these factors in a classroom environment. The results support the proposed impact and provide the basis for recommendations for educators.

INTRODUCTION

There is a growing consensus among educators about the importance of web-enhanced education (e.g., Benebunan-Finch, et. al. 2001; Natesan and Smith 1998; Young 2001). They note that the Internet can be used to support traditional classroom activities in a wide variety of ways. Educators are using e-mail and websites to strengthen student-faculty communications (Benebunan-Finch, et. al. 2001), increase the accessibility of class-related material (Human, et. al. 1999; Sweeney and Ingram 2001), and provide students with access to the most current information on companies and products (Benebunan-Finch, et. al. 2001; Gruca 2000). As a result, it has the potential to improve the efficiency of the overall educational process (Young 2001). Such enhancements may also provide the basis for teaching the Internet skills that students will need to function in a web-enhanced world (McCorkle, Alexander, and Reardon 2001).

However, there is less consensus about how to implement these web-enhancements. Schools are struggling to identify the best web-enhancements and learn how to introduce them most effectively into the traditional curriculum (McCorkle, Alexander, and Reardon 2001). Educators note, for example, that students respond to new web-enhancements with varying degrees of enthusiasm and some students face special challenges that may reduce their likelihood of utilizing the new technologies (McCorkle, Alexander, and Reardon 2001; Siu and Chau 1998). These issues make it imperative for educators to understand how they can design their web-support programs to insure that the new technologies are fully utilized by students, and in so

doing, insure that they are able to achieve the full potential of web-enhanced education.

This paper contributes to this stream of research by examining the impact of alternate approaches to introducing new web-enhancements. It first examines the literature on diffusion of innovation to identify factors that may influence a student's likelihood of utilizing a web-enhancement. It then presents the results of an experiment in which a web-enhancement was introduced to two courses using different approaches that reflect these factors. The results provide insights into the conditions under which an educator is most likely to successfully introduce a new web-enhancement. These findings should help teachers and administrators develop more effective Internet policies.

HYPOTHESIS DEVELOPMENT

The literature on diffusion of innovation (Rogers 1995) provides insights into the factors that may influence a student's likelihood of utilizing a new web-enhancement. In general, when people are confronted with a new technology, they go through an adoption decision process in which they gather information, test the new feature, and then consider whether it offers a sufficient improvement to warrant the investment of time and energy that is required to add it to their repertoire of skills (Rogers 1995). When students are presented with a web-enhanced course, they face a similar situation. Such enhancements may involve unfamiliar technologies and require students to invest time and effort to master new software and computer skills (Siu and Chau 1998). It is reasonable to expect that they will make the investment only if they perceive a

substantial benefit (McCorkle, Alexander, and Reardon 2001).

The diffusion literature also suggests that a person's likelihood of adoption is influenced by several characteristics of the innovation. By reviewing these characteristics, and considering how they may be manifested in web-enhanced education, it may be possible to predict how these factors will influence a student's response to such enhancements.

The first characteristic is observability (i.e., the degree to which the innovation can be viewed in action). If an innovation has a high degree of observability, then it will be relatively easy for individuals to learn about it and judge its potential benefits. This, in turn, can increase the likelihood of adoption (Rogers 1995). It is reasonable to expect that educational web-enhancements may have varying degrees of observability. For students to observe such an enhancement independently (i.e., without teacher assistance), they would have to log on and navigate through the website. However, many students lack the technical skills or confidence to take such actions (Siu and Chau 1998). If so, then the initial level of observability will be low. Thus, efforts to raise the observability of such enhancements (such as providing demonstrations) could also increase the likelihood of adoption. This suggests:

H1: The adoption of a web-enhancement by students will be greater when special actions are taken to increase observability than when such actions are not taken.

The second characteristic is trialability (i.e., the degree to which individuals can test the innovation). If individuals have the opportunity to experiment with an innovation, then they can develop a deeper understanding of how it will benefit them personally. This increased knowledge can then increase the likelihood of adoption (Rogers 1995). Trialability could be a significant hurdle for web-enhanced education. Since such programs may require students to learn new software packages or systems (Siu and Chau 1998), students may have to make substantial investments of time and effort before they can begin to experiment. They may also not have sufficient background knowledge to know how to conduct an effective test. Such problems could lower the trialability of the enhancement. It follows that actions that simplify the process of trial (such as guided assignments) may increase the likelihood of adoption. This suggests:

H2: The adoption of a web-enhancement by students will be greater when special actions are taken to increase trialability than when such actions are not taken.

The third feature is relative advantage (i.e., the unique benefits provided by the innovation). Relative advantage can serve as the driving force behind adoption. If an innovation provides some type of increased effectiveness or efficiency, then individuals will be motivated to adopt the innovation (Rogers 1995). This implies that students will be more likely to adopt a web-enhancement if it addresses some problem that is personally relevant to them.

One classroom concern for students that may have a web-based solution is teamwork. Many educators use student teams as a means of helping students to develop social skills while also learning to orchestrate complex management tasks. However, students have mixed reactions to teamwork. While they understand the value of team-based learning, they are often troubled by certain aspects of the team process. They have difficulty with team loafing (i.e., some team members rely on others to do all of the team's work) and with team costs (i.e., the time and effort that is required to attend team meetings outside of the classroom) (McCorkle, et. al. 1999; Strong and Anderson 1990). It follows that if a web-enhancement could help team members monitor each other's contribution (thereby reducing team loafing) and simplify communications (thereby reducing team costs), then the enhancement could offer a strong relative advantage. From this is derived:

H3: The adoption of a web-enhancement by students will be greater when special actions are taken to increase relative advantage than when such actions are not taken.

EXPERIMENT

These hypotheses were tested during an experimental introduction of a new web-enhancement at a major urban university. The same enhancement was introduced in two different marketing courses. However, the way in which it was introduced and applied was varied to alter the degree of observability, trialability, and relative advantage in each course. This permitted the researchers to observe how these factors affected the students' reactions to the enhancement.

The enhancement was a web-based course management system (BlackboardTM). The system

provided each enrolled course with its own website. The sites were menu-driven and simple to navigate. They offered on-line access to grades, simplified e-mail, embedded links to other websites (posted by the instructor), and drop boxes (students uploaded documents into the site for other students to access). Blackboard also offered a private webpage for each team and gave teams their own private e-mail and drop box functions.

The experiment involved 71 students. They were all undergraduate, upperclassmen. These students were particularly useful because the vast majority (97%) had access to personal computers and the Internet off campus. Thus, they had the opportunity to access the system on a regular basis. The students were enrolled in two upper-level marketing courses. The courses were selected because they had similar student populations and similar requirements (i.e., essay-based exams, case analyses, extensive team projects, and team presentations). The teachers loaded similar material onto the websites for the two courses. This material included faculty contact information, syllabi, schedules, assignments, links to recommended websites, and grades. They also created a group page for each team.

The two courses were treated as test and control groups. The variations between the two groups involved the way in which the enhancement was introduced (to alter observability and trialability) and the way it was used to monitor team performance (to alter relative advantage). The control group was given detailed instructions in how to access and navigate the website during the second week of the semester. Thereafter, they were periodically encouraged to use the system but were not given any additional direct guidance.

The test group received similar detailed instructions during the second week of class. Then, to raise observability, they were given two live demonstrations. First, the instructor led the class on a page-by-page "tour" of the site using a touch board. In addition, the instructor and a second faculty member gave a demonstration (using the touch board) in which the Blackboard site was used as a portal to access business information websites and answer questions related to the class's term project.

The test group was then given a series of small assignments to raise trialability. Each assignment was intended to provide experience with a different function in the system. These assignments included; accessing business information websites

(using embedded links), submitting homework electronically (using drop boxes), and sharing drafts with team members (using group pages). These assignments were continued for the first month of the semester.

To raise relative advantage, the test group was also asked to use the website in ways that could help reduce the potential for social loafing and the burden of meeting outside of class. The teams were instructed to formally delegate sub-parts of their project to each member. Team members were then required to post their contributions on their group page by specified dates. Other team members were then asked to post comments by a second deadline. Since Blackboard listed the date of posting, this process provided a public display of who fulfilled (or did not fulfill) their commitments. Also, the teams were encouraged to use their group pages to share preliminary drafts and ideas as a way of reducing the need for outside meetings. All students who posted drafts on their group pages received suggestions for improving their papers from the instructor.

It should be noted that students were not given supplemental instruction in the use of Blackboard when they were given the assignments related to trialability and relative advantage. They were expected to complete the assignments by following the original instructions that had been provided to both the test and control groups.

Measurement

Data were collected twice from each group using self-report questionnaires. The first round of collection occurred during the first week of class before the students were exposed to Blackboard. They were given a one paragraph description of the system and asked to respond to the Blackboard questions with that description in mind. This provided a baseline for comparison. The second round occurred during the last week of the semester. This round measured the students' perceptions after they had a full semester of experience with the web-enhancement. Only students who completed both questionnaires were included in the analysis.

The constructs were measured with a series of new scales that were based, where possible, on items and techniques that were used in previous studies. The constructs related to Blackboard (Blackboard Value, Utility of Blackboard for Communication with Students, and Utility of Blackboard for Communication with Instructor) and teams (Team Value, Team Loafing, and Team Costs)

were measured with likert scales containing three to four items each (see Appendix A for sample items and descriptive statistics). The Blackboard items were all new. The team items were based upon those used by Bobbitt, et. al. (2000). The measures of Blackboard use listed the Blackboard functions (Grade Posting, Obtaining Documents, E-mail, Submitting Papers, Drop Box, and External Links) and asked whether the respondent had used each function.

Results

The responses from the test and control groups were compared using ANOVA and chi-square. First, ANOVA was used to compare the two groups at the start of the semester. As shown in Tables 1 and 2, there were no significant differences between the two groups in terms of perceptions of Blackboard or perceptions of teams. This supported

the position that these were homogeneous groups and suitable for this project.

Chi-square was used to compare the proportion of students in each group who used the various Blackboard functions (see Table 2). Note: 27 students (13 test, 14 control) completed this section of the questionnaire. Therefore, the chi-square results reflect a subset of each group. The portion of students who used a given function in the test group was significantly greater than the portion in the control group for checking grades ($p=.0001$), obtaining documents and assignments ($p=.001$), using group pages ($p=.01$), and exchanging e-mail with students ($p=.08$). There were no significant differences for exchanging e-mail with the instructor, submitting papers to the instructor, using the drop box, and using external links.

TABLE 1

Perceptions of Blackboard and Teams

ANOVA Perceptions of Blackboard (BB)

		BB Value				BB Student Communications				BB Instructor Communications			
		Round		Between Rounds		Round		Between Rounds		Round		Between Rounds	
		1	2			1	2			1	2		
	N	Mean	Mean	F	P	Mean	Mean	F	p	Mean	Mean	F	p
Test	41	3.43	3.54	1.36	0.2480	2.99	3.17	1.93	0.1690	3.15	3.57	14.64	0.0000
Control	30	3.44	2.91	9.59	0.0030	3.06	2.38	15.98	0.0000	3.32	2.75	12.92	0.0010
Total	71	3.43	3.27			3.02	2.83			3.22	3.22		
Between Groups	F	0.01	17.65			0.24	24.78			1.64	39.08		
	p	0.9320	0.0000			0.6300	0.0000			0.2040	0.0000		

ANOVA Perceptions of Teams

		Team Attitude				Team Loafing				Team Costs			
		Round		Between Rounds		Round		Between Rounds		Round		Between Rounds	
		1	2			1	2			1	2		
	N	Mean	Mean	F	P	Mean	Mean	F	p	Mean	Mean	F	p
Test	41	2.81	2.69	0.56	0.4580	2.79	2.79	0.00	0.9630	2.66	2.40	6.55	0.0120
Control	30	2.89	2.74	0.58	0.4510	2.98	3.04	0.14	0.7090	2.59	3.00	7.32	0.0090
Total	71	2.85	2.71			2.87	2.90			2.63	2.65		
Between Groups	F	0.16	0.11			1.90	2.99			0.32	22.63		
	p	0.6920	0.7440			0.1720	0.0880			0.5720	0.0000		

TABLE 2

Use of Blackboard Functions

Chi-Square Test of Blackboard Use

	Check grades			Obtain Documents & Assignments			Group Pages			Exchange E-Mail With Students		
	Yes	No	Total	Yes	No	Total	Yes	No	Total	Yes	No	Total
Test	13	0	13	11	2	13	8	5	13	7	6	13
Control	1	12	13	3	11	14	2	12	14	3	11	14
Total	14	12	26	14	13	27	10	17	27	10	17	27
Chi-Sqr.	22.3 p = 0.000			10.8 p = 0.001			6.5 p = 0.011			3.0 p = 0.081		

	Exchange E-Mail With Instructor			Submit Papers to Instructor			Drop box			External links		
	Yes	No	Total	Yes	No	Total	Yes	No	Total	Yes	No	Total
Test	6	7	13	6	7	13	7	6	13	6	7	13
Control	5	9	14	3	11	14	7	7	14	5	9	14
Total	11	16	27	9	18	27	14	13	27	11	16	27
Chi-Sqr.	0.3 p = 0.581			1.9 p = 0.173			0.0 p = 0.842			0.3 p = 0.581		

ANOVA was used to examine the two group's perceptions of Blackboard (See Table 1). For the test group, there were slight but not significant increases in the Perceived Value of Blackboard (3.42 to 3.54, $p=.24$) and the Perceived Utility of Blackboard for Communicating with Students (2.99 to 3.17, $p=.16$). There was a significant increase in the Perceived Utility of Blackboard for Communicating with the Instructor (3.15 to 3.57, $p=.0001$). For the control group, there were significant decreases in the Perceived Value of Blackboard (3.44 to 2.91, $p=.003$), the Perceived Utility of Blackboard for Communicating with Students (3.06 to 2.38, $p=.0001$), and the Perceived Utility of Blackboard for Communicating with the Instructor (3.32 to 2.75, $p=.001$).

As a result, at the end of the semester, the test group had significantly higher values than the control group for the Perceived Value of Blackboard (3.54 vs. 2.91, $p=.0001$), the Perceived Utility of Blackboard for Communicating with Students (3.17 vs. 2.38, $p=.0001$), and the Perceived Utility of Blackboard for Communicating with the Instructor (3.57 vs. 2.75, $p=.0001$).

ANOVA was also used to examine shifts in the two groups' perceptions of teamwork (see Table 1). The test group had a slight decline in Team Attitude that was not significant (2.81 to 2.69, $p=.45$) and no change in Team Loafing (2.79 to 2.79, $p=1.0$).

They also had a significant decrease in Team Costs (2.66 to 2.44, $p=.01$). The control group had a slight and insignificant decrease in Team Attitude (2.89 to 2.74, $p=.45$) and a slight but insignificant increase in Team Loafing (2.98 to 3.04, $p=.70$). They also had a significant increase in Team Costs (2.59 to 3.00, $p=.009$).

Due to these shifts, there was no difference between the test and control groups in Team Attitude (2.69 vs. 2.74, $p=.45$) at the end of the semester. However, the test group had a marginally lower rating for Team Loafing than did the control group (2.79 vs. 3.04, $p=.08$). The test group also had a significantly lower rating for Team Costs than did the control group (2.40 vs. 3.00, $p=.0001$).

DISCUSSION

Overall, the experiment yielded the predicted effect. At the start of the semester, there were no significant differences between the test and control groups. At the end of the semester, the test group reported significantly higher usage of four of the eight Blackboard functions, significantly more positive perceptions of all three measures of Blackboard, as well as significantly lower perceptions of Team Loafing and Team Costs than did the control group. Taken together, these results support the position that the experimental manipulation of observability, trialability, and

relative advantage of Blackboard increased its use and impact among the test group. These findings supported hypotheses one, two, and three.

It is also useful to consider several of the results in closer detail. First, as noted, the test group made greater use of four Blackboard functions (i.e., checking grades, obtaining documents and assignments, group pages, and exchanging e-mail with students). All four functions allowed for remote access and information sharing. As a result, it allowed the students to work more efficiently off campus. Such features may have been particularly important in this study given that the test was conducted at an urban university with a commuter population.

The changes in general Blackboard evaluations also provide useful insights. Both groups started with similar, high expectations. After the full experimental treatment, Blackboard lived up to those expectations for the test group (i.e., the ratings for Blackboard Value and Utility of Blackboard for Communicating with Students did not change significantly). In contrast, without the experimental treatment, the control group reported significant decreases in all three Blackboard evaluations. This has two implications. First, with even a brief (one paragraph) introduction to a web-enhancement, the students became quite enthused about the new system. However, despite this enthusiasm, it was not sufficient to simply make the system available. The system lived up to the students' expectations only when the introduction was modified to make it more observable, trialable, and beneficial. Thus, faculty may have to orchestrate the introduction of new web enhancements with the same care that marketers orchestrate the introduction of new products.

The results also suggest that Blackboard may affect the students' team experience. The test group reported lower levels of team loafing and team

costs while the control group reported higher levels of both constructs. Thus, the full application of the web enhancement may have helped the teams to self-police and to reduce the difficulty of sharing information and ideas. Thus, team pages may provide a useful supplement to other methods of team control.

It is also important to recognize two limitations of this study. First, the experiment tested the combined effect of all three innovation attributes (i.e., observability, trialability, and relative advantage) but not their separate effects. The test group received all three experimental treatments during the same semester. Therefore, it was not possible to determine the degree to which the shifts in usage and perceptions were caused by any one factor. Unfortunately, it was not possible to test the effects separately. There were a limited number of comparable classes that were using Blackboard, and as a result, it was possible to establish only one test group. However, despite this limitation, this study still generated useful findings. The significant differences that were discovered between the test and control groups support the basic position that educators can increase student adoption of web-enhancements by strengthening the enhancements observability, trialability, and relative advantage.

Finally, it is worth noting that this study only focused on the impact of innovation attributes on students. It is reasonable to expect that these attributes may also have a substantial effect on the willingness of faculty to implement web-enhancements. Teachers must make significant investments of time and effort to learn these new systems and incorporate them into their curriculum. It would be useful to examine how the three factors examined in this study would be operationalized for teachers and how they would influence a teacher's willingness to adopt web-enhancements for their courses.

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APPENDIX A

Scales

(Descriptive statistics are based on both groups and rounds combined)

Blackboard Value (*Mean = 3.35; Std Dev = .60; Alpha = .81*)

Sample Items: (response range (1) Strongly Disagree to (4) Strongly Agree)
 Blackboard provides a major improvement over traditional course arrangements.
 Blackboard is useless. (R)

Utility of Blackboard for Communication With Students (*Mean = 2.92; Std Dev = .67; Alpha = .74*)

Sample Items: (response range (1) Strongly Disagree to (4) Strongly Agree)
 Blackboard makes it easier for me to exchange ideas with classmates outside of the classroom.
 Blackboard has no effect on how I communicate with classmates outside of the classroom. (R)

Utility of Blackboard for Communication With Instructor (*Mean = 3.21; Std Dev = .62; Alpha = .72*)

Sample Items: (response range (1) Strongly Disagree to (4) Strongly Agree)
 With Blackboard, I can contact my professor with questions and ideas more easily.
 Blackboard makes the professor more accessible to me.

Use of Blackboard Functions

Sample Items: (*response range (1) Yes to (2) No*)

Check grades.	Exchange e-mail with instructor.
Obtain course documents & assignments.	Submit papers to instructor.

Team Attitude (*Mean = 2.77; Std Dev = .73; Alpha = .63*)

Sample Items: (*response range (1) Strongly Disagree to (4) Strongly Agree*)
 Team projects are a good way to learn.
 I prefer team projects over individual assignments.

Team Loafing (*Mean = 2.88; Std Dev = .60; Alpha = .70*)

Sample Items: (*response range (1) Strongly Disagree to (4) Strongly Agree*)
 Team projects allow some group members to freeload.
 Team projects motivate students to work harder. (R)

Team Costs (*Mean = 2.64; Std Dev = .56; Alpha = .51*)

Sample Items: (*response range (1) Strongly Disagree to (4) Strongly Agree*)
 It is easy to exchange ideas with team members outside of class.
 I must invest a great deal of time to travel to team meetings outside of class.

(R) = reverse coded

A PROSPECT THEORY BASED INFERENTIAL APPROACH TO PRODUCT FEATURE INTRODUCTION IN ADVERTISING

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ABSTRACT

Prospect theory has been used to analyze human behavior in relation to perceived gains and losses as well as behavior under risk. This article innovates by using prospect theory to explain perceptions of product feature advertising, its visual arrangement, formatting, and sequencing of product features. The value function of prospect theory is used to explain the effectiveness of segregated or bulleted formats versus smooth flowing integrated paragraphs. Further, it explains how presenting the absence of product features as lost opportunities can be more effective than presenting the features as gains. Finally, it explains why features presented earlier in the order, have greater impact in advertisements when compared to those presented later.

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AN INVESTIGATION OF CULTURAL OPENNESS AND CONSUMER ETHNOCENTRICITY IN FOUR CENTRAL EUROPEAN COUNTRIES

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ABSTRACT

This study inquired into cultural openness and demographic variables as antecedents to consumer ethnocentricity. Theory based propositions were investigated on samples of consumers in four CEE countries. The results revealed relatively low ethnocentric tendencies, which differed significantly across the countries. Brand awareness, age and gender were all found to be significant determinants of this phenomenon.

INTRODUCTION

Consumption behavior research in recent years has focused on the phenomenon of ethnocentrism which, when applied to marketing situations, has substantial implications for import purchase behavior. The bulk of earlier research on consumer ethnocentrism focusing on theory development, conceptualization, operationalization of measurements and validation of the instrument, has been conducted in the West. Focusing on supply rather than demand, the formerly planned socialist economies of Central and Eastern Europe (CEE) conducted little research on consumer behavior or sociopsychological phenomena applicable to marketing prior to the opening of their markets in the early 1990s (Nasierowski, 1996). The purpose of this study was to investigate consumer ethnocentricity in four CEE countries, and to examine potential sources of this phenomenon. The objective was to measure, compare and contrast the economic form of ethnocentrism in the Czech Republic, Hungary, Poland and Estonia, countries that have now been rapidly implementing a market-oriented system for about a decade. The second, theory-based objective was to examine the role of consumer cultural openness and demographics as potential sources of consumer ethnocentrism.

CONCEPTUAL BACKGROUND AND HYPOTHESES

The core of the ethnocentrism phenomenon as applied to consumer marketing lies in the fact that purchasing foreign made products may carry emotional implications, particularly when perceived personal (or domestic) economic threat is at stake

(Shimp and Sharma, 1987). The outcomes of consumer ethnocentricity and its impact on consumer import purchase behavior appear firmly established in empirical research (Good and Huddleston, 1995; Herche, 1994; Marcoux, Filiatrault and Cheron, 1997; Vida and Damjan, 2000). These studies demonstrated a product-specific nature of such effects of ethnocentrism as level of product involvement, perceived product necessity and the extent to which foreign made products represent a perceived threat to the consumer's personal or economic welfare.

In contrast, the sources of consumer ethnocentric tendencies, which could in fact advance our understanding of the phenomenon, have not been as thoroughly investigated. Sharma, Shimp and Shin (1995) extended the original work on the conceptualization and measurement of consumer ethnocentrism, and proposed a model, which also examined *why and under what conditions* this phenomenon occurs. They suggested that along with consumer demographic and psychographic measures, the following constructs may be factors underlying an individual's ethnocentric tendencies: *openness to foreign cultures, patriotism, collectivism-individualism and conservatism*. In addition to assessing and contrasting the level of consumer ethnocentric tendencies across the four countries under investigation, this present research examined the role of cultural openness as a determinant of consumer ethnocentric tendencies. Sharma et al. (1995) suggested that opportunities to interact with other cultures through either *artifacts or people* of other cultures may reduce consumer cultural prejudice and thus the level of ethnocentricity.

Given the lack of publicly available empirical data on consumer behavior in the CEE, no speculations are presented regarding the expected levels of consumer ethnocentricity. In this transitional period, consumers may exhibit various levels of ethnocentric tendencies. Based on established theoretical linkages (Shimp and Sharma, 1987) and the existing knowledge of the situation in the CEE, it is speculated that differences in consumer ethnocentricity do exist across countries in the region. Contrary to the popular belief of earlier marketers, who considered CEE as a relatively homogenous market, it has now become clear that individual countries and their consumer cultures differ substantially. While similarities in their geographical location and historical social-political structures can be assumed, the timing of reformation attempts, economic performance, languages, cultural affinities and consumer expectations have evolved quite dissimilarly over the last decade (Mueller and Mueller, 1996; Nasierowski 1996). Hence, H1: *The respondents in the four countries under investigation will exhibit significantly different levels of consumer ethnocentric tendencies.*

The intent of this study was to examine cultural openness and demographic characteristics as factors underlying ethnocentric tendencies of consumers in four CEE countries. An individual's awareness of or familiarity with international brands served as an indicator of the individual's cultural openness. Traditionally, the concept of brand familiarity has been utilized in advertising research (e.g., Kent and Allen, 1994; Tellis, 1997). As defined by Alba and Hutchinson (1987), brand familiarity is a continuous variable reflecting a consumer's level of direct and indirect experiences with a product. In this study, the construct has been borrowed to represent Sharma et al.'s (1995) construct of the individual's openness to other cultures. While some international branded products were available in CEE countries prior to the economic transformation, other (unavailable) brands were known to CEE consumers through international travel, interaction with people from other countries and the media. It has also been reported that brand awareness in CEE countries has been soaring as a result of promotional campaigns of Western producers entering the market, who experienced surging sales after product launches. Given the theoretical foundation for the concept of cultural openness, the following hypothesis was constructed: H2: *Individuals possessing greater brand awareness will exhibit less ethnocentric tendencies.*

A further aim of the study was to establish the role of demographic characteristics in an individual's level of ethnocentricity. The literature has established the importance of demographic and socio-economic factors in studies investigating cultural and ethnic aspects of consumer behavior (Sheth, 1977). Since the quality of life and economic welfare (e.g., employment) may be more threatened by importation of foreign products for some individuals than for others, consumer ethnocentrism tends to vary across population segments with different demographic characteristics (Shimp and Sharma, 1987). It has been suggested that older individuals may have more conservative views or attitudes, which affect their import purchase behavior (Wall, Heslop and Hofstra, 1988). On the other hand, the results of some empirical research regarding the role of age in ethnocentric behavior has not supported these ideas (Good and Huddleston, 1995; Shimp et al., 1995). Despite the controversy and ambiguities in existing research, we do expect younger respondents to be less ethnocentric. Younger consumers in CEE may be more optimistic in regard to future prosperity under competitive market conditions than older individuals, particularly in view of new educational opportunities. Thus, H3: *The level of consumer ethnocentricity will vary with the age of the respondent. Younger respondents will tend to be less ethnocentric than older respondents.*

Past studies focusing on country-of origin issues, patriotism, ethnocentrism and evaluation of domestic vs. foreign made products have shown differences between male and female respondents (Bilkey and Ness, 1982; Wall et al., 1988). Women tended to be more patriotic, exhibiting more favorable attitudes toward domestic products and higher ethnocentric tendencies. They are believed to be more articulate regarding what is morally right or wrong, and more conservative. As for the situation in transitional CEE countries, the role of gender in cognitive or emotional constructs such as ethnocentrism is not yet clear. Hence, a non-directional hypothesis H4 is proposed: *There will be significant differences in ethnocentric tendencies between male and female respondents.*

RESEARCH METHODOLOGY

The countries under investigation in this study, i.e., the Czech Republic, Estonia, Hungary and Poland, were selected on the basis that they have experienced rapid progress toward market-oriented economies, and have attracted a relatively high level of foreign direct investments as well as the interest of international marketers of branded products

(Business Central Europe, 2001). This implies not only a longer existence and higher visibility of imported products and international brands as compared to some other economies in the Eastern European region, but also a greater impact of international competition on the lives of consumers and their purchase behavior.

The research propositions were investigated by studying young urban consumers in the four countries, i.e., university students in Prague (the Czech Republic), Tallinn (Estonia), Budapest (Hungary) and Krakow (Poland). Using a self-administered survey collection method, the data was collected with the assistance of our international colleagues at their respective universities. Following guidelines for conducting international consumer research (Craig and Douglas, 1999), the questionnaire was translated into the native languages (Polish, Czech and Hungarian) and back translated into English independently by bilingual natives. The back-translated instrument was then evaluated by the authors and our research assistants in the individual countries for meaning compatibility and pre-tested on convenience samples of consumers.

The instrument consisted of the CETSCALE (Shimp and Sharma, 1987) combined with scales measuring brand awareness and demographic information. The reduced 10-item version of the CETSCALE with 7-point Likert scales was utilized to measure respondents' ethnocentric tendencies as it has been cross-culturally validated in previous studies (Durvasula et al., 1997; Lindquist et al., 2001). The brand name familiarity scale consisted of 26 internationally well known brand names. As presented by Tellis (1997), familiarity (with products, brands, etc.) can be measured by a number of indicators such as consumer's knowledge of, experience with, or even loyalty to the brand, and is a function of the brand's market share, newness, or order of entry into the market. In this study, respondents' brand awareness served as an indicator of their familiarity with and exposure to artifacts of foreign cultures. Hence, brand awareness was, as in Kent and Allen (1994) measured with two scales consisting of 26 identical brand names on a 5-point numeric format: familiar/unfamiliar and experienced/inexperienced. The summated scores of both interval scales (familiarity and experience) for all brand names were used as an assessment of a respondent's brand awareness.

FINDINGS AND DISCUSSION

A total of 579 usable questionnaires were collected. The sample consisted of 240 males (41.5%) and 339 females (58.5%). The average age of the sample was well over 21 years, with larger age group variations in the Polish and Estonian sample, indicating a larger number of non-traditional (older) students. Cronbach's alpha of 0.92 was computed for the 10 items in the CETSCALE, which is consistent with previous research in the region (Lindquist et al., 2001) and indicates a relatively good internal consistency for the scale. For the total sample, the mean consumer ethnocentrism tendencies score obtained with the instrument was 28.98, with a standard deviation of 8.28. The average agreement with an individual 7-point scale item was 2.90. In individual countries, the total CETSCALE score obtained varied from 25.49 (Hungary) to 31.52 (Estonia) with comparable variations across the four groups. Overall, the mean ethnocentrism scores of our segments of population were on the low end of the scale. This indicates that the consumer segment with demographic characteristics as in our sample may not be greatly concerned with the effects of importation of international products.

A statistical test of the differences among the four groups, i.e., analysis of variance, revealed significant differences in the mean ethnocentrism scores ($F=15.522$, $p< 0.001$), thereby providing support for our hypothesis 1. Subsequent post hoc tests, i.e., Sheffe and Bonferroni, indicated significant differences (at the 0.05 level) between Hungary and both, Poland and Estonia, and between the Czech Republic and both Poland and Estonia. Also found in Table 1 are the total brand awareness summated scores. For the total sample, the mean brand awareness score was 145.09 (SD of 27.02), ranging from the lowest brand awareness in the Czech sample (127.82 with SD of 20.32) to the highest in Hungary (161.26 with SD of 25.06). Given our choice of brands in these scales, the mean score for brand familiarity for the total sample was understandably higher (81.6) than for brand experience (53.49).

Pearson's correlation coefficients, analysis of variance and multiple regression analysis were used to test our hypotheses 2 through 4. Hypothesis 2, testing the relationship between respondents' brand awareness and their ethnocentric tendencies, was supported. The correlation between the two constructs was significant and predictably negative ($r = -0.124$, $p = 0.003$). This indicates that individuals possessing a broader knowledge of the artifacts of other cultures (brands, in this case) tend to be less

ethnocentric. Hypothesis 3, testing the relationship between respondents' age and their ethnocentric tendencies, was also supported. The correlation was positive and significant ($r= 0.155$, $p= 0.000$), concurring with results of some previous research (e.g., McLain and Sternquist, 1991) that as consumers age they tend to become more concerned about the consequences of product importation into their countries. In support of hypothesis 4, the results of an analysis of variance revealed a significant impact of gender on variation in ethnocentricity ($F=6.264$, $p= 0.013$) with our female respondents being significantly more ethnocentric than male respondents. The linear regression model was significant (F -statistics = 9.702; $p = 0.000$), indicating that the factors examined are meaningful in explaining variation in consumer ethnocentricity. Parameter estimates for all variables were significant at the 0.01 level, further confirming the hypothesized relationships.

CONCLUSIONS AND FUTURE RESEARCH

The sample of respondents in this research demonstrated polycentric rather than ethnocentric attitudes. As in another study of Polish consumers (Marcoux et al., 1997), our participants demonstrated a low interest in 'economic nationalism'. The ethnocentrism scores differed significantly across the four countries. Our results coincide with the findings of previous studies. Not all post-communist economies are identical, as people's values, belief systems and ethnic identities have been shaped by distinct environmental conditions (Mueller and Mueller, 1996). Hence, an understanding and periodical examination of the intensity and trends in consumer ethnocentric tendencies should facilitate market segmentation and positioning strategies of international and local marketers. Clearly, a highly non-ethnocentric consumer will require a substantially different marketing mix approach than an ethnocentric one, who will be more inclined to apply patriotic feelings towards domestic product purchases. Consumers in the fast paced transitional economies are still searching for their ethnic identities, yet they are also adjusting to new economic conditions, with a new breed of sophisticated consumers emerging (Nasierowski, 1996).

The empirical results presented in this study confirm our theoretical propositions regarding the role of cultural openness and demographic variables (age and gender) as factors underlying consumer ethnocentrism. Indeed, respondents demonstrating greater awareness of international brands (products, branded services and institutions) were significantly less ethnocentric than their counterparts with a lesser knowledge of foreign culture artifacts examined in this study. While this finding might not be conclusive due to other factors not accounted for in this study, the implications for communication strategies of marketers seem apparent. Despite the relatively homogenous sample of university students, age factors were found significant in predicting an individual's level of ethnocentricity in this study, signaling another important message for marketers. Older respondents in our study demonstrated greater ethnocentric tendencies as compared to the younger respondents, indicating more conservative views, which may consequently affect their purchase decisions. Our findings demonstrate that women in this sample tended to be more concerned with the appropriateness of the influx of imported products into the new economies. While this finding is consistent with results of empirical research in mature market economies, it is somewhat surprising given the emphasis on gender equality in the pre-transitional 'democracies' of CEE (Grapard, 1997). Future studies need to re-examine the role of gender differences on cognitive and emotional constructs such as ethnocentrism, particularly as gender differences might be more subtle in younger populations.

Despite its limitations, the results of this four-country study seem encouraging in advancing our knowledge of consumer attitudes in advanced transitional economies. It is suggested that future studies explore the same phenomenon on sample of adults in various CEE countries and explore the antecedents as well as outcomes of the theoretical model proposed by Shimp et al. (1995). With growing globalization and augmented competition in CEE, further advances in consumer behavior knowledge and its dynamics will continue to be crucial for both market researchers/theorists and practitioners (Kaynak, 1996). Given the aforementioned historical and environmental factors, research opportunities in CEE countries seem abundant.

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THE INFLUENCE OF AGING PARENTS IN FAMILY DECISION MAKING IN SANDWICH GENERATION HOUSEHOLDS

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ABSTRACT

The elderly population, or persons at least 65 years of age, has grown immensely over the years. From 1900 to 1994, the elderly population in the United States increased 11-fold. Of the 33.2 million elderly persons in the United States, 3.5 million are 85 years of age or older (Hobbs and Damon 1996). The Census Bureau predicts that the 65 years and over population will more than double in size between 2000 and 2050 while the 85 years and older population will triple in size by 2020 (USA Today 2000). The population growth combined with the social and emotional support provided by family networks results in the modified extended family as the dominant family structure for elderly persons (Miller 1981). Adult children of aging parents will have additional responsibilities, since they are often assume the role of caregivers when an aging parent's spouse is not available (Roberto and Yardley 1999). Research on nursing home facilities indicates that 42.4 per thousand elderly persons resided in a nursing home facility in 1995 (Bishop 1999). Many elderly persons not residing in a nursing home depend on caregivers, or persons who assist elderly persons with basic and instrumental needs (Mathur and Moschis 1999).

The growth of the elderly population presents both opportunities and challenges for marketers of several products and services including health care and financial services, food and drug products, Internet services, tourist attractions, and retirement and nursing homes. Corporations and federal programs such as Social Security, Medicare, and welfare face potential changes in service and support due to the growing concerns of the elderly and their caregivers (Bagby 1993; Blassingame 2001; Kossek, Colquitt, and Noe 2001; Kossek, Noe, and DeMarr 1999). For example, despite the increasing demand for nursing homes, Medicare and Medicaid covered only 1.5% of the \$30,000 yearly nursing home cost per elderly person (Gentry, Kennedy, and Macintosh 1995).

The purpose of this research is to present propositions to help explain what factors contribute to the influence of aging parents in family decision-making in sandwich generation households. By influence we mean relative perceived influence or how a family member perceives the extent an individual "has engaged in activities that contribute to the decision making process relative to the contributions of others in the household" (Beatty and Talpade 1994, p. 333).

Sandwich generation households are the focus of this study for two reasons. First, the expected population growth of elderly persons in the United States is likely to strain the capacity of private and public long-term facilities. This could lead to an increase in at-home care services and, of importance to this article, family caregiving responsibilities. Second, caregivers accumulative substantial expenditures while tending for aging relatives (Mathur and Moschis 1999). Understanding what factors contribute to the influence elderly parents have in sandwich generation families may help marketers to adequately meet the needs of older consumers and the families that care for them. Using resource theory (Blood and Wolfe 1960; Foa and Foa 1974) and social exchange theory (Dowd 1975; Martin 1971), we propose that the influence of an aging parent in family decision making in sandwich generation households depends on his or her personal resources, age, health, and cognitive skills.

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DOES GENDER INFLUENCE THE VEHICLE PURCHASING PROCESS?

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ABSTRACT

The study examines the role of gender in the customer decision making process when a vehicle is being purchased. Using gendered communication theory and literature on the relationship selling process the authors found information that could be used to improve the purchasing process.

INTRODUCTION

Purchasing a vehicle is one of the most important consumer purchase decisions for most people. Study of automobile purchases has relevance for other consumer durable purchases that are big-ticket items (Widgery & Angur, 1997). The rationale for using the automobile industry is based on the magnitude of the purchase and the resulting psychological impact of the decision process. This research examines the complexity of the purchase process through a review of literature and attempts to analyze the role of the relationship with the salesperson in the purchase of a vehicle through a survey of vehicle purchasers.

In the past twenty years, the power of women as consumers has grown. In the automobile industry women make 50 percent of the purchases and influence 80 percent of the purchases (Popcorn & Marigold, 2000). Yet the automobile industry still tends to be male dominated in advertising appeals, gender of car dealer ownerships, gender of salespeople, and type of selling processes used. Studies have been done by the industry on the difference between features desired by men and women. For example women are more concerned about safety, fuel economy, warranty and service. Traditionally men have been more familiar with the technical side of vehicle purchases relating to horsepower, engine size, brake types and other mechanical aspects (Widgery and McGaugh, 1993; Koland, 1995; Mallory and McGraw, 1995).

Besides the huge array of vehicle brands and features from which to choose, the decision process can become more complicated and stressful as a result of the relationship with the salesperson. Academics have sought to understand the process of

consumer choices (Punj & Staelin, 1983; Srinivasan and Ratchford, 1991; Moorthy, Ratchford, and Talukdar, 1997). Some work has been done on the role of the salesperson in the automobile purchase process (Goff, Boles, Bellenger, and Stojack, 1997). While the feature preferences by gender has been noted by many (Triplett, 1994; Mallory and McGraw, 1995; Drenovsek, 2000) few have studied the psychological differences in the buying process between men and women.

Research has shown that various message appeals have more salience with women than men in the areas of product features such as reliability, warranty length, and fuel consumption. Widgery and McGaugh (1993) found these differences to be statically significant; however the differences between male and female reporting of importance for features was far smaller than the differences in pricing incentives. Both single and married female respondents in the study ranked pricing messages more important to them than the male respondents did. Research has shown that women do pay more on an average for identical vehicles than men do (Ayers and Siegelman, 1995; Gunter, 2000). If it holds that women are less likely to want to negotiate for price, it makes sense that price incentives offered off the top of the car price would be appealing to them.

Consumer research that takes gender-based theories into account is limited. However some researchers (Quals, 1987; Meyers-Levy, 1988;) have attempted to discover the role gender plays in consumer purchases. Other researchers (Calas and Smircich, 1992; Bristor and Fisher, 1993;) have sought to bring awareness to the limitations and lack of objectivity in methods of research that are geared mainly toward male patterns of behavior and fail to account for gender as a variable. Male biased

research can give an inaccurate picture in the examination of data gathered. Bristor and Fisher (1993) expose these concerns and urged consumer researchers to increase their awareness of gender differences and the impact of embedded social constructs based on gender in both the way studies are conducted and data is interpreted.

This research attempts to study gendered communication patterns in the context of vehicle purchases. The study involved a survey with questions that sought to discover if there are differences in influencing factors on the psychological aspect of purchasing vehicles by men and women. In this context psychological pertains to the emotional side of the purchase. These factors include price negotiations, amount of stress, brand certainty, trustworthiness and integrity of sales person, reputation of dealerships, and relationship based sales approaches.

CONSUMER INFORMATION SEARCH

When an individual begins the process of selecting a new automobile, experience and knowledge impact the external search. Some studies show customers with a high level of subjective knowledge about car purchases will tend to search more for a car and perceive the risk to be less (Srinivasan and Ratchford, 1991). Earlier research by Punj and Staelin (1983) established a model to measure the extent of information search a customer will undertake based on the assumption that consumers who seek more information seem to be better satisfied with their decision. Variables included the desire to seek information, prior memory structure, the variety of alternatives within a particular set of constraints such as price and personal tastes, cost of the search, effectiveness of the search, prior knowledge, and cost savings. This sizeable survey of randomly selected new car purchasers indicated that prior knowledge was the most important feature in the search process and is composed of both specific attributes of new models being considered and knowledge of the procedures followed in the purchase of a new car. Most importantly, the study found satisfaction was influenced more by cost saving than by the substance of the search process. It then stands to reason customers will be less satisfied no matter how much they search if they feel they did not get a good price or feel they did not save enough.

GENDER DIFFERENCES

There are basic differences in the way men and women communicate factors into buying a vehicle because the purchase process involves a high level of communication. Classic research has been done theorizing women have a communication style that values relationships because of nurturing patterns based on gender (Chodorow, 1989; Gilligan, 1982). The need to form relationships is also manifest in a morality of caring and concern that is based on emotional, subjective feelings and less on objective quantifiable, scientific methods of decision making (Bristor and Fisher, 1993).

Since making a major purchase involves communication it would be helpful to understand gender communication differences and then apply them to the context of car buying. Wood (2000) summarizes the research that has been completed on the difference in communication patterns between women and men. Men's speech patterns tend to show their knowledge, skills, and ability in a subject matter, with the purpose of accomplishing a particular objective, in a format that is authoritative and assertive (Beck, 1988; Tannen, 1990; Schullery, 1999). Men's speech also tends to be more intangible than women's speech with less responsiveness. Contrast this with women's speech patterns, which tend to be connected, supportive, and based on equality and inclusiveness rather than power (Beck, 1988; Tannen, 1990). Women use concrete styles full of examples and personal disclosures (Hall and Langellier, 1988; Tannen, 1990). Women may be more exploratory in speech, with the purpose of getting another's response.

According to EVEvolution by Popcorn and Marigold, what women want is different from what men want in a sales transaction. What she wants first is "A reputation—built and maintained over the long run—for honesty, integrity, ethical behavior, community give-back, and a maniacal attention to detail" (Popcorn and Marigold, 2000, p.196). The details do not matter unless the relationship is established first.

The details differ for men and women. A Dohring study found that in 18 to 34 year old females, anti-lock brakes, airbags, and ability to hold the road were more important to them than to male counterparts (Koland, 1995). Females also rated expense related issues such as price, warranty, repairs, and gas mileage higher. Females also take car purchases more seriously than men (Widery and McLaugh, 1993). A Dohring Co. study confirms that

women are likely to pay the dealer's asking price when they perceive the vehicle to be on sale, but found 67.6 women surveyed said they liked the negotiation process compared to 63 percent of the men (Lawrence, 1996). This differs from the body of research found that shows women to dislike the negotiation process (Ayers and Siegelman, 1995; Coose and Weisenberger, 1997; Gunter, 2000). In another study the percentage of women who said they would make another purchase from the dealer was 18.4 percent compared to 13.9 percent of the men (Lawrence, 1996). This seems to indicate the women might have been more satisfied with the purchase process.

Ayers and Siegelman (1995) suggest that it is dealer's and car salesperson's discriminatory practices in the sales of automobiles that cause women to be offered about two percentage points higher both on initial and final pricing offers. Their theory posits that it is because of personal bias on the part of those selling the vehicles that the women pay more. "In car negotiation, dealers might use a customer's race or gender to make inferences about a buyer's knowledge, search and bargaining costs, or more generally, her reservation price at the specific dealership. If sellers believe, for example, that women are on the average more averse to bargaining than men, it may be profitable to quote higher prices to women customers"(Ayers and Siegelman, p.8). Gunter (2000) indicates that women pay an average of 500 dollars more for a vehicle because of a lack of confidence in negotiating and find buying a car a negative experience because they either think they paid too much or that the salesperson did not treat them with respect. If women feel they are not good at the car buying process, which often involves a haggling confrontational approach the result may be stressful and disappointing. Perhaps the lack of confidence in this skill is why women pay more on average than men.

SALESPERSON'S ROLE

If women place a high value on relationship, then the role of the salesperson in the vehicle purchase process becomes very important. Research by Goff, Boles, Bellenger, and Stojack (1997) examines customer satisfaction in the context of the salesperson, the selling orientation, the product and manufacturer, and the dealer. This sizable survey of purchasers of new vehicles from R.L. Polk's listing found that a customer orientated selling approach increased for big ticket purchasers like vehicles, and increased satisfaction with the salesperson increased the satisfaction with the dealer, the car, and the

manufacturer. A selling orientation that is customer focused includes a salesperson who can offer expert help in complex tasks with a wide range of alternatives. A level of cooperation exists between the salesperson and the customer; and repeat patronage and referrals are an important part of the salespersons' and dealers' business. The billions of dollars spent by vehicle manufacturers on advertising can be negated by poor performance by a salesperson. Conversely negative feelings about a brand can be overcome by the positive impact of a good salesperson. The power of the one to one relationship cannot be underestimated in vehicle sales. While the study was not gender specific it is reasonable to hypothesize that this customer selling approach has even more importance for women than men. If females lack confidence in the vehicle purchase process having an expert they can trust should make the situation less negative. And gender communication patterns could make a difference in the approach a salesperson uses. Relationship based selling practices that focus on customer needs are responsive to the differences in each customer's needs and if these needs differ based on gender a salesperson who is customer orientated should respond to those differences.

HYPOTHESIS

Hypothesis 0: The null hypothesis in each case is either no difference in the response of men and women to the question, or that the difference is in the opposite direction of that stated in hypothesis 1-5.

Hypothesis 1: Females are less likely than males to believe that they were treated with respect by the vehicle salesperson.

Hypothesis 2: Females are more likely than males to consider the reputation of the dealership and integrity of the salesperson as being important.

Hypothesis 3: Females will be less likely than males to consider the willingness of the dealership to negotiate price and preference for a particular brand to be important.

Hypothesis 4: Males will be more confident than females to get the best price and will find the vehicle purchasing process to be less stressful.

Hypothesis 5: Males will be less likely than females to rely on the knowledge of the salesperson.

METHODOLOGY

The authors administered surveys by means of campus e-mail to the faculty and staff at the University of Wisconsin-Stevens Point to determine their perceptions on the vehicle purchasing process. This was intended as a pilot study. All levels of employees at the University were asked to respond. There were 1289 surveys sent out and 374 were completed, resulting in a 29 percent response rate.

Respondents were asked to indicate their level of importance on different aspects of the purchasing process on a scale of 1 to 5 (1 indicates no importance and 5 indicates the highest level of importance). The survey (see Appendix) measures the importance of the reputation of the dealership, integrity of the salesperson, availability of financing, willingness of the dealership to negotiate price, location of dealership, up-front discounts or rebates, and preference for a particular brand. Respondents were also asked to indicate if they strongly disagreed, disagreed, neither agreed nor disagreed, agreed, or strongly agreed with statements concerning being treated with respect, satisfaction with the dealership, relationship with the salesperson, reliance on the salesperson's knowledge, stressfulness of the situation, importance of the opinions of others, and the confidence in the ability to get the best price.

Survey Results

The question of interest for this paper is not so much how individuals responded, but whether or not men and women responded differently. Our hypotheses state a theoretical direction for the difference so all tests are one-tailed difference of means tests. While significance is mixed, most questions had differences in the predicted direction. The results for each question are listed in Exhibit 1. Eighty-one percent of the respondents indicated that they purchased a vehicle within the past five years. Females are no less likely than males to believe that they were treated with respect by vehicle salespersons. The mean for males was 4.338, which compared to a mean of 4.311 for females. The sign of the difference is in the predicted direction, but the difference is trivially small (P-Value is 0.377). Females are more likely to consider the reputation of the dealership as being important. The mean score for females was 4.2 and the mean score for males was 3.92. The difference is significant at P-Value = 0.012. Females are not more likely to consider the integrity of the salesperson as being important. Again, the sign of the difference is as predicted, with the mean score for females was 4.23 compared to a

mean score of 4.094 for the males, but with a P-Value of 0.127, the difference is not significant. The authors hypothesized that females would be less likely than males to consider the willingness of the dealership to negotiate price to be important. The results indicated that females were more likely to consider the willingness of the dealership to negotiate prices to be important. The mean score for females was 4.30 and the mean score for males was 4.03. The P-Value is 0.020. Males are not more likely to consider the preference for a particular brand to be important when selecting a vehicle. The mean score for males is 4.09 compared to 3.98 for females. The P-Value is 0.178. Males failed to test significantly more confident in their ability to get the best price (P-Value of 0.105). The mean score for males is 3.705 and the mean score for females is 3.567. Males find the vehicle purchasing process to be less stressful. The mean score for males is 2.99, compared to 3.31 for females. The difference is significant because the P-Value is 0.007. Males are less likely than females to rely on the salesperson's knowledge. The mean score for males is 2.93, which compares to 3.25 for females. The difference is significant with a P-Value is 0.008.

DISCUSSION

The results of the survey found some differences in responses based on gender; however the distinctions were not as significant as we anticipated they might be. Women in our study do value the reputation of the dealership more than men, but there was not an appreciable difference between men and women in the question of integrity of the salesperson. We found that both men and women rate willingness to negotiate price as important, with women rating this higher than men. Interestingly negotiating was rated higher than up-front discounts or rebates. Financing was rated lower in importance than both rebates or negotiating for both men and women. Brands seemed to be important to men and women. There was not a significant difference in the confidence level between men and women on getting the best price. While the literature indicated that women generally pay more for vehicles our survey showed both men and women being fairly confident in their ability to get the best price.

The results also seemed to indicate the women felt they were treated with respect by the vehicle salespeople. This was a positive discovery. Dealerships that have selling practices focused on respect and relationship building could offer an advantage over the competition. Other areas dealers can work on especially with women customers, is in

reducing stress and sharing knowledge. The research did find that the vehicle buying process is more stressful for women and women do rely on the knowledge of the salesperson more than men. These could be important factors for dealers to consider in hiring and training salespeople. Dealership that work to reduce the stress level and provide salespeople who are helpful in educating women customers may find that their women customers will return to them.

As far as satisfaction levels are concerned, both men and women seemed to be satisfied with the dealership answering 4.1 and 4.2 respectively. The satisfaction level was rated slightly higher than the question regarding getting the best price. Certainly trust, respect, and integrity, as well as price impact satisfaction levels.

FUTURE RESEARCH

The research found some interesting points that should be investigated further. Possible follow up studies could include a sample outside of the

University community. The ranking of financing as being less important than rebates or willingness to negotiate needs to be studied further, especially in an off-campus study. The college community might be more conservative than the general population in this area.

This study yielded some numeric data to compare and analyze and following up with more in-depth research with vehicle purchasers could be very helpful. Focus groups or qualitative interviews that dig deeper to understand why customers feel stress in the buying process could be insightful especially in working to improve the purchasing experience. Understanding what makes a customer feel that the dealership treats them with respect would also be helpful. Since the willingness of the dealer to negotiate seemed to be important to both men and women, examining this process closer so a better understanding of what the customer expects could be useful. The industry has much to gain by looking closer at these areas to improve the relationship selling process of vehicles for men and women.

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**APPENDIX
Results**

On a scale of 1 to 5 indicate the level of importance for the following aspects of vehicle shopping at a dealership. (1 indicates no importance and a 5 indicates a very high level of importance)

	Mean for Men	Mean for Women	P-Values
Reputation of dealership	3.92	4.20	0.012
Integrity of salesperson	4.09	4.23	0.127
Availability of financing	2.47	2.77	0.043
Willingness of the dealership to negotiate price	4.03	4.30	0.020
Location of dealership	3.39	3.68	0.011
Up-front discounts or rebates	3.14	3.55	0.005
Preference for a particular brand	4.09	3.98	0.176

Indicate your level of agreement with the following statements for your most recent vehicle purchase. (Strongly disagree is a 1 and strongly agree is a 5)

	Mean for Men	Mean for Women	P-Values
I was treated with respect by the car salesperson.	4.338	4.311	0.377
I was very satisfied with the dealership where I made the purchase.	4.137	4.232	0.167
The relationship with the salesperson was based on mutual trust.	3.583	3.76	0.061
I relied on the salesperson's knowledge for my automobile purchase.	2.93	3.25	0.008
Making a vehicle purchase was a stressful situation.	2.99	3.31	0.007
The opinions of others (co-workers, friends, relatives) was a strong influence on my choice of dealerships in purchasing a vehicle.	2.47	2.65	0.090
I felt confident in my ability to get the best price on a vehicle purchase.	3.705	3.567	0.105
What is your gender?	139 male	164 female	

A CAUTIOUS COURTSHIP: A MARKETING PERSPECTIVE ON CROSS-CULTURAL DIFFERENCES IN STYLES OF NEGOTIATION BETWEEN CHINESE AND AMERICANS

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ABSTRACT

This paper looks at the difference between the Americans and their Chinese counterparts at the negotiating table. Appreciating the cultural complexities of Chinese society allows one to focus on understanding the seemingly "odd" behavior of the Chinese negotiator. Such understanding places the American negotiator on a more equal footing.

INTRODUCTION

How must marketers prepare for doing business in China:

- Whether you are a Fortune 500 company wanting to produce your in China.
- Whether you are a Fortune 500 company seeking a joint venture with a Chinese firm or state enterprise.
- Whether you are a small or medium sized company looking to sell American-made product into the Chinese market. By this we mean export to China.
- Whether you have to interface with Chinese businessmen or government bureaucrats.
- Whether you are a government or military person having to interface with your Chinese counterpart.

There is one common thread that runs through all of the following scenarios. We must be able to negotiate with the Chinese. To negotiate successfully requires an understanding of China (Blackman, 2000; Lam, 2000).

UNDERSTANDING THE CHINESE MINDSET

Of all the elements of the marketing mix, (product, price, promotion and distribution), price is the most important component in the negotiation process with the Chinese. Product, promotion and distribution can be anticipated and are generally known before one enters the China market. The firm knows its product potential for the China market. Similarly, with promotion and distribution, one can,

with relative ease, determine the appropriate distribution channels as well as the promotion vehicles to be utilized such as sales, advertising, sales promotion and publicity (Stone, 1998).

Why price??? Because as you will see in the following discussion, the Chinese, come off as "very needy" in their relationship with Americans. They are, in appearances, somewhat like children, and are always wanting something. Hence, you have to constantly be giving them to keep or enhance the relationship known as "guanxi." Thus you must build all this "giving" into your pricing structure in order to be profitable in China. Set a price to generate as high a profit as possible, or set it at the high range of your pricing projections. What generally is not known, and hard to predict, is the extent and cost of this "special arrangement," this "giving" or what the Chinese call "guanxi," that the firm is entering into with the Chinese above and beyond the traditional business relationship. That is why the pricing component of the marketing mix is so important. This "special arrangement" must be built into the firm's pricing strategy for the firm to be successful in China (Shi, Erdener, 1999).

UNDERSTANDING HOW THE CHINESE NEGOTIATE

Pre-Negotiation

Great importance is placed on pre-negotiation preparations. It is during this phase of negotiation that the Chinese assess the trustworthiness of the other negotiating party. The American negotiating team, on the other hand, must try to obtain as much hard information about their potential Chinese

partners and their bureaucracies as possible, trying to determine who is really "calling the shots." Although investigation may be taken, it is difficult to completely determine all of the players behind the scenes those who are the real authorities driving the negotiations. These negotiating members can be the bureaucrats from government institutions or the senior executives from the firm directly involved in the negotiation. Some may take a low-profile role from the back rows during the negotiating process while others participate from "long distance." If members of the negotiating team are absent from the actual negotiations, then it is up to the front-line members to gather information, send out trial balloons and report any information back to the decision-makers. The decision-makers digest the material and send the negotiators back to the table with more questions. Since a number of decision-making authorities can be involved, the negotiation process may take a long time. It is even possible that issues that seemed resolved may not actually be resolved (Blackman, 2000; Fong, 1999; Pye, 1982). It is important to know who the negotiators are and how they fit into the scheme of the authority and decision-making process

Developing The Relationship

Relationships. The success of doing business in China also depends heavily on the quality and sometimes the quantity of personal relationships. Confucianism may have left a strong mark on much of the Chinese social life but it also left a business system more in tune with rule by an unpredictable authority rather than by dependence on a system of laws and obligations. For the Chinese, contracts are expected to change and promises may be broken; a strong individual relationship makes the business system much more reliable and is often the only indispensable ingredient that is required for the implementation of a contract (Chen, 1993).

Guanxi. *Guanxi* is one of the major interpersonal dynamics within Chinese society. The term refers to that special relationship two persons have with each other. Although there is no English equivalent, it can best be translated as friendship with overtones of an unlimited exchange of favors (Chen, 1993). Two persons sharing a *Guanxi* relationship assume that each is fully committed to the other. They have agreed to exchange "favors" despite official commands to act neutrally. Within this context, *Guanxi* bonds two persons through the exchange of favors rather than through sentiment; the relationship is basically utilitarian rather than emotional. The moral dimension operating here is that a person who

does not follow a rule of equity and refuses to return favor for favor loses face and becomes defined as untrustworthy (Chen, 1993).

A singular feature of *Guanxi* is that such an exchange actually tends to favor the weaker member. *Guanxi* often links two persons, sometimes of unequal ranks, in such a way that the "weaker" partner can call for special favors for which he does not have to reciprocate. An unequal exchange gives face, respect and honor to the one who voluntarily gives more than he receives.

Unequal Ranks. A consequence of this aspect of *Guanxi* is that claims of inadequacy should be viewed as subtle demands that the other (and more powerful) person has the obligation to be magnanimous. During negotiations, therefore, the Chinese negotiating team expects that the negotiating partner will cede certain points because the Chinese members like to view themselves as the weaker partner. This power given to the weaker *Guanxi* member reflects the Confucian principle of family loyalty, in which strong family ties require the exchange of aid when needed or asked for (Pye, 1982). A practical consequence of *Guanxi* is that personal loyalties are often more important than organizational affiliations or legal standards. Consequently, the driving purpose behind much of the Chinese negotiating tactics is the goal of creating a relationship, characterized as friendship, in which the negotiating partner will feel strong personal bonds with the Chinese. Furthermore, once the negotiating partner falls into the pattern of *Guanxi*, then the Chinese feel completely justified in complaining if the partners do not deliver the expected benefits appropriate in such a relationship. The Chinese instinct is to press for the full commitment implicit in *Guanxi* (Alston, 1989).

Expediting Goods

Establishing a *Guanxi* relationship can aid a Chinese importer for example, by expediting his goods through customs. Normally, an importer will wait days, even weeks before all of the appropriate documents are cleared. All of this can be bypassed if the importer has a *Guanxi* relationship with a government official or custom official. The *Guanxi* partner can quickly respond to the importers needs for immediate clearance. Therefore, a person's actual rank or organizational position may not be indicative of his true power. A person of low rank, in government or elsewhere, may in fact be very influential because of *Guanxi* relationships with those in higher positions (Pye, 1982). Once good *Guanxi* is

established, a number of benefits are accrued. The most important benefits emerge with respect to the securing of information about government policies or in securing administrative approvals that may be involved in the normal conduct of business (Alston, 1989).

Opening Moves

With relationships firmly developed, negotiations move into the next phase -- the "opening moves." It is during this phase of the negotiating process, that the establishment of basic principles takes place, along with uncovering areas of mutual interest. In other words, the general issues of negotiation are laid out. For the American partner, this often appears to be merely philosophical rather than strategic, or to be ritualistic rhetoric in nature rather than to be substantive in content. It is a mistake to view it in these terms since the principles may reflect the necessary holistic view that the Chinese are taking and, more pragmatically, they will be used strategically in later phases. This insistence on first achieving agreement on general principles is a most distinctive characteristic of the Chinese negotiating style.

Levels of Generalities

The Chinese negotiators often seem to want to discuss generalities and to avoid details and specifics for a much longer period than is common in America. This focusing upon generalities and vagaries may also reflect the culturally derived wish for harmony, to postpone open confrontation and direct conflict, which may not be possible once specific substantive issues are addressed. It can be argued, however, that it is simply good negotiating strategy. General agreement to key principles by the American side during the early stages can serve to bind them at a later stage. This appears to be the approach adopted by the Chinese (Banthin and Stelzer, 1991).

Face Saving

Another cultural difference between America and China, which has implications at the negotiating table, is the concept of "face." Pride and dignity are important to all human beings, but nowhere in the world are they so culturally protected as in China. To speak or act in a way that causes a Chinese person to "lose face" is tantamount to physical assault in America. Chinese go to great extremes to save their own face, and everyone else's. This causes problems for the American, who may not get a straight answer

to a straightforward question (Li, 1996; Kirkbridge and Tang, 1991).

During negotiation, if conflict arises, aggressive behavior from either party can damage the face of the other. Since not giving face to a person is perceived as denying that person's pride and dignity, the Chinese are mindful about the implications of antagonism and aggression and will normally be hesitant about engaging in such behavior. In addition, the adoption of "face-giving" and "face-saving" behaviors in conflict situations is valued as a means to maintain a sense of harmony (Reeder, 1987).

Controlling one's emotions will not always be easy, as Chinese negotiators may try to provoke strong responses from their American negotiating partner. If the Chinese team lose interest in the deal because of any reason, they will then be so inflexible that their American negotiating partners are left with no choice but to withdraw from the proceeding, thereby enabling the Chinese team to have saved "face" (Kirkbridge and Tang, 1991).

In general, it is easy for a member of the American negotiating team to understand what might cause the Chinese to feel they have lost face. However, it is much harder for the Americans to appreciate the Chinese concept of allowing someone else to maintain face. It is not that Americans cannot accept flattery for example, but rather that Americans rarely see free-flowing compliments in a positive light and tend to feel uncomfortable or even guilty about blatantly building up someone else's ego (Chen, 1993).

Decision-Making

Closely related to the Chinese face-saving value is the subordinates' lack of involvement in making key decisions. Within the Chinese value system a subordinate is expected to obey, sometimes without question (Pye, 1982). However, Chinese decision-making can be an unusual process, because of the fact that over the millennia in China several parallel bureaucracies have emerged: the current government bureaucracy and the local historically determined bureaucracies. One consequence of all this bureaucracy in China is that final responsibility for a decision has been diffused. In other words, nobody wants to be left holding the bag. Typically this is done to shield powerful figures from accountability; however, this can result in interminable delays in having important decisions made. Whether these delays are intentionally

designed to stall, to perhaps pass on responsibility, or because these bureaucracies are so complex that it takes time to actually locate those responsible for making the decision, it leaves the American with a great sense of frustration and irritation (Tse, Lee, Vertinsky and Wehrung, 1988). It is for reasons such as the above that *Guanxi* relationships become so important in the negotiation process.

Manipulating Expectations

Negotiations may take months or even years. But when the Chinese finally decide to push for a conclusion, this is often expressed with a strong sense of urgency. This ploy often proves useful for them, as it raises expectations for a successful agreement to such a high level that the American negotiating team will be willing to make concessions in order to take advantage of the opportunity for closure (Biers, 2000; Foster, 1992).

Employing Shame

To achieve the Chinese goal of benefiting the good of society, Chinese negotiators will, if necessary, employ the tactic of shaming the American negotiating team into providing concessions. They will accomplish this, for example, by digging up historical or political topics that they know will embarrass or shame their partners. They will also take note of every word spoken during the negotiations. Should they "catch" the other party making conflicting statements, they will "shame" them by reminding the other party of the contradictions. Also, if the American negotiating partner makes an unfriendly or impolite remark, or violates the general "principles" that were established in the earlier stages, the Chinese will utilize these inconsistencies to shame their partner into complying with their desires (Kirkbridge and Tang, 1991; Stone and Wong, 1998).

An American-Final, A Chinese-Beginning

The Chinese believe that since business dealings will always involve unforeseen and possibly difficult problems, a good contract hammers out basic issues, but one must rely on a personal network of relationships to find satisfactory solutions to problems or surprises over the longer term. Hence, the Chinese are more interested in a long-standing, sincere commitment of working together rather than

they are in attaining a seemingly perfect contract that contains no loopholes. A signed contract merely marks the end of the first stage in business dealings, not the final agreement, since no one knows what troubles may lie ahead and what further efforts may be necessary for a "win-win" outcome (Banthin and Stelzer, 1991).

Another source of frustration for Americans negotiating with the Chinese is the apparent ease with which the Chinese break the contract almost as soon as it is signed. This is another example of how cultural differences affect the negotiating process. Americans tend to view the negotiation process as concluding when the agreement is reached. The Chinese, on the other hand, see the signing of an agreement as just the beginning of a long-term process of trust and commitment to each other. It is at this juncture that the Chinese feel they can now do business with their new partner; that they have come to an understanding and that they can now rely on the other party and accommodate each other when special circumstances arise (Chen, 1993).

CONCLUSION

In order to avoid many of the misunderstandings that might arise during negotiation with the Chinese, appropriate steps must be taken before sitting down to the negotiation table. It is imperative that Americans:

- Understand that the negotiation process will take considerable time, having patience is crucial.
- Prepare ahead of time by having as much information as possible about the other parties involved.
- Show flexibility regarding the specifics of contracts.
- Always be prepared to compromise.
- Expect the Chinese to employ many psychological tactics in order to gain the upper hand.
- Avoid irritation, anger or any display of temper.
- Remember, personal relationships mean everything.
- If negotiations fail, leave open the possibility for future negotiations.

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WTO NEGOTIATIONS COULD BE DRIVEN BY POLITICAL TRADEOFFS, WITH FAVORABLE INTERNATIONAL MARKETING BENEFITS

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ABSTRACT

Proponents of multilateral trade negotiations have been struggling in recent years despite the benefits most countries received from the 1986-93 Uruguay Round. In November 2001, the World Trade Organization [WTO] finally won approval from members to launch a new round in 2002, even though a weak international economy is an inauspicious time to negotiate. However, this paper identifies a political determination by most nations to make the bold effort, a decision that could generate favorable international marketing benefits by mid-decade.

INTRODUCTION

"...The PEC [President's Export Capital] believes that the development of the global trading system must proceed in parallel with efforts to ensure respect for core labor standards, and its results must include benefits for working people of all nations..."[President's Export Council, *Building a National Consensus on Trade for the Twenty-First Century*, p.13]

"...The United States currently has an unparalleled opportunity to shape the international trading order. But we are in danger of being left behind...If other countries go ahead with free trade agreements and the United States does not, we must blame ourselves. We have to get back into this game and take the lead..."[U.S. Trade Representative, *2001 Trade Policy Agenda*, p.4]

At the end of January 2001, the World Trade Organization (WTO) accepted the offer of Qatar to host the Fourth WTO Ministerial Conference, and in early February the WTO's General Council agreed to hold such a meeting in Doha on November 9-13, 2001. As this multilateral organization now follows up the agreement at Qatar to launch a global trade round — an ambition earlier curtailed by the humiliating fiasco at the Third WTO Ministerial in Seattle in later 1999 — it is useful for international marketers to assess prospects for success. Not only should this assessment be made in light of lessons from the 1986-93 "Uruguay Round" of talks and the aftermath but also in light of recent changes in the external economic and political environments.

This paper highlights several changes in U.S. and international political alignments and in the evolution of the global economy that suggest why WTO members agreed to launch a new round and to seek meaningful progress in the actual trade liberalization talks. While a massive outpouring of new literature and an equally large and the well-publicized series of "anti-globalization" protests during 1999-2001 indicate that trade negotiations have moved far beyond the academic sphere that characterized the Uruguay Road, the political will to achieve results appears significantly higher than at any time in recent years.

None of this guarantees that multilateral talks among the more than 140 WTO members will get underway smoothly in 2002 or that a successful conclusion will come quickly or be very deep. At the very least, conventional wisdom argues against expecting countries to negotiate trade concessions in a time of economic uncertainty. But international marketing opportunities could well emerge as part of changing attitudes among key groups of industrial countries about opening frontiers to movements of goods and services by mid-decade.

INTERNATIONAL TRADE NEGOTIATIONS IN THE LITERATURE

A variety of sources have examined the background of the successful Uruguay Round held under the auspices of the Geneva-based General Agreement on Tariffs and Trade (GATT). Following mutual political concessions (notably by Washington and Brussels) at the last minute in December 1993 and the formal commitments for implementation made by all GATT members at the final ceremony in

Marrakech, Morocco, in April 1994, the literature would shift to an assessment of results and to the formal birth of the WTO (and end of GATT). The emphasis would subsequently move to focus on demands for both implementing the agreements and projecting a need for a new trade round. Holden (2000) summarizes this diversity of output issued through 1999 by four major sources: the U.S. Government; multilateral trade organizations (e.g., GATT and WTO); other multilateral organizations (e.g., Organization for Economic Cooperation and Development [OECD], International Monetary Fund [IMF], and World Bank); and academic and private research institutions. In general, the literature following the First WTO Ministerial, held in Singapore in December 1996, and the Second WTO Ministerial, held in Geneva in May 1998, appeared to highlight bright prospects for assuring implementation of Uruguay Round agreements and for initiating a new trade round for merchandise and service sectors not yet liberalized.

The Third WTO Ministerial — the well-publicized Seattle fiasco of November-December 1999 — triggered a new wave of literature. Significant attention is given to the conditions/issues raised by vocal and disruptive anti-globalization forces in Seattle and continuation of such high-level international disturbances through the G-7 summit in Genoa in mid-2001 (e.g., *Globalization and Its Critics* 2001). Another trend is closer identification of specific concerns of WTO members and groups of countries, including pursuit of bilateral/regional trade linkages that make many participants reluctant to initiate a new multilateral trade round (e.g., Bhagwati 2001). Finally, as the global economy slows, there is recognition that new obstacles have arrived in 2001 to discourage politicians from placing bold import-liberalization offers on the negotiation table.

In sum, recent trends in the trade-negotiation literature indicate that WTO activity undertaken during 1999-2001 to arrange a new round is accompanied by far-more intensive and comprehensive academic and political interest than that which preceded the Uruguay Round. Considerably more international awareness carries advantages and disadvantages as global marketers seek to assess the prospects for talks that could open new opportunities for U.S. goods and services (e.g., Barshefsky 2001) and for those of other WTO participants.

RESPONDING TO ANTI-GLOBALIZATION PROTESTS

The collapse of the Third WTO Ministerial and subsequent well-publicized disruptions might suggest that little can be accomplished by WTO members in the face of anti-globalization protests. The political decisions by WTO to site the Fourth Ministerial in geographically isolated Qatar and to try to reach agreement there to re-start talks to liberalize trade were seen by many potential protestors as a cynical attempt to circumvent public opinion. But leaving aside the tragedies of September 11, 2001 — which are introduced later in this paper — it is useful to note several developments that have been undertaken in response to the disruptions administered to trade delegations in Seattle and to finance ministers and heads of government during 2000-01.

First, WTO, along with the IMF and World Bank, has become more transparent (e.g., *Transparency in the WTO* 2000). The organization has put considerable amounts of WTO business and special reports on the web and increased the information in its monthly *WTO Focus*. A marketer scanning these sources is immediately aware that WTO decisions cannot be steamrolled through without a consensus among members and that very little WTO activity is conducted behind closed doors. As a recent assessment noted, far from being anti-democratic, the WTO is actually “hyper-democratic” (*Globalization and Its Critics* 2001).

Second, WTO's Director General, Mike Moore (2001a; 2001b), along with the managing director of the IMF and the president of the World Bank, has repeatedly emphasized a willingness to obtain inputs from the private and non-governmental organization (NGO) sectors, while encouraging all WTO members to seek a diversity of domestic interests when formulating policy (e.g., *Heads of International Agencies...2000*). One limitation to this inclusion effort by WTO is largely practical; its operating budget is small and its staff is few. This constraint is in keeping with the fiscal limits set for WTO by governments of the major trading countries when WTO was created.

Third, Moore has mobilized less-developed countries (LDCs) — most of which stand to benefit from a more liberal trade environment — and development agencies, including the UN (e.g., *African Trade Ministers...2000*), to issue joint pleas/statements to publicize the pro-trade case that WTO and most economists champion. That is, while

some economists might disagree (e.g., Rodrik, 2001), LDC economic development and poverty reduction efforts are typically enhanced by multilateral trade negotiations that open OECD markets to LDC manufactured and agricultural exports...and also break down LDC import protectionism.

Fourth, the two biggest multilateral financial institutions (IMF and World Bank) continue to link their resource allocations to meaningful economic restructuring by debtor countries, including liberalization of trade policies. Each institution also publicizes the need for OECD creditor nations to complement financial flows to LDCs by assuring that barriers to LDC exports are reduced in a meaningful manner in the forthcoming trade round.

DEMANDS OF WTO MEMBERS IN FOCUS

Another change in WTO direction since Seattle is the determination of Moore (2001c) and the key national participants to be very explicit about establishing the trade round agenda. It is clear that a new round would not even be proposed unless all parties are fully aboard in terms of sectors and policies to be on the negotiation table. A few examples are important to marketers seeking to calculate what will happen now.

First, the European Union [EU], U.S., Japan, and other groups of nations slowly and often painfully moved toward a position where a broad agenda is up for negotiation (e.g., Hijino and de Jonquières, 2001; Lamy, 2000). For example, if agricultural concessions are to be sought from EU and Japan, the U.S. must recognize that it too must be prepared to modify some highly controversial national prerogatives about limiting import penetration.

Second, no LDC will likely agree to trade round concessions that incorporate explicit labor and environmental requirements upon LDC exporters, no matter how reasonable these conditions sound (e.g., President's Export Council 2001). Governments of over half the WTO membership know that such conditions can easily be used for seemingly arbitrary protectionist action by the U.S. or EU, with no recourse in practice (Drezner 2000).

Third, it is unlikely that formal negotiations — in contrast to agreeing in Qatar to approve talks — will begin without every WTO participant having authority to bargain multilaterally. In practice, this means that the U.S. Trade Representative, Robert Zoellick, must carry "fast track" (now "trade

promotion authority") credentials from the U.S. Congress. Clearly, House passage on December 6, 2001, represents a big step in that direction.

Finally, a special effort to implement Uruguay Round commitments will have to be conceded by all major participants early in the new round. There will probably be expectations that OECD countries, in particular, accept special obligations to speed up their promised (in 1993) liberalization of textile imports and to guarantee special market access to more products of so-called "least developed" LDCs. At the same time, the OECD countries will have to acknowledge that full implementation of Uruguay Round commitments is undoubtedly beyond the fiscal and administrative capabilities of many of the poor LDCs, including meeting complex product standards that OECD countries demand from all foreign suppliers (e.g., World Bank 2001; WTO Is Nightmare...2000). This is especially true for LDC food exports to the EU (e.g., Fidler 2000).

IMPACT OF THE INTERNATIONAL ECONOMY

The post-Seattle economic environment was generally a favorable one for planning a new global trade round, notwithstanding the problems encountered by Turkey, Argentina, and some other important WTO members. That is, the overall global economy (e.g., IMF 2000-01) experienced rather satisfactory expansion following the recovery of East Asia. But the U.S., Japanese, and EU business slowdown evident by mid-2001 certainly carries a mixed picture, as all objective observers must acknowledge the risk of a synchronized international recession.

Politicians understandably shy away from opening trade frontiers to competitors (i.e., offering concessions) during an economic slowdown even though the theory behind comparative advantage and multilateral concessions does promise international opportunities for new sectors. Not only does the global export expansion following the Uruguay Round and earlier GATT rounds make the latter case clear, but it is notable that East Asian governments elected to keep their trade frontiers open during their 1997-98 economic downturn.

Another potentially positive factor associated with a weakening of global activity during 2001 is a temporary weakening of the dollar vis a vis the euro, thereby making it a little easier for competitive U.S. firms to expand market share.

Meanwhile, business conditions in the EU remain marginally brighter than those in the U.S., and Brussels has long acknowledged that a further opening of EU barriers is part of the Qatar trade agenda.

Moreover, IMF and World Bank "conditionality" in lending continues to emphasize trade liberalization in debtor LDCs, even as those nations expect to secure openings in OECD markets in a new trade round. In a realistic sense, those two-dozen highly indebted LDCs that now qualify for formal "Heavily-Indebted Poor Countries" (HIPC) debt relief are likely to provide a special opportunity for U.S. companies; such markets heretofore have not often been targeted because of poor economic management and lack of creditworthiness.

Finally, interest-rate cuts during 2001 by OECD central banks, an evident expansionary fiscal stimulus in key markets, and some leading indicators suggest to many observers (e.g., Köhler 2001) that the international economy need not stay in a recessionary state in 2002-03. While that does not guarantee a big bounce upward, it suggests that trade talks over the next few years will not occur under a permanently dark cloud.

TRADEOFFS AFTER SEPTEMBER 11TH

The international marketing executive can only speculate about the direct and indirect impact of September 11th upon WTO trade talks. Proponents of trade liberalization hope to keep the modest momentum going, while many anti-globalization opponents probably see that no amount of protest can turn easily overturn the unanimity of Qatar. Three new aspects specifically point to optimism about following up the Qatar decision.

First, there is a determination by Washington and other capitals to return to "normalcy" as much as possible. While Qatar's location was suddenly a lot more in the center of

political focus in November 2001, the decision of all WTO members to launch trade negotiations in 2002 is one that encompasses every global region and ideology.

Second, the recent admission of China (and Taiwan) to WTO membership (Looking Hopeful 2001) and Russia's interest in accelerating its WTO application indicate that few nations want to remain outside the pre-eminent global forum for assuring multilateral trade on a most-favored-nation basis. This suggests the importance governments attach to participating in a new round, no matter how unsettled the external environment.

Finally, a series of U.S. political concessions to LDCs to round up an "international coalition" against terrorism undoubtedly includes a menu of debt relief, trade concessions, and other measures (e.g., *Bribing Allies* 2001). This situation will probably mean that there is a special recognition to assure market-opening concessions by Washington and EU members. In turn, this reality might also be the stimulus for the Senate in early 2002 to join the House in granting trade promotion authority to the President so that multilateral measures can truly be put on the negotiation table.

SUMMARY

The decision to start a new round of trade negotiations was taken in November 2001 in Qatar. Since the agenda in Qatar is realistic, it appears that a broadly based political determination exists among WTO members to move ahead in the multi-year negotiations. The long-term results of such talks should be of considerable interest to international marketers since all members will be expected to place some degree of liberalization offers on the table. However, the actual bargaining process in Geneva could be very difficult over the next few years if the Uruguay Round and if the list of present trade disputes (e.g., March and Mann 2001) are any guide.

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PLANNING AND ASSESSING A SHORT-TERM STUDY-ABROAD PROGRAM FOR UNDERGRADUATE STUDENTS OF MARKETING AND BUSINESS

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ABSTRACT

Faced with intense global competition, marketing practitioners are requiring business schools to equip students with the requisite international skills and competencies. The authors describe a short-term study-abroad program rooted in an experiential learning context, using outcomes-based education as a method of assessment for continuous improvement initiatives.

INTRODUCTION

The U.S. economy is facing heightened global competition in the new millennium. Close to one-third of U.S. corporations conduct international business and more than 80 percent of U.S. goods and services compete against foreign companies (Skousen and Bertelson 1994). Many factors have contributed to this trend, including the fall of communism and trade liberalization policies in developing economies like Mexico, Malaysia and India (Tyagi 2001).

Recently, university officials have been responding to the demands of the marketplace by placing a higher priority on the internationalization of their curriculum (Albers-Miller, Prenshaw, and Straughan 1999; Arpan, Folks Jr., and Kwok 1993). Another impetus for the creation of such programs has emanated from The American Assembly of Collegiate Schools of Business (AACSB) mandate for a greater degree of globalization in business programs (Lundstrom, White, and Schuster 1996).

Given that internationalization initiatives are developed within the context of each college's or university's mission, they will vary in direction, focus, and intensity. The purpose of this paper is to describe the creation and implementation of a short-term study-abroad program based on a review of the relevant literature and first-hand experiences.

LITERATURE REVIEW

The primary purpose of this research is to develop a short-term study-abroad course appropriate

for undergraduate students of business and marketing. A review of the pertinent literature in the marketing education discipline uncovered three significant trends: 1) internationalization of the business and marketing curriculum; 2) experiential learning in an international context; and 3) outcomes-based education as a method of assessment for continuous improvement.

A large number of schools have increased their efforts to internationalize the marketing curricula in the last ten years (Tyagi 2001). Different levels of commitment can be identified that help guide these internationalization efforts. They include global awareness, global understanding, and global competence. According to Arpan, Folks, Jr., and Kwok (1993) there are four primary approaches to business and marketing curriculum internationalization, corresponding generally to these three levels of commitment. Table 1 highlights these approaches.

Experiential learning is one method that allows students to become active participants in the educational process. According to Wynd (1989), teaching methods that actively engage students will enhance learning and development. Therefore, experiential learning has been used as a mechanism to internationalize the marketing curricula (Toncar and Cudmore 2000). Although they vary widely, most international experiential learning programs can be placed into one of three categories: 1.) foreign study tours; 2.) short-duration internships (less than a full semester); and 3.) long-duration internships (a semester or longer).

TABLE 1

Four Approaches To Internationalize Business And Marketing Curriculum

Approach	Description/Commitment
Infusion/Integration	Inserts international topics, perspectives into existing business and marketing courses; Awareness
General/Survey International Business Course	Requires one general international business course; Awareness and Understanding
Specialized International Business Courses	Requires specialized courses in functional business fields; Awareness and Understanding
Internationally Oriented Non-Business Courses	Requires non-business, interdisciplinary courses; Awareness, Understanding and Competence

Note: Adapted from: Tyagi (2001), "Internationalization of Marketing Education: Current Status and Future Challenges"; Turley and Shannon (1999), "The International Marketing Curriculum: Views From Students"; Arpan, Folks, Jr. and Kwok (1993), *International Business Education In The 1990's: A Global Survey*.

Foreign study tours provide some combination of lecture, guest speakers, company visits, field trips, and projects and involve an overseas study of between 2 and 4 weeks. Foreign study tours have been used by business faculty since at least 1969 (Moncrief, Shipp, and Lamb 1995). Internships are an increasingly popular experiential learning method in marketing. They combine a hands-on, learning-by-doing work experience and afford students the opportunity to integrate theory and practice (Toncar and Cudmore 2000). Programs of this nature are an effective way to internationalize the marketing curriculum and to combine business education with cultural enrichment and appreciation (Cann 2000).

Outcomes-based education is a concept rooted in continuous improvement initiatives. It is a paradigm that presupposes that goals, or desired outcomes, should drive the entire effort of the educational organization. Emphasis is placed on developing desired outcomes that are measurable, setting standards of achievement on these outcomes, and using measurements of the outcomes to aid in continuous improvement efforts (Martin, Kimball, and Bush 1998).

In an attempt to assess student performance and the subsequent impact of the course on student attitudes and behaviors, the goals for internationalization must be identified (Schuster, Zimmerman, Schertzer, and Beamish 1998; Gordon and Smith 1992). Several frameworks have been proposed in the outcomes-based literature. Cellich (1993) categorized international learning into the three areas of technical knowledge, analytical skills, and cultural sensitivity. Daniels (1993) delineated

training into two areas called content and process. Content includes issues, descriptions, and theories specific to international studies, whereas process focuses on techniques that facilitate the perception, acceptance, or adjustment to differences. Arpan's (1993) scheme identified the three goals for international education to be focused on awareness, understanding, and competency. The first goal is an awareness of how the national economy is related to the global economy. The second goal includes understanding the basis of and primary issues associated with international business. This higher level of learning also focuses on economic growth issues, standards of living, and understanding how global competition impacts a particular functional area of business. The third goal, competency, transforms understanding into action, and genuine competency can be gained only through personal, on-site experiences.

The framework adapted in this paper is similar to those discussed above but is more generic in nature. It is an adaptation of the Schuster, et. al. (1998) framework, which identified three learning domains. The first, the cognitive domain, relates to the transfer of knowledge; second, the affective domain, relates to attitude change; third, the behavioral domain, relates to skills and personal competency acquisition. In assessing these learning outcomes, it is necessary to define the goals or objectives of the specific course.

COURSE OBJECTIVES

The professional marketing community expects business school graduates to possess the necessary requisite skills to compete in the global

economy. The greatest needs, as identified by practitioners, include the ability to assess market potential, world business knowledge, an understanding of cultural differences, and language fluency in oral communications. In addition, students should be capable of performing strategic global planning and analysis (Lundstrom, White, and Schuster 1996). Given this, four fundamental course objectives are defined:

- 1.) Help the student to develop, through research, a process of learning about new cultures and places, and to provide an opportunity to apply what he or she has learned;
- 2.) Help the student to gain a more in-depth knowledge of an area or culture;
- 3.) Develop an appreciation of the impact of cultural, economic, political, and regulatory forces on international marketing strategy; and
- 4.) Formulate a strategic marketing plan for a specific organization, which includes an assessment of market potential, and trends among selected target markets, a market entry approach, and marketing mix alternatives.

COURSE DESIGN

The course is predicated upon Brokaw's 1996 model, which combines a home campus research class with an intensive cultural immersion experience. For clarification, one international destination is selected and students remain in that location for as long as two weeks. The instructional components of the course include four activities: 1) Presentations by business, academic, and government officials; 2) Visits to companies and government agencies; 3) Informational social gatherings with business and government officials; and 4) Cultural tours. The course also includes several pre-trip activities. Gordon and Smith (1992) and Brokaw (1996) provide many useful examples, which can be placed into three categories.

Category 1: Historical Research

Identify one of the oldest sites in the city. Research its historical significance in economic, sociological, or cultural terms. Major neighborhoods or sections of the city can be researched. Determine what role the area plays as part of the region's greater economy. And finally, the student can identify one site of interest based on its relevance to either U.S. culture or history in general or to the student specifically. Several Web sites are available to help the student get started in the research process. Table 2 lists some useful sites specific to the London area.

TABLE 2
Useful Web Sites: London Area

World Wide Web Address	Description	Date Accessed
http://www.travel.org	Guides to London; Tourist attractions, tips, and background information.	7/09/01
http://www.lonelyplanet.com/destinations/europe/london	Information on culture, history, environment; Area maps.	8/21/01
http://www.britannia.com	London guides, directories, activities, history, and resources.	8/21/01
http://www.istc.org	Destination information, latest news, travel packets, and background on the country specifically designed for students traveling abroad.	7/12/01
http://www.fodors.com	Overview of the city, history, trends, businesses and virtual tours.	8/19/01
http://www.state.gov/www/services.html	Travel, business, educational, and historical information.	7/18/01

TABLE 3

**Pre- And Post-Test Questionnaire
Cognitive Learning Domain**

1.) The European Community is said to have begun with the Treaty of Rome. In which year was the Treaty of Rome signed? a.) 1945 b.) 1957 c.) 1919 d.) 1968 e.) none of the above
2.) Which of the following countries is not part of the European Community? a.) Portugal b.) Denmark c.) Greece d.) Switzerland e.) All of the above are members
3.) Who is the Prime Minister of England? a.) Margaret Thatcher b.) Tony Blair c.) Neil Kinnocky d.) John Major e.) Robert White
4.) Who is the current President of the European Commission? a.) Francois Mitterand b.) Jacques Delor c.) Romano Prodi d.) John Major e.) Neil Kinnocky
5.) Which of the following would be appropriate behavior when being introduced to a European businessperson? a.) Shake hands, say "Good morning/afternoon," exchange cards, put the card in a safe place. b.) Shake hands, say "What a wonderful city this is," exchange cards, and write notes on it to remember this person. c.) Shake hands, exchange names/cards, say "It's very nice to meet you (and add the person's last name and/or title)." d.) Shake hands, exchange names/cards, say "It's nice to meet you (add the person's first name). This is a wonderful city." e.) Shake hands, exchange cards with two hands, wait for the other person to greet you, say "It's nice to meet you."

Note: Adapted from: Schuster, Zimmerman, Schertzer and Beamish (1998), "Assessing the Impact of Executive MBA International Travel Courses".

Category 2: Business Related Research

Select two types of firms that are of interest to the student. One firm must be U.S. based and preferably near campus. The second firm must be

from, or near, the travel destination. The firms must be international in scope, with market representation in the U.S. market and the market of the country to be visited.

TABLE 4

Pre- And Post-Test Questionnaire
Affective Learning Domain

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.) Entering a foreign market to do business is very difficult.					
2.) Trade barriers established by the European Community will make it almost impossible to enter the market after 1992.					
3.) Understanding the culture of a country is important for success in business.					
4.) Speaking the official language of a country is important for success in business.					
5.) Studying abroad is an integral part of learning about international business.					
6.) Negotiating with businesspeople in the U.S. is very similar to negotiating with businesspeople in other countries.					
7.) The U.S. may rank behind the European Community in economic power by the year 2010.					
8.) Management practices are fundamentally the same around the world.					
9.) Doing business with people from Europe makes me uncomfortable.					
10.) The general argumentativeness of the Europeans is a style used to mask the importance of specific issues.					
11.) Discussions of historical events intimidate non-European businesspeople and are used to point out a lack of knowledge or culture.					
12.) Reading books is an appropriate way to learn how to do business in Europe.					
13.) Informal behavior is appropriate for doing business in Europe.					
14.) Talking to European businesspeople and/or academics is an appropriate way to learn how to do business in Europe.					
15.) Talking to U.S. businesspeople and/or academics with experience in Europe is an appropriate way to learn how to do business in Europe.					
16.) Knowing the culture of one European country is sufficient for developing business practices suitable throughout the European Community.					

Note: Adapted from: Schuster, Zimmerman, Schertzer and Beamish (1998), "Assessing the Impact of Executive MBA International Travel Courses".

TABLE 5

Pre- And Post-Test Questionnaire
Behavioral Learning Domain
Personal Growth Assessment

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Autonomy					
1.) I am self-determining and independent.					
2.) I am able to resist social pressures to think and act in certain ways.					
3.) I evaluate myself by personal standards.					
Environmental Mastery					
4.) I have a sense of mastery and competence in managing the environment.					
5.) I make effective use of surrounding opportunities.					
6.) I am able to choose or create contexts suitable to personal needs and values.					
Personal Growth					
7.) I have feelings of continued development.					
8.) I see myself as growing and expanding.					
9.) I am open to new experiences.					
10.) I have a sense of realizing my own potential.					
11.) I see improvement in myself and behavior over time.					
Proactivity					
12.) I take initiative to solve my own problems.					
13.) I take personal responsibility for the results of my actions.					
14.) I seek information from my environment and can identify problem situations.					
Self Confidence					
15.) I am consistently forceful, unhesitant and can articulate verbally.					
16.) I have the ability to deny a personal impulse or needs for the good of an overriding organizational need.					
Spontaneity					
17.) I can communicate my real feelings, both positive and negative when the situation demands it.					
18.) I can maintain high performance and attention to detail while working on a task.					

Note: Adapted from: Ryff (1989), "Happiness Is Everything, or Is It? Explorations on the Meaning of Psychological Well-Being". Boyatzis (1982), "The Competent Manager: A Model for Effective Performance.

Category 3: Company Related Research

Once the two firms are selected, the student can identify the traits across the marketing mix and discuss the differences and similarities among the mix components between the home market and market being visited. Specific questions to be answered include: What proportion of their total sales are derived internationally?; What products or product lines are sold in international markets?; and What type of position would the student be able to fill for such a firm? These three categories of pre-trip activities can enhance the achievement of the four course objectives defined earlier. In an attempt to measure attainment of the objectives, however, an assessment process must be administered.

COURSE ASSESSMENT PROCEDURE

As part of the pre-trip activities, students will be required to complete a questionnaire prior to any of the research activities described earlier. The questionnaire is adapted from the Schuster, et. al. (1998) research, and assesses the cognitive, affective, and behavioral learning domains. Tables 3 through 5 illustrate how these domains can be assessed. The responses from the participants at the pre-research phase should be compared with their responses at the post-research and post-trip phase to assess the cognitive, affective and behavioral learning of the participants

DISCUSSION, LIMITATIONS AND CONCLUSION

In order to prepare business leaders for the 21st century, business practitioners and academicians

agree that business school graduates should have a general knowledge of cultural differences, language fluency and business practices of specific world regions. The format offered for a short-term study-abroad program would be a valuable contribution in exposing the undergraduate student to a broad base of international information, thereby strengthening their understanding and appreciation of international marketing activities. It is a program of study that offers undergraduate students the experiential education they need, and provides the faculty member a methodology with which to assess student learning. Moreover, it is a framework that is conducive to continuous improvement initiatives.

Many administrative issues were not addressed in this paper. The interested reader is referred to Gordon and Smith (1992) and Brokaw (1996) for a more in-depth, comprehensive discussion of these issues. Moreover, given that international experiential courses differ among universities with different objectives and a variety of participants, the questionnaires need to be assessed for validity and reliability before they can be considered appropriate for measuring the three learning domains. Additional questions could be developed to assess skills and learning behaviors in alternative ways.

The format suggested takes advantage of three key trends in marketing and business education. And most important, it provides a critical success factor to students and faculty in international business – looking at different cultures and transferring marketing concepts and strategies from one cultural context to another.

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JOB SHADOWS AND *AL QAEDA* AS STRATEGIES TO RESCUE A CORE CLASS IN ORGANIZATIONS

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ABSTRACT

Recognizing that core readings for an organizations course may be somewhat dry, I attempted to make the course more interesting by having students interview and observe the organizational behavior of campus leaders, and by bringing in material on alternative, counterculture and terrorist organizations. Preliminary results suggest these methods are helpful.

INTRODUCTION

Most schools of business, economics or management that provide the marketing major recognize the value of a course or courses on organizations in the core curriculum, for the knowledge of organizational environments and leadership that they impart. These courses are taught under a wide variety of titles such as Organizational Behavior, Organizations in Modern Society and Industrial/Organizational Psychology.

It can be challenging to teach such a course and maintain good student engagement. Classic readings and available texts tend to be dry and/or beyond the comprehension of undergraduates (cf. Morgan, 1997; Machiavelli, 1532/1984), and some of the key concepts may be trite: for example, during my final undergraduate semester the Hawthorne studies (Roethlisberger & Dickson, 1939) were discussed in four different classes. After struggling with a course preparation in organizations through three semesters and as many different texts, I was considering a fresh approach: attending a workshop on "Assessing Leadership and Professional Skills" gave me the idea of a "job shadow" approach, and my own interest in alternative organizations suggested that they would be worthy of study.

METHODS

The subjects in this study were 18 undergraduates enrolled in a sociology course titled "Organizations in Modern Society" at a small, liberal arts college in the midwestern United States. The course met three times a week during the spring semester of 2001. As this was a small, nonrandom sample, I caution the reader about the generalizability of my results (Levin & Fox, 2000).

Method 1 - "Job Shadow" (observing organizational behavior)

One of the goals that had come up in the workshop was imparting knowledge of leadership styles in real world applications. I decided to accomplish this by having the students observe campus professors and administrators in their natural, organizational environments. The class and I developed a questionnaire for interviewing the research subjects and guidelines for a "job shadow" in which students would observe their subjects in blocks of time totaling eight hours.

To assess the outcomes for this research project, students submitted written reports of their findings. In addition, I devised a "Faculty/Staff Evaluation of Student Researcher" questionnaire, which was sent through campus mail so I could receive feedback from the research subjects on how well the student researchers had interacted with them. After the course was over, I also looked at my standardized, student evaluations.

Job Shadow Results

Faculty and staff who agreed to be research subjects were overwhelmingly positive about the project, as evidenced by their evaluations of the students and informal comments made to the students and to me. First of all, the people studied - everyone from the college president to the assistant manager of the bookstore - were impressed with the honing of "soft skills" by the students during the course of the assignment, from initial contact to coordinating schedules, asking personal questions and observing behavior.

TABLE 1

Campus Leaders' Evaluations of Student Researchers

<i>Likert Statement</i>	<i>Mean Response</i>
Changes behavior in response to changing priorities	3.57
Maintains stability of performance under pressure and/or opposition	3.59
Maintains composure under stress and pressure	3.54
Exhibits confidence and courage when faced with unforeseeable situations	3.60

Quantitative measures of the students' social skills in negotiating and carrying out the research were included in the "Faculty/Staff Member's Evaluation of Student Researcher" and Likert means (1=strongly disagree, 2=disagree, 3=agree, 4=strongly agree) are reported for each of these in Table 1.

Quantitative analysis shows satisfaction with student's social skills commensurate with qualitative results discussed above, roughly halfway between agreement and strong agreement. However, despite a 100 percent response rate on the research subjects' evaluations of the student researchers, there are missing data for 22% of the Likert responses as some faculty and staff declined to participate for various reasons.

Faculty/staff evaluators were also asked how this assignment could be improved when Organizations in Modern Society is taught again. One observed, "This process is so far removed from any in my experience that I can't help with new ideas." The most common suggestion: four evaluators thought the project should have been started earlier in the semester, and three of these would have blocked out more time to spend with the students, given more notice. Two objected to a question about a metaphor for the college (from the course text at the time, by Gareth Morgan) and one felt that evaluators should be better informed about what students are supposed to be learning.

The humanity of faculty and staff emerged as well. Morgan (1997) theorizes that a clean desk symbolizes *control*: most of the people studied here, however, use "vertical filing:" piles of documents not only covering desks but also portions of the floor. Yet, according to the student researchers, "They know where everything is." On a humorous note, one of the queries on our class-designed questionnaire was: "What was the biggest accomplishment at the

last meeting you attended?" This elicited the reply, "adjournment," more than once.

Good nonverbal communication was another characteristic of faculty and staff discovered by the student researchers. Their research subjects used these skills to establish a classroom atmosphere conducive to discussion and to motivate subordinates in an administrative environment.

Students did well with all phases of the field research assignment: data collection, analysis, results and conclusions. The mean grade was 41 out of 45 possible points.

In concluding their papers and in class discussion, the students indicated their satisfaction with the assignment as being different, challenging and interesting. They were impressed and perhaps pleasantly surprised by the enthusiasm with which they and their research were received by faculty and staff. For example, several students were taken to high-level meetings, introduced to community leaders and asked to talk about their research. For students who chose research subjects based on existing mentor-student relationships, mutual warmth and affection showed clearly in the students' reports and subjects' evaluations.

One persuasive indicator of project success was in unsolicited responses to very general, open-ended questions on my instructor evaluations: two students specifically mentioned the field research project. One said, "The assignment of shadowing someone from the college is a good idea, but not everyone had 8 hours spare time to shadow someone." Another student said, "I think the research project was a great idea!" Two other students referred to the project implicitly by lauding the variety of assignments in the course. This may not seem like much positive response from a class of 18, but as the qualitative sections of instructor evaluations tend to be ignored or used minimally by students, teaching

innovations must be extraordinary to show up in these unsolicited comments.

Possible Job Shadow Improvements

It would be difficult to improve on the positive attitude and courtesy shown the students - and the cooperation given me - by participating faculty and staff. As mentioned above, one student did complain about not having enough time to spend eight hours shadowing someone. However, toward the end of the semester the class and I agreed to forego a final exam and add that 20 percent of their grade to the field research report. Therefore the complaint appears petty.

Several of the research subjects expressed a desire that future projects be scheduled earlier in the semester. Beginning earlier would not only allow better scheduling, less pressure and more student-subject interaction, but also would allow community leaders to be studied, as was originally intended for this project. As the semester unfolded and the field research took on a life of its own, we began to feel that we had our hands full without the somewhat more complicated task of studying community leaders as well. Also, some students chose faculty with whom they were already well acquainted (typically in a coach-athlete relationship), while others got assigned "cold" to highly placed people such as college president, chancellor and deans: obviously there is more student soft skill development in the latter case. Random matching of researchers to subjects would probably be more equitable and provide a more "out of the box" experience for both students and research subjects.

Method 2 - Studying Alternative Organizations

Since organizations tend to be treated monolithically in readings and texts, I was determined to expose students to organizations that were counter to mainstream organizations, including terrorist groups. One method of dealing with my frustration with various texts on organizations has been to begin a draft of my own, with a proposed chapter on alternative and counterculture organizations. I therefore presented students with supplementary readings that I had researched on the Oneida Community, the Irish Republican Army (Hoge, 2001; Lavery, 2000), Osama bin Laden's *al Qaeda* (Weiser, 2001; Miller, 2001), and the anti-abortion movement (Barry, 2001; Salamon, 2001). In addition, I had read Frederick Taylor (1911) in the original and concluded that he could be better understood if his ideas were presented directly, with

liberal quotations, instead of third hand as often happens in organizational texts.

Alternative Organization Results

Distributing and discussing these supplementary readings throughout the semester seemed to make the subject matter more interesting - both to the students and myself - than previous times that I had taught the course. In addition, it gave me some mini-deadlines toward completing my own book chapter on the subject. Student awareness of Osama bin Laden certainly increased after September 11, 2001: therefore it was interesting to receive email messages from former organizations students after the terrorist attacks, mentioning that the *al Qaeda* network had definitely been worth studying.

CONCLUSION

Certainly job shadows are not new, nor are supplementary readings, whether authored by the instructor or others. Yet these teaching techniques added life and dimension to a course on organizations that had become drudgery for both professor and students. These were not the only features added to the course, however. During our discussion of Taylorism (1911), a field trip to a United Parcel Service hub - a noisy package distribution center with hundreds of conveyor belts where management explained how they still do time studies - conveyed the concept of scientific management better than any lecture ever could. In addition, students made oral presentations on organizational current events from articles in the *New York Times*.

The job shadow was viewed positively by students, their research subjects and the professor who graded their project reports. As mentioned above, a teaching innovation must have considerable positive impact if it shows up in unsolicited comments on instructor evaluations. The supplementary readings I wrote and distributed for discussion helped liven up the course and brought me closer to my long-term goal of a publishing a user-friendly text for this course (tentatively titled *Interesting Organizations!*). Another indicator of the success of my teaching innovations that semester was that my grand mean for instructor evaluations was higher in the organizations course than in another course for which I had received the most training in graduate school and that carries my principal research agenda.

These techniques, while not new, definitely saved my course in organizations from mediocrity. In

three previous preparations I had sought the perfect textbook, which is somewhat like seeking the Holy Grail. Only a varied approach can make an organizations course truly interesting for both students and professor, and the job shadow assignment and coverage of alternative organizations

was effective in this case. As mentioned, students also went on a field trip to a UPS hub and gave oral reports on newspaper clippings. I have no doubt that there are other, possibly more effective and varied interventions that could be applied to this course.

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TWO HOURS MARKETING + ONE HOUR ETHICS = THREE HOURS PRINCIPLES OF MARKETING

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ABSTRACT

A case history surrounding the justification, planning, and practice of integrating ethics material into the Principles of Marketing course at a small, Catholic affiliated, liberal arts university is presented. Relevant literature, the authors' experiences, and perspectives from the institution's President, Provost, and Dean of the Business School are discussed.

INTRODUCTION

In the last few years, stories of questionable, and at times criminal, business activity have dominated the business press: Cendant's creative earnings, Archer Daniels Midland's price-fixing, Bankers Trust's leveraged derivatives and use of customer funds, and LongTerm Capital's high-risk bets with others' funds, to name a few. Rite-Aid and Wal-Mart have been profiled for their charge-back policies that leave their suppliers confused and temporarily or permanently underpaid. Sears Roebuck's disregard for bankruptcy laws, debtors' rights, and creditor priorities led to a \$63 million fine-the largest in U.S. bankruptcy law history (Jennings, 1999).

The accreditation agency for collegiate business schools (AACSB) has placed increased emphasis on teaching ethics to undergraduate and graduate business students (Silver and Valentine, 2000). Additionally, many companies are discovering that good business ethics is conducive to a good corporate image and more profits. As a result, a growing number of business schools are teaching ethics (Borough, 1995). Students themselves believe, quite strongly, that the discussion of ethics and ethical issues is worthwhile and important. Many feel a course in business/marketing ethics should be required and more indicate that they would take such a course, if offered, even if it was not required. (Shannon and Berl, 1997).

In response to these forces, schools of business are increasingly offering or requiring substantive ethics courses. The teaching of ethics represents a beginning, but it must go beyond teaching ethics as institutional responsibility. The

hope is that people will ultimately have a sense of personal values that transcend the laws and rules of institutionalized ethics and that business vocabulary will soon contain words like civility, decency, honesty, and fairness, taking their place right alongside the practical vocabulary (Gibbons, 1992). Education in ethics produces more enlightened consumers of ethics information who are able to make sound determinations about responsibility in ethical dilemmas (Carlson and Burke, 1998). Ethics instruction cannot turn an immoral person into a moral one, but teaching ethics can help prevent good people from making bad decisions (Johnson, 2000).

Finding a place for corporate social responsibility (CSR) and ethics content in the business curriculum is not a new challenge. Teaching these topics in business is difficult because one must go beyond moral standards of behavior to analyze goals, norms, beliefs, and values. Ethical principles of analysis are needed in those cases where a decision about an ethical problem cannot be reached based on moral standards of behavior alone. The goal is that through ethical analysis, student can learn to clarify issues and rank alternative moral actions (Hosmer, 1988).

HOW TO ADDRESS ETHICS CONTENT?

Broadly speaking, there are four approaches to the inclusion of ethics material in business curricula. The first approach might be best characterized by the familiar phrase, "caveat emptor" ("buyer beware"), which is to say that there is no concerted effort to address ethical issues, much less training, in the curriculum. Until recent decades this was the prevailing perspective in most schools, and certainly this was the case at Bellarmine University.

Part of the justification for this position comes from the attitude, "let the Arts and Sciences curriculum handle it," and part comes from the belief that business majors are inherently as moral (or immoral) as everyone else. In either case, the conclusion stemming from this perspective is that no special attention to ethics is warranted in the business curriculum itself.

The second approach to integrating ethics in the business curriculum has been to simply allow each professor or instructor the prerogative of what and how much ethics content to include. With any level of academic freedom, instructors have discretion as to the content of their courses; allowing the instructor to decide the importance (if any) given to ethical issues in business seems practical, reasonable and justified. At least this approach seems justified, on two grounds: a) the aforementioned belief that business majors are no more or less moral than anyone else; and b) academic freedom and professional latitude entitles the instructor to address any relevant topics to the students' educational benefit. Few if any professors however, would agree that there is a duty to cover such issues. Nevertheless, professors are generally reluctant to cover perceived tangential or less relevant topics, when other demands on class and course time are already so prominent. Regardless of the merit of these justifications, simply leaving coverage of ethical issues to the instructor undoubtedly makes for a very uneven and contorted curriculum (especially considering multiple-section course structures and the growing use of part-time faculty, which opens a whole other realm of discussion beyond the scope of this paper).

The third approach has been to incorporate ethics-related projects or activities into the coursework of the curriculum, while still allowing individual instructors primary, if not total, oversight. While this does ensure some minimum level of coverage of ethical issues in the curriculum, it suffers from the same weakness as the previous approach; coverage and relative emphasis may differ widely and be uneven across sections or semesters.

A fourth option to ethics education in the business curriculum has been to place it at the end of a student's development or academic program, either as part of a business policy or senior-level capstone course. The strength of this approach is that ethical issues do receive attention, and presumably right at the height of the students' academic progress and powers. Engaging students in role-playing scenarios, ethical dilemmas, and decision-making discussions

can be very rewarding since it comes at the pinnacle of their educational comprehension and reflective experience. But the weakness of this approach may offset these strengths. Covering issues of ethics and morality at the end of an educational program, like an unnecessary appendage, may lead to the misperception that ethical considerations are not really that important. Moreover, this approach may communicate to students that decision-making of an ethical sort does not have a central or foundational place in marketing considerations.

Fortunately for faculty, students, (and administrators), the attention given to ethical decision-making in marketing has increased dramatically in recent years. This is due, in part, to help from academic textbooks and publishers. Texts for courses in Marketing Ethics have grown widely in recent years, with new titles appearing every year. Additionally, the inclusion of ethics related material ("ethics boxes" and other context-sensitive information) has placed ethical decision-making at the center of a well-balanced curriculum and educational experience, similar to the treatment now afforded to international issues and the impact of technology.

THE STORY OF BELLARMINE UNIVERSITY

Given these options, the following paragraphs relate one institution's history and ongoing development related to this aspect of education. Bellarmine University is a private, independent liberal arts institution, founded in the Catholic tradition by the Archdiocese of Louisville (see exhibit 1).

Bellarmino has approximately 2500 enrolled students, the majority of whom are enrolled in professional degree programs such as Business, Education and Nursing. Like many similar educational institutions, at least three factors have contributed to the adoption of a team-taught course that integrates ethics into the marketing curriculum: a) a desire to strengthen the "liberal arts core" through an "ethics across the curriculum" approach; b) a desire on the part of business administration and philosophy faculty to collaborate on projects and courses; and c) connecting the proposal for a collaborative effort between the Business Administration and Philosophy departments to the mission statement and educational objectives of the university. These factors have combined to make integration of ethics into the marketing curriculum possible.

Exhibit 1

Bellarmino University Mission Statement

"Bellarmino University serves Kentucky and the region by providing an educational environment of academic excellence in the Catholic liberal arts tradition, where talented and diverse persons of all faiths and ages develop the intellectual, moral, and professional competencies to lead, to serve, and make a living and a life worth living".

Business School Mission Statement

"The mission of the W. Fielding Rubel School of Business is to provide student centered, quality education in the Catholic liberal arts tradition at the Undergraduate and Masters levels. The School is enriched by the diverse intellectual perspectives inherent in the overall mission of Bellarmine University."

One would be justified to conclude that a project such as this does not move forward without at least some support from the administration. As part of the background investigation and preparation for developing the course, the authors interviewed three prominent members of the administration, (the President, Provost, and Dean of the School of Business), to gauge the level of support and rationale for integrating ethics across the curriculum, and specifically into the business program in this manner. At the beginning of the interviews, the authors provided each interviewee with a list of questions and asked them to address the questions as they saw fit (see exhibit 2).

The interviews begin with the comments of the President of Bellarmine University, Dr. Joseph J. McGowan. As one might speculate, the President's justifications for this program are very broad and comprehensive. His general interest in "ethics across the curriculum" springs from a vision of the university as a contributive yet critical, social institution. He contends that faculty do students a disservice if they do not educate them about culture, its messages and values, and how to be a genuinely happy, well-balanced person. For Dr. McGowan, "pop culture" has emerged over the past several decades as the primary educational agent of our society. His desire is for students and graduates to be "critical consumers of culture," and hence for the university to have a curriculum which addresses (rather than simply perpetuating) current issues and problems. As he states, "Ethics lies at the intersection of our personal and professional relationships." He also recognizes that the university has emphasized neither integration of disciplines nor application of philosophy to other academic areas. Consequently, he fully supports our current endeavors because he sees this as a genuine opportunity for the university to assert this role as an instrument of critical social reflection. One of our

questions raised a difficult issue: "Are you concerned that our students might be less competitive (i.e. less willing to take risks) in the marketplace, given this additional focus on ethics in the business curriculum?" Dr. McGowan responded, "Not if taught in the context of human freedom. Faculty must demand the creation of meaning, making sure students understand the plasma they are in...as a means of challenging the shallowness of contemporary culture." For President McGowan, consideration of ethical issues specific to the discipline of marketing is part of a comprehensive approach to this profession, providing students with a vocabulary for recognizing and responding to issues and opportunities.

The Provost of Bellarmine University is Dr. John A. Oppelt. His concerns are more focused on the institutional identity of the university than with cultural identity. His primary interest was exhibited by his question, "What makes Bellarmine different from other educational institutions?" His answer involves situating Bellarmine firmly within its Catholic liberal arts tradition. To Dr. Oppelt, the curriculum should reflect the traditions and values that constitute the academic heritage of Bellarmine, especially concepts such as "social justice." In his view, the university has a responsibility to model moral behavior by showing an awareness and sensitivity to issues and concerns. To this end, the required Ethics course in the core curriculum is a necessary, but not sufficient, part of educating the whole person. It takes more than discussions of theoretical differences to acquaint students to, as he puts it, "the practice of living." Dr. Oppelt expressed his belief that ethics is not effective as a single course simply in the Philosophy department; it must be integrated, practical, and applied.

Exhibit 2

Interview Questions

1. "What role do you believe ethics should play in the delivery of the campus-wide, core curriculum?"
2. "How (if at all) does that differ from the role you believe it should play in the undergraduate business curriculum?"
3. "How has the issue of integrating ethics into business curriculum evolved over time?"
4. What do you perceive are the strengths and weakness of integrating ethics content into the business curriculum?
5. Are you concerned that our students might be less competitive in the marketplace (take risks, etc.) with this additional emphasis on ethics in the business curriculum?
6. Let's pretend the roles are reversed (you are the teacher and I am the administrator) "How do you characterize the justification for ethics content in a marketing course?"

Dr. Oppelt acknowledges that this approach has not always been supported at Bellarmine. In part these changes are a reflection of changes in the faculty composition and of changes to the agendas of the administration and board of trustees. As an independent university, Bellarmine struggles with issues of its Catholic identity (as do most Catholic universities) and even though there is less of a visible appearance of its identity (e.g. fewer priests and nuns on campus) the desire for the success of Bellarmine's mission, values and tradition have become more visible and tangible as these values have become internalized by the faculty. "Care of the person," not just teaching a student has developed more, even if external signs of its traditional identity have declined. For Dr. Oppelt, this means the business school too reflects these changes. He believes that – far from making students less competitive in the marketplace, this educational philosophy should make them more competitive, and should attract more students to the university. When asked about the strengths and weaknesses of these changes in terms of educational philosophy (e.g. integrating ethics across the curriculum), Dr. Oppelt responded that the greatest potential weaknesses would be to have faculty who are not committed to the program or who take no responsibility for knowing and teaching the value of social justice. He believes that one should be able to include it in the curriculum and contrast it with opposing views even if – especially if – one does not agree with some of its values. This is particularly the case with Marketing, which is not simply a course in "how to sell more." There are many issues and implications; the task, Dr. Oppelt believes, is to give students the necessary background and tools for moral decision-making and good behavior. The strength of this program, he argues, is that it gives us a richer, better-defined curriculum, which will motivate and equip students to be better persons.

The authors also had the opportunity to interview the Dean of the Rubel School of Business, Dr. Daniel Bauer. His attitude toward this project is very positive. Not only does he view this as a chance to highlight the liberal arts foundation and social justice tradition, he sees this as an opportunity to view business decision-making in an ethical framework. As Dr. Bauer asserts, "Business really is about ethics." In fact, he mentioned that he would like to see the process begun with the Principles of Marketing course move out into other areas of the business curriculum.

On the question of strengths and weaknesses of this project, Dr. Bauer pointed out that it might be necessary to sacrifice some marketing content by devoting one-third of the course to philosophical discussion and application. The strengths, however, outweigh the weaknesses and should offset any loss of specific content. The primary strength he cited is the opportunity to provide students with a more well rounded education, or as he put it, "developing the skills to be a successful, broad based manager."

On the question of whether or not such an emphasis might make our students less competitive (i.e. less willing to take risks) in the marketplace, Dr. Bauer pointed out that ethics and risk-taking are fundamentally different. He contends that over the long run, corporations sensitive to ethical considerations perform better than others; tracking the performance of "ethical corporations" shows that they out perform their competition. Does that mean so-called "ethical corporations" are less willing to take risks? Not at all; it simply indicates that leaders who are sensitive to ethical issues make better decisions over time. Hence, Dr. Bauer's overarching goal for this project is to provide future managers and leaders with a framework for making good decisions.

where "good" is defined not merely as what is prudent, but also sensitive to moral values.

So how did our project of integrating ethics into the Principles course occur in this context? As you will note, there was already support for this type of endeavor in the administration. We began by first highlighting the ways in which this project would further the mission statement of Bellarmine University. Second, we articulated ways that our project would contribute to fulfillment of curriculum objectives and goals identified by the administration, especially in light of recent curriculum changes. These objectives and goals were then clearly communicated to students in the prospective course syllabus (See exhibit 3).

These goals and objectives then became the explicit outcomes listed for the students. These include examination of philosophical foundations of our disciplines, development of a critical historical and social consciousness, and a commitment to virtue. The latter of course, fits precisely with the administration's emphasis on strengthening our identity with Bellarmine's historical traditions and values. Third, with the encouragement of the Dean of the Business School, Dr. Bauer, we developed a team-taught approach to the course, which involved close collaboration on syllabus planning, course content, topics to be discussed, and grading procedures among all of the faculty involved in the conduct and administration of the various course sections. The result was one-third of the course time devoted to ethical issues and decision-making, which is equal to roughly one class period per week (out of 3, 50-minute sessions). The content of this aspect of the course includes coverage of textbook chapters and course materials with ethics content, development of a moral decision-making rubric, and several case studies and discussions, many of which come straight from the daily news.

At this point the question might arise, "Why Marketing?" that is, why should this type of project begin with a focus on the Principles of Marketing course? Fortunately for us, the best answer to this question comes from the Dean of the Business School, Dr. Bauer. He asserts, "By its nature marketing incorporates all aspects of business; it integrates all aspects of business. Marketing as a

discipline evolves right out of the liberal arts: communications, psychology and sociology. So it is an integrating discipline. Ethical decision-making is an integral part of that too."

Through collaborative efforts among the Marketing faculty of the Business School and the Philosophy department of the Arts and Sciences College we have been able to integrate informative and practical content on ethical issues into the Principles of Marketing course. This was accomplished by, a) appealing to the mission statement of the university; b) application of the goals and objectives to the curriculum, and c) through the thoughtful and active support of the administration. In particular, the leadership and support of the Dean of the Business School, Dr. Bauer, has been significant, and his willingness to support integrating ethics across the curriculum has been crucial to the success of this project.

CONCLUSIONS

Expectations and attitudes can and do vary widely at various institutions. Our experience may not resonate with everyone; in particular the level of administrative support we have received makes this endeavor somewhat unique. This account of the basis and development of our interdisciplinary effort however, is useful not only because it demonstrates some of the philosophical justifications for integrating ethics across the curriculum, but also because it recounts some of the most persuasive arguments for promoting this type of project in a university curriculum. These justifications are persuasive in part because of the sound philosophical basis which they appeal to, that of applying moral reasoning to the context of contemporary marketing practices, and in part because these justifications come from the administrators themselves. By linking our project to the mission statement of the university, by incorporating our immediate goals to the objectives of the curriculum adopted by the faculty and administration, and by allowing the administration to articulate to us their own educational philosophy and concerns, we have been able to establish a firm theoretical and practical basis for integrating ethics into the Principles of Marketing course.

Exhibit 3

Course Objectives and Outcomes for Students

Course Objectives and Outcomes:	Link to University Goals and Expectations
Develop a more thorough understanding of marketing planning, implementation, and control issues as well as demonstrate the ability to identify the salient factors influencing marketing by studying and applying textbook concepts, class discussions, and analysis of marketing practices.	Historical and Social Consciousness Communications Skills Comprehensive Integration
Gain an appreciation of the interdisciplinary nature of most business relationships and the connection between marketing and the other functional disciplines through refinement and application of management and financial concepts and methods in marketing decision-making.	Thinking Skills Comprehensive Integration
Explore the social and ethical implications of marketing decisions.	Philosophical Foundation A Commitment to Virtue
Experience a variety of domestic and international problem situations commonly encountered in marketing management and gain a comprehensive understanding of the scope of marketing decision-making and how consumer behavior varies among individuals, subcultures, and cultures.	Historical and Social Consciousness Thinking Skills Communications Skills
Improve interpersonal communication, writing, analytical, and logical reasoning skills through preparation for, and participation in, class discussions, examinations, case evaluations, and case analyses.	Thinking Skills Communications Skills
Develop habits that support good decision-making including creative, logical, evaluative, analytic, and integrative problem solving skills.	Artistic and Literary Comprehension Quantitative Literacy Thinking Skills Communications Skills Comprehensive Integration

Source: B.A. 305, Principles of Marketing Course Syllabus by Schrader, Luthy, and Padgett, Fall 2001.

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AN EMPIRICAL EXAMINATION OF THE EFFECTS OF SELECTED UNIVERSITY STRATEGIC MARKETING ACTIVITIES ON BUSINESS SCHOOL PERFORMANCE

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ABSTRACT

The results of a national survey of business school deans are reported. The possible effects of the use (or non-use) of selected marketing planning activities and of selected faculty awards (proxy indicators of the level of importance that business schools might place on certain areas of faculty effort) on university business school performance are examined and reported. We also report on the nature of the relationships that these activities and awards have with each other and report the number of respondents that employ the marketing practices and awards.

Though the results may have implications for all schools within a university, this study focuses on schools of business. We address three objectives. Specifically, our first (and primary) objective is to explore the individual effects of eight marketing planning activities (university enrollment management plan, business school enrollment management plan, university marketing plan, business school marketing plan, university advertising plan, business school advertising plan, university mission, business school mission) and four faculty awards (teaching, research, service, advising) on business school performance. Our second objective is to explore, for schools of business, the relationships between each of these marketing planning activities and faculty awards with each other. We seek to answer the question, in other words, of whether schools that use certain of the practices are more likely or less likely to use certain other practices. Finally, as our third objective, we will calculate and report the number of respondents that use the marketing planning activities and awards described above. By addressing these three objectives, we hope to gain knowledge regarding the mix of activities that could be used by schools to most effectively enhance performance. Conclusions, limitations, and suggestions for future research are presented.

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PERCEIVED MARKET ORIENTATION OF BUSINESS SCHOOL DEANS

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ABSTRACT

Theory and empirical research suggest that greater levels of market orientation result in a greater ability of the organization to achieve its objectives. Empirical research to date is quite limited as to market orientation applications to non-profit organizations such as universities. This paper seeks to extend knowledge by investigating and reporting on the nature and affects of market orientation within the university setting. Data were collected via a national survey. Extensive hypothesis testing (36 separate tests) was conducted. Results showed significantly lower levels of market orientation as perceived by Business School Deans vis-à-vis managers of business enterprises

These findings indicate that businesses perceive a greater importance and have made greater progress in the implementation of the marketing concept than have university schools of business. If, as previous research has found, organizations can improve their effectiveness by increasing levels of market orientation, university schools of business would seem to have ample opportunity to improve.

As virtually all business school deans responding to the survey perceived a lower level of market orientation than did their business counterparts, a significant opportunity would seem to exist for schools that will put more effort into their market orientation. As students of the university may be viewed as the most visible of the numerous markets served, market orientation efforts focused at students would seem to have the potential for the fastest and highest payoff. Examples of such payoffs might include:

1. An increase in enrollment
 2. An increase in the hit rate (increase in percent of applicants that actually enroll)
 3. An increase in the retention rate of current students
 4. An increase in future giving by alumni
 5. An improvement in rankings by outside organizations
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AN ASSESSMENT OF MARKETING DEPARTMENTS' WEBSITES: PRACTICING WHAT WE TEACH?

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ABSTRACT

Over the past years many campuses have re-titled their old promotion or marketing communication course to include the term "Integrated Marketing Communications" or the like. In the context of this course students are typically instructed about a variety of communication principles, including the importance of understanding the buying behavior of their target market, having continuity in their communications, and above all --conveying the differential advantage of their product or service.

The advent of the Internet and the World Wide Web (www) has afforded all parties -- including colleges and universities - the opportunity to reach audiences far beyond what was so only a few years ago. While many academic units may not have had a budget for promotional materials, most now have this opportunity to develop their own marketing communication piece via their website.

The objective of this study was to assess how well academic units have implemented the principles they espouse in their integrated marketing communication or e-marketing courses. Based on a review of the literature a checklist, of 20 best practices for websites was developed. Variables included such things as ease of navigation, consistency between pages and departments within a school, a description of the unit's differential advantage, and information about student organizations and faculty members. Two researchers reviewed each website independently. Their assessment of the variables was then compared and any differences in scoring were rectified. The sample was developed using the websites of the academic units and institutions from members who comprise the Marketing Management Association.

The findings add insight into how well academic units teaching marketing communication principles are implementing them. Suggestions for improvements are offered.

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PRIVACY, PERSONALIZATION, & POSITIONING: AN ANALYSIS OF FORTUNE 500 WEBSITES

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ABSTRACT

The key elements of website development are privacy, personalization and positioning. Fortune 500 companies are leaders and it is expected that they would pay attention to these website variables. Based on a year 2000 study, this paper replicates the research for Fortune 500 companies in the year 2001. Results and implications are discussed.

INTRODUCTION

There is little argument in today's marketplace that companies need an effective web presence. The widespread proliferation of the World Wide Web has prompted businesses to establish Internet websites to build and maintain relationships with customers. Businesses have started to realize that this medium is a wonderful tool for enhancing brand, product, and corporate awareness among their target markets.

The key website development elements which firms must consider are the issues of site privacy, personalization, and positioning. Numerous research studies have indicated privacy and personalization are of growing importance to users, and that positioning is a critical outcome of marketing strategy (Hawkins, Best, and Coney 2001). Prominent Internet-oriented publications such as *eCompany Now* and *Yahoo! Internet Life* regularly devotes columns to enhancing industry knowledge on these topics. Internet marketing gurus such as Hanson (2000) and Godin (1999) state that without properly considering site privacy, personalization, and positioning, companies will increasingly find their customers frequenting more user-friendly web locations.

With respect to the Fortune 500's web presence, one would expect that the vast majority of these high quality firms would have excellent websites that are well designed and in sync with each company's core strategy. According to a recent Ph.D. thesis on the topic however, no Fortune 500 company had anything resembling a strategy for their presence on the World Wide Web (Morris-Lee 2000). Yelkur, Tomkovick and Flunker (2001) examined the Fortune 500 websites from the year 2000 for the presence of

privacy statements, personalization, and positioning statements and reported that less than half of these companies had explicit privacy statements and nearly half of them had personalized and well positioned sites. The purpose of this paper is to replicate the research of Yelkur, Tomkovick, and Flunker (2001) for Fortune 500 companies in the year 2001 and to compare the results

PRIVACY

Privacy has long been a legal and social issue in the United States. According to Ward Hanson (2000 p. 418) "...privacy statements lay out broad guidelines the site follows in handling information collected from individuals through Web use, surveys, purchases, or additional data sources merged and matched with online data." Unless consumers are informed of the privacy policy of a company they cannot make informed decisions about using the product or disclosing personal information. Hanson (2000) further asserts that marketers with a privacy position should have a privacy statement to stand out in the clutter.

The FTC considers consumer privacy protection as one of its major responsibilities. It feels that CEOs need to make privacy on their websites an integral part of the site's design, with the same importance that they treat profitability (Hanson 2000; Customer Privacy and the Internet: A Ticking Time Bomb? 2000). In July 1999, the FTC issued a report that found that only about 20 percent of e-commerce websites complied with the FTC's standards for protecting the privacy of consumers (Oser 2000).

From a marketing perspective, not protecting your consumer's privacy has a much greater cost. A Forrester Research study found that

online retailers missed out on \$12.4 billion in sales in 2000 due to privacy-related reluctance to shop online (Kirby 2001). Consumer demands for greater privacy protection are fueled by a recent FBI report indicating that there are over 350,000 annual "identity theft" cases (Opting for Privacy 2001).

The approach businesses have adopted for their presence on the Internet has traditionally been driven by market forces. With individuals and businesses demanding to see "privacy policies" before patronizing companies (Anthony 2001) and in light of the emerging laws and regulations related to privacy on the Internet, corporations must seriously consider having explicit privacy policies on their websites.

PERSONALIZATION

In her seminal article, "Hey are you listening to me?" Zellner (2000) argues that the era of mass production, mass marketing and mass media is over. Although the "4 Ps" (product, price, place, and promotion) have long been known as the accepted taxonomic paradigm of marketing (Hunt 1983), *personalization* of these marketing mix elements is commonly referred to as a fifth P. Personalization of language, messages and services is inextricably linked with effective marketing on the Web. Internet marketing gurus such as Godin (1999), Hanson (2000), Silverstein (2000), and Raisch (2001) have each referred to the personalization of websites as a critical and necessary component of web marketing success.

One critical aspect of website personalization is the explicit reference to the all-important site visitor. Similar to brick and mortar customers, website visitors have an inherent need to be recognized in order to get the sense that the companies whose cyberspace locations they are visiting really appreciate their customers. One surrogate for this personal greeting on the Web is the explicit use of the word "you." According to research conducted at Yale University (Levinson 1998), second only to our birth name, "you" is the most persuasive word in the English language. The word "you" connects with us as individuals. To the website user or visitor, the term "you" initially translates into *personally* being welcomed to the site by the host firm. Silverstein (2000) refers to this as "making one-to-one fun," by striving to connect with site visitors as unique individuals. Incorporating the concept of "you" into websites is essential to building that one-on-one foundation.

In his groundbreaking text, *Principles of Internet Marketing*, Hanson (2000) devoted an entire chapter to the topic of website personalization. Included in this chapter are 27 illustrations of excellent web pages. Nearly 90% of these site illustrations contained at least one explicit "you" reference to gratefully acknowledge the presence of the site visitor. Not surprisingly, Fortune 500 firms with considerable electronic marketing expertise such as Microsoft and Dell have highly personalized homepages with numerous references to their website visitors (Stepanek 2000, Hill 2001, Kaila 2001). With salient examples such as these, it is believed that a growing number of corporate America's Fortune 500 websites will include "you" language in the homepages.

POSITIONING

In today's cluttered marketplace, it is important for firms to concentrate on specific markets. This can be facilitated by means of segmentation and positioning (Ries and Trout 1981). Many advertising practitioners consider market positioning the most important factor in establishing a company or a brand in the marketplace (Belch and Belch 2001). A company's positioning statement intimates "how you *wish* to be perceived by your target market" (Kanzler 1999). In contrast, a market position is defined as "how you *are* perceived in the minds of your prospects" (Kanzler 1999). In essence, a positioning statement attempts to influence consumers' perceptions to convey the image to the target audience that the company intends to portray. The objective of a positioning statement is to influence product design, development, and customer interfaces to maximize the likelihood that the market position corresponds with the firm's intent. A well-designed positioning statement defines a company's direction.

Through positioning, a marketer devises a strategy in a way that projects an image relative to the product category and competition and elicits consumer responses to that image (Berman and Evans 2001). An often overlooked criterion to the successful marketing of a website is the way it is positioned. A website positioning statement should clearly spell out what kinds of impressions, attitudes, and behaviors the company wants visitors to adopt. It is important for companies to know what informational value their prospective customers want from their websites. This information should be based on research related to user/buyer demographics and psychographics and the company's internal knowledge resources (Morris-Lee 2000). It is

expected that Fortune 500 companies would pay attention to their web positioning statement.

METHODOLOGY

In the Fall of 2001, our research team examined the websites of the Fortune 500 companies as listed at www.Fortune500.com. In particular, we were interested in examining the explicit privacy statements of these companies, their various levels of site personalization, and their unique positioning statements. Although each site had numerous links to other web pages, we focused our examination on each Fortune 500 company's homepage. We divided these companies into eight industries: Electronic and Computers; Industrial Equipment, Chemicals, Petroleum, Engineering and Construction, and Raw Materials; Insurance and Other Financial Services; Transportation, Automotive, and Aerospace; Medical, Pharmaceutical, and Other Health Related Products; Telecommunications and Entertainment; Retailing and Wholesaling; Tobacco, Food, and Beverage.

Sample Description

As depicted in Table 1, the Fortune 500 companies for 2001 were comprised of eight industry sectors: electronic and computers, energy and heavy industrials, insurance and financial services, transportation and automotive, health and medical products, telecommunications and entertainment, retailing and wholesaling, and food and beverages. As described in the table, the dispersion of 2001 Fortune 500 companies across these eight sectors was nearly identical to that of Fortune 500 companies in the year 2000.

Operationalization of Variables

The operationalization of our variables was patterned after Yelkur, Tomkovick, and Flunker (2001). With respect to privacy statements, we wanted to find out how many Fortune 500 companies made specific reference to privacy in their homepage locations. In operationalizing this construct, every Fortune 500 company homepage that had an explicit reference to "privacy," "privacy policy," "privacy statement," or some other similar phrase was recorded as a "yes" in terms of explicit privacy statement made. Those homepages without such explicit reference to "privacy" were recorded as a "no." With respect to the site personalization, we counted the number of explicit references each Fortune 500 company's homepage made to the reader (i.e., references to "you," "your," "yours," etc.). In

operationalizing this variable, if a company's homepage made at least one direct reference to the reader, personalization was recorded as "yes." If no explicit reference to the website visitor was made, personalization was recorded as "no." With respect to positioning statements, a homepage was considered to have provided an explicit positioning statement if there was brief and uniquely identifiable verbiage (i.e., a favorable slogan about the company or its customers) connected or immediately adjacent to its corporate logo, the first time the logo was presented. If this unique positioning verbiage was directly connected to the logo, then a "yes" was recorded for positioning. If the logo was unaccompanied with unique verbiage, then a "no" was recorded for positioning.

These variables were coded by three independent researchers and compared for consistency. Once the recordings for privacy, personalization, and positioning were complete, a comparison was made between the homepages of Fortune 500 companies for the year 2000 vs. 2001.

Hypotheses

Statistical tests of proportion were performed to test for changes in incidence of privacy statements, site personalization, and positioning statements for those Fortune 500 companies listed for the years 2000 and 2001. Our statistical tests of proportion examined the null hypotheses that there would be no difference in the incidence of privacy, personalization, and positioning across the two populations compared (i.e., Fortune 500 companies for 2001 versus 2000). The following null hypotheses were developed to form the basis for these tests of proportion:

H₁: For the presence of a privacy statement on the website, there is no difference between Fortune 500 companies for 2001 versus 2000.

H₂: For the presence of personalization on the website, there is no difference between Fortune 500 companies for 2001 versus 2000.

H₃: For the presence of a positioning statement on the website, there is no difference between Fortune 500 companies for 2001 versus 2000.

RESULTS

Independent tests of proportions for large samples were performed to test the three hypotheses. See Table 1 for the actual observations and

significance levels. A significant difference was found regarding the incidence of privacy statements. Fortune 500 companies in 2001 were more likely to include an explicit privacy statement than were Fortune 500 companies in the year 2000 ($p < .01$). For personalization, no significant difference between Fortune 500 companies in 2001 versus 2000 was detected. However, as predicted, more companies in 2001 personalized their web pages than in 2000. Our finding regarding website positioning was surprising. Although there was no significant difference detected between Fortune 500 companies in 2001 and 2000 for explicit positioning statement usage, there was a modest decrease in 2001 (see Table 1).

DISCUSSION AND IMPLICATIONS

As part of this on-going electronic marketplace adjustment, an increasing number of Fortune 500 companies are making explicit privacy statements part of their website strategy. Given that public pressure for more privacy is building, it is likely that an even greater number of Fortune 500 companies will have explicit privacy statements in the years ahead. As an example of this, K-Mart, Wal-Mart, and Sears provide explicit privacy disclosures in their websites and JC Penney does not. Based on competitive pressure alone, we would expect that JC Penney will add an explicit privacy statement to their website in the near future.

Regarding personalization, it was dumbfounding to us that so many Fortune 500 companies still do not make any explicit reference to their site visitors. One factor that is likely to influence website personalization is the degree to which a site is expected to directly generate sales. As more and more Fortune 500 companies realize the vast potential of this exciting new marketing channel and communication outlet, they are likely to add greater personalization to their web locations to aid in the persuasion process.

With respect to the use of positioning statements, companies which market one major brand, such as Dell Computers, were found to be more likely to use a positioning statement than were companies which are known for marketing several brands like General Motors. Similarly companies whose core business identity is connected with one particular industry, like Boeing, were more likely to employ positioning statements than were companies such as Ingersoll-Rand, which compete for business in multiple industries.

In concluding this paper, we recognize that more research is needed on this important topic. Given that websites themselves are a relatively new phenomenon, research on website development is clearly in its infancy. Marketing researchers who conduct investigations into website effectiveness will likely find willing readers for many years to come.

TABLE 1

Presence of Privacy, Personalization, and Positioning 2000/2001 Independent Test of Proportions

Year	Privacy	Personalization	Positioning	Total
2000	239	253	283	498*
2001	280	275	272	500
p-Value	0.0114	.2076	.4472	

*Two websites were unavailable for viewing.

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ONLINE ADVERTISING: IMUs IN BRIEF

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ABSTRACT

This paper investigates the adoption of the new IAB online advertising standards, IMUs. A short content analysis of online ads was conducted, and the findings provide insight and support for future research directions. The authors pose questions for consideration and suggest future research issues.

INTRODUCTION

Today's Internet audience represents approximately 140 million, one of the most coveted target audiences by marketers. The Internet continues to be one of the fastest growing advertising mediums in history. Although it represents only a small portion of total advertising revenues generated, Internet advertising has increased dramatically. According to a report issued by the Interactive Advertising Bureau (IAB), total online revenue for 2000 was \$8.2 billion. Even though this shows an increase in overall spending, it is lower than historical increases. However, this is typical of the advertising industry as a whole for the same period. IAB Chairman Rich LeFurgy noted that "as the base gets bigger and bigger, the days of double and triple digit growth are gone, as they would be for any industry that grew at the rate that the Internet did." Beginning with less than \$30 million in the first quarter of 1996, revenues generated just five years later were nearly \$4 billion. Online ad spending is predicted to grow to about 7.5% by 2005. The IAB said the consumer-related category accounted for 31% of online spending for 2000 with the retail segment accounting for approximately 50 percent. The categories, which lead online spending during the fourth quarter of 2000, were consumer-related at 30%, computing at 18%, financial services at 14%, business services at 10%, and media at 11%.

While online advertising still does not match traditional mass-media broadcast and print format, online advertising has surpassed outdoor advertising, and is predicted to match spending for cable and radio by 2003. The IAB reported revenues up 9% over third quarter 2000, with revenues of \$1.966 billion. Further, the IAB (2001) reported total ad revenues for 2000 to be \$8.2 billion. During the first two quarters of 2001, the IAB reports total ad revenue in the US to be \$3.76 billion, \$1.893 billion for the first quarter and \$1.868 billion for the second

quarter. These numbers do reflect a decline of 7.8 percent in the first half of the year over the same period in 2000. Competitive Media Reporting suggests this is consistent with the spending levels of other media.

Banner Ads

Banner ads appear to be the most prominent form of web advertising accounting for approximately one third of all online revenues. Banners were the leading form of online advertising in 1999 and 2000, with 56% for 1999 and 51% for 2000. During the first six months of 2001, IAB reports banner media share to be 36%. According to an IAB Internet Advertising Report by PricewaterhouseCoopers, other forms were substantially lower: sponsorships at 28%, classifieds at 15%, slotting fees of 8%, interstitials at 3%, email at 3% and other media at 7%.

The strength of banner ads is embedded in their evolution, from static and boring, to a rich media, which allows the customer to interact. The increasing role of improved technology, which allows the use of audio, or video has enhanced the engagement of the evolving banner ad.

New Technology Effects

Despite negative press, banner ads have maintained their role in online advertising. Laura Wonnacot (2000) contends that no other ad unit or program comes even close to the hold banner ads have on online spending (54%). Spending for banner ads is predicted to decrease to approximately 40% by 2003. While this number shows a decline, it indicates banner ads have gained a stronghold in this venue. Increased and improved targeting, along with increased interaction and improved technology will change online ads to something more than just a static billboard. These ads still lead to brand

recognition along with the potential to generate purchases, and should be part of a company's marketing strategy.

The static banner characterized early online advertising. The addition of rich media, including music, voice, video and motion, is being touted as a major development in online advertising effectiveness. The increasing role of improved technology, which allows the use of audio or video will only enhance the engagement of the evolving banner ad. Effective and creative use of colors, graphics and words generate higher click-through rates. The thing that differentiates advertising on the Internet from TV, radio, and other media, is its active participation factor (Wannocot, 2000). New technology applications provide a venue to marketers to incorporate interactivity in their online advertising.

The use of rich media in banner ads was found to increase click-through rates by 84%. Streaming media appears to be the one specific technology making inroads in the online environment. Of the 95 million US Web surfers, 36% used streaming media in November of 2000. The consumers who are regular streaming media users comprise about half of online users, two-thirds of those who have clicked on banner ads, and are about two times more likely to shop online.

Streaming-media ads are five times more effective in creating recall than a simple standard banner ad. While click-through rates are very low, 0.5 percent, banner ads it would appear to encourage repeat buying. This is evidenced by the fact that nearly half of those who saw a banner and took action had done so before. In the late summer of 1998, a majority of online users surveyed indicated they noticed banner ads, but a more significant statistic was the 17% who reported frequently clicking on banner ads. While the click-through rates continue to report low numbers, banner ads do generate banner recall, (73%,) and slightly more than half of these consumers indicate branding effectiveness. A study published by Harris Interactive, reports that Unicast's Superstitial online ads generated 81% brand recall, compared with 93% brand recall for TV ads, and these ads generated the same levels of purchase intent and usage. Unlike other media, Internet advertising creates a digital trail of audience exposure and response. This can be measured and analyzed to assess the overall effectiveness of an ad.

NEW INDUSTRY STANDARDS

The Internet Advertising Bureau introduced new Interactive Marketing Unit Standards to replace the original Banner Ad Standards, developed in 1997. As indicated in Table 1, these new standards include seven sizes of the "traditional" banner ad, along with new larger skyscrapers, rectangles and pop-up ads.

The new Interactive Marketing Units include more than just the "lowly banner," and provide many new size formats. So will these new ad formats be adopted and accepted by online marketers? What impact does the variation in sizing and technology application have on costs, effectiveness, and page design?

Disney Internet Group says larger ads won't replace banner ads. What they will do, is allow companies to command prices for this so-called "real estate" on a particular Web site. The NYtimes.com site has taken the interactive units to a new level. This site has implemented not only larger banners and skyscrapers but also dynamic HTML banners for companies such as Volkswagen. These new larger ads tend to result in more than double the click-through rates of traditional standard size ads. Research conducted by San Diego-based EyeTracking.com, for Cnet, found readers spent more time with the new ads, liked them better, and were more likely to remember the brands. Response rates increase as banner sizes increase, while web publishers are expected to charge 10-15% more for the larger ads, than now being charged for current size banner ads. Vertical banners are priced at approximately \$50 CPM and the larger interactive units are higher.

Key findings from AdRelevance, Jupiter Media Metrix's ad tracking service, found the number of different (unique) vertical online ads increased by nearly 70% during the 4th quarter of 2000, but that return on investment (ROI) is still unproven. Vertical banners received 20% of all ad impressions during the 4th quarter, a total of 1.9 billion impressions, while full horizontal banner continued to be the most common online ad format with 36% of impressions. According to a report in B to B in June 2001, the volume of vertical ads jumped from 30 million a week in late February, when they were first introduced, to 380 million a week by mid-June 2001. These vertical ads cost an average of \$50 cost-per-thousand-impression rate, compared with \$28 - \$30 for the standard banner and are being used on about 21% of all sites.

TABLE 1

New IAB Interactive Marketing Units, 2001		
Category	Size (in pixels)	Label
Skyscrapers	160 x 600	Wide Skyscraper
	120 x 600	Skyscraper
Rectangles and pop-ups	300 x 250	Medium Rectangle
	250 x 250	Square Pop-up, Utilized JAVA
	240 x 400	Vertical Rectangle
	336 x 280	Large Rectangle
	180 x 150	Rectangle
Banners and Buttons	468 x 60	Full Banner
	234 x 60	Half Banner
	88 x 31	Micro Bar
	120 x 90	Button 1
	120 x 60	Button 2
	120 x 240	Vertical Banner
	125 x 125	Square Button

IAB conducted a survey in association with the American Association of Advertising Agencies. Ninety-three percent of the individuals surveyed view the new guidelines as more effective than previous guidelines. One-fourth, 26%, of top-level agency representatives have already utilized the new larger units. Forty-three percent surveyed believe the new units warrant higher CPMs and attach an average premium of 13% to the new units.

RESEARCH STUDY

The purpose of this study was to analyze the current level of adoption and implementation of the New Interactive Marketing Units established by the IAB, and to analyze the use of animation and interactivity in the design of online ads. Given the emphasis in the media on the new sizes and in vertical format, it was predicted there would be a noticeable increase in the use of skyscrapers and vertical ads. It was also predicted there would be a noticeable increase in the use of animation, interactivity and other rich media formats in online ads.

Methodology

A non-scientific content analysis was completed between late February and early March, mid-March, and early September, 2001. Thirty-eight web sites selected for the analysis. These sites were selected specifically to include news, technology, and entertainment sites, as well as portals and search engines. Data collectors were trained regarding the size classifications and categories of banner ads and

interactive marketing units, as defined by the Interactive Advertising Bureau (IAB). Common search terms (computers, music, books, finance and sports) were rotated throughout the data collection procedure to activate banner ads at each site. Three series, or waves, of data collection were administered. The first wave, in late February and early March used the 1997 Banner Standards for classification. The second wave, mid-March and the third wave, late August and early September used the new Interactive Marketing Unit standards as the classifications for the ads. Additionally, ads were classified as regarding the level of interactivity. There were three basic categories, and a fourth added in the final, third wave of data collection. These categories were 1) static, no animation or special effects, 2) animated with motion or movement of graphics, 3) interactive which allowed the individual to interact by making a selection or typing in information. The fourth resulting "new category" was termed misleading. These ads were designed to appear they had interactive components, but in actuality were simply static. This observation resulted as the data collectors indicated they thought these were interactive, only to find they simply were hot-linked to another page when clicked. Thus, these ads were designed to "lure" the observer into clicking on the banner.

Results

Using the "old" standards during the late February and early March, almost one-fourth of the ads were the basic, or standard, 468x60 pixel banner. The various other sizes ranged from 15% to slightly

more than 6% of the total ads viewed. During the mid-March follow-up data collection, the 468x60 banner had gained some ground, with approximately 28% of the ads. The micro bar, 88x31 pixels had also gained ground, with 22.4% of the total ads. There were three new sizes in use at this time, skyscrapers, pop-ups and rectangles. These each appeared only one or two times during the second wave of data collection. During the third wave of data collection in late August and early September, the new IMUs were more evident. However, the standard banner still comprised almost one-fourth (24.56%) of the total ads viewed. The other significant change was the half-banner, 88x31. This size banner also comprised almost one-fourth (24.16%) of the total ads viewed. Together, these two banner categories comprised almost 49% of the total number of ads viewed. The next most popular ad was the micro-bar, 120x60 pixels. This comprised slightly more than 17% of the ads.

It appears that the basic and the micro banners are the most prevalent size of banners currently used in online advertising. Why, despite media indications to the contrary (IAB #67, 68) have the new larger ads not taken a larger portion of this market? It could be increased costs (AdRelevance, 2001), and having to redesign the layout of the web site. Many search engines and portals would be required to basically re-engineer their entire site to accommodate these new vertical and larger ad formats.

Additional observations regarding the use of static, animated or interactive design provide interesting results, see Table 3. During the first wave of data collection, slightly more than half, 54.5% of the banner ads were static, while 25.2% were animated. Just slightly less than 17% were interactive, and pop-ups (2.7%) had just begun to appear. In mid-March during the interim collection of data, almost 60% of the ads were static, slightly more than one-third (36%) were animated and less than 1% were interactive, while almost 3% of the total ads viewed used the pop-up format. Six months later, static ads comprised 75% of the total viewed, slightly less than 18% were animated, and 5% were interactive. The pop-up format declined to about 1.5% of ads viewed. These results were really surprising, as it would appear the use of attention-grabbing effects is declining. However, one the reasons may be the growing popularity of the micro-bar, which is quite small. These small ads can only contain minimal information and affects. Better targeting of banners to audience, recall and recognition may be factors, which allow smaller ad

formats to be effective. It would appear the use of animated and interactive formats is also declining. These results seem to be counter to the prevailing media predictions and trend reports.

DISCUSSION AND DIRECTIONS FOR FUTURE RESEARCH

Given the media attention to the "evolution" of online advertising, application of special effects, rich media, and new size and placement formats, one would predict as the new standards permeate the Web, more ads would incorporate these innovations. The maligned "lowly" banner ad can be expected to evolve into new sizes and placement style. While adoption of the new advertising size standards will mean re-designing the layout format of many web pages and web sites, standardization helps to reduce the advertisers' marketing costs by preventing a need for re-creation of the same ad in different sizes across sites. The new standards provide for ads, which are large, and high profile, that cannot easily be lost in the tangled architecture of a cluttered web page.

However, cyber-clutter will become a problem as advertising continues to grow online. Jupiter Research expects consumers will face approximately 950 messages daily online by 2005. Breaking through this clutter will mean advertisers must consider these new online standards. This brief snapshot view of online ads did not find the permeation of the new standards. In fact, the result is contra-indicative of the suggestions and predictions made by the Interactive Advertising Bureau and other media research firms. What can be gleaned from this small study? While the new venues have received music media attention, the reality of what is actually on the web page may be quite different. The other conclusion may be a flaw in the overall design of this brief study. It is just that, a snapshot in time. Expanding this review into a longitudinal collection over time may give a better overall picture of online advertising. The value of this study may be in the questions it raises for future analysis, rather than in the answers provided at this point in time. Some of the research questions to consider for future research include:

1. Can a trend regarding size/format be identified using a longitudinal study of this nature?
 - a. Do vertical and horizontal design affect recall or response?
 - b. Can one or more specific banner formats, such as size or placement

- c. Do animated ads or other special effects improve recall, and thus impact awareness?
 - d. Do interactive banner ads have greater recall and awareness than static and/or animated?
 - e. Do pop-up, either over or under ads have an annoyance factor which affects recall?
2. Do multiple ads of various sizes result in visual clutter?
- a. Does the number of different banners appearing on a single page impact recall and recognition?
 - b. Does clutter of multiple sizes and ads on a single page impact recall and recognition?

- c. Can online clutter be analyzed using the same perspective as print media clutter?
- d. Is there a parallel between online clutter and TV clutter?

Online advertising is here to stay. In what format and design remains uncertain, but the academic community should be involved in applying existing theory and knowledge regarding traditional advertising effectiveness and design to this constantly changing venue. Determining effectiveness in this medium will provide opportunity for multi-channel marketers to develop consistent, integrated marketing strategies across various channels. Continued research studies similar to this one, which analyze specific aspects of interactive advertising units relative to their impact on recall, awareness and effectiveness are definitely warranted.

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REPOSITIONING FROM "PRODUCT SELLERS" TO "WELLNESS PROVIDERS": A CASE STUDY

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ABSTRACT

Retailers face a highly competitive market environment and have difficulty in achieving a competitive advantage. Fletcher Music Centers has successfully used core selling competencies and lifetime service-free music lessons. To sustain this competitive advantage, the firm has invested in research of music influence on the health of its customers. Fletcher Music has repositioned its products and the retailer has become "wellness providers."

INTRODUCTION

Following World War II, the musical instrument industry experienced large increases in sales. This growth continued until the mid-1960s at which time the industry began to encounter leveling of sales. The major factor for this maturing was the result of complacency. For example, home organ sales had reached 250,000 units per year by the mid-1960s. However, the industry had a decrease of annual units sold to 50,000 home organs by the mid-1980s and further decline to 12,150 units sold in 1998 (see Table 1). Both manufacturers and retailers have contributed to this decline. Manufacturers were not offering a product for less than \$1,000. Retailers also influenced the declining market problems by thinking that there was little need for organ clubs and other activities to introduce the product to new customers and to retain current customers. As a result, the

music business has become highly competitive in a mature market.

Another factor for the decline was the misdirection and the advice given by music instrument industry analysts and experts, particularly for piano and organ products. Marketing consultants in the 1960s viewed the future market opportunities as yuppie related and this segment would not likely buy pianos and organs. Many manufacturers and retailers attempted to target (unsuccessfully) this group.

One retailer, Bob Fletcher, foresaw another market. He envisioned retirees (seniors market) as viable and with potential for growth in an otherwise mature, highly competitive industry. Several factors, most relating to knowing and responding to the "senior" consumer, have contributed to Fletcher Music Centers becoming the largest home organ retailer in the United States.

TABLE 1

Piano and Home Organ Sales

Date	Grand Pianos		Vertical Pianos		Electronic Player Pianos		Digital Pianos		Home Organs	
	Number of Units	Average Price	Number of Units	Average Price	Number of Units	Average Price	Number of Units	Average Price	Number of Units	Average Price
1992	29,369	\$10,636	73,513	\$2,766	n/a	n/a	46,104	\$2,000	17,660	\$4,884
1993	27,613	\$11,616	68,811	\$3,014	3,297	\$11,505	54,803	\$2,099	16,600	\$5,178
1994	28,999	\$11,968	65,794	\$3,224	3,985	\$11,525	55,908	\$2,222	15,589	\$5,511
1995	27,989	\$13,284	66,055	\$3,424	4,185	\$12,499	55,921	\$2,314	14,111	\$5,968
1996	26,551	\$14,020	53,032	\$3,706	4,773	\$12,607	58,012	\$2,359	13,275	\$5,933
1997	28,356	\$14,500	60,827	\$3,750	5,526	\$13,500	70,987	\$2,350	13,655	\$6,050
1998	33,600	\$14,000	66,541	\$3,599	6,618	\$13,500	74,232	\$2,049	12,150	\$6,549

Source: *The Music Trades*, April 1999, p. 88.

FLETCHER MUSIC CENTERS

Mr. Robert Fletcher is a third generation music businessman. His grandfather was an organ builder and his father was a music store retailer in Hornell, New York. Several years after taking over the store from his father, Bob Fletcher moved his retail store to St. Petersburg, Florida. When he relocated in 1972, the music business was competitive and declining and he even considered selling his business.

Since relocating, Fletcher Music Centers has experienced tremendous growth in geographic expansion and by increased in same store sales. Bob Fletcher has developed Fletcher Music Centers from one retail store in 1972 to over 30 stores with revenues in excess of \$45 million. The stores are located in Florida, Arizona, and North Carolina. Their primary product offerings are the home organs and pianos. Home organs are sold to the "seniors" market in mall locations. Purchases are often impulse and the organ is used as a hobby. Conversely, pianos are preplanned purchases by young adults, who buy them for a 4- to 12-year old child in a freestanding retail location.

Retailing Strategy

With home organ products, Fletcher Music Centers have focused on the "seniors" market by segmenting and targeting a market that has discretionary income and leisure time. Fletcher knows its customers (behavior), sells an experience, and offers support services with the product. For example, they do not use advertising but rely on high traffic mall locations. In addition, their stores provide a social atmosphere for this market. The Centers offer lifetime lessons with the purchase of, and for as long as the customer owns, their Fletcher bought home organ. This is at a cost to the company of over \$250,000 per year. This retailer not only understands the target market today but also knows the demographic trend of the increasing number of "seniors".

The firm surprisingly is not solely focused on their home organ market share. Mr. Fletcher monitors how retirees spend their money on leisure activities. The competing "seniors" leisure activities to music are reading, cooking, gardening, travel, fishing, and crafts. To be successful, the retail mix must give the music business in general and Fletcher Music in particular a competitive advantage to alternative leisure activities.

Merchandise and Assortments. Fletcher Music Centers positions itself through a well-defined and successful product mix in the leisure market. For example, since early 1970s organs have been in the decline stage of the product life cycle. Fletcher identified factors contributing to this trend in the "seniors" market. These factors were the result of product design not being "customer friendly." One factor was the influx of Japanese organs in the U.S. market and their product features. Instruments featured small buttons, plastic construction, and difficult to read lettering. Through customers surveys, they found that "seniors" had arthritic fingers and poor eyesight and the "seniors" prefer non-plastic musical instruments. The market research and customer response suggested that modified products were needed for this market. As a result, Fletcher developed its own successful home organ line.

Fletcher Music purchased the rights to the brand name of a defunct Vermont firm, Estey Organ, and formed an alliance with one of Italy's great organ makers, Orla, to offer their own Estey line. Fletcher has sold the Estey organs since 1991. The line emphasizes simplicity, large buttons, readable lettering, and wood cabinetry. Customers are buying an elegant piece of furniture for their living rooms instead of a plastic "gizmo" for the den.

Promotion. Their promotional program includes a monthly newsletter to past and current customers, in-store recitals and concerts plus lifetime free lessons with the purchase of an organ. Mr. John Riley, CEO of Fletcher Music, takes great pride in its community outreach programs. He states that "We are involved in partnering with healthcare facilities and providing music at assisted living facilities, retirement development's community rooms, and anywhere people want us, we will be there." Fletcher has students from its music lesson classes that form groups, called "Class Act" to play music for its outreach program, e.g., at healthcare facilities. This program offers volunteer services to the community and a great promotional strategy- a happy customer (student and peer) "selling the experience" rather than a salesperson.

Personal selling is a vital part of this retail firm. Sales personnel and managers are well trained and well paid, some earning over \$100,000 annually. Bob Fletcher knows the characteristics and importance of the sales and in-store personnel. Sales persons are well prepared, polite, and conscientious people who want to please their elders. But Fletcher also wants them to be "addicted to high earnings." He finds that these factors lead to a highly motivated

sales force. Sales representatives must be excited about music who, in turn, makes the customer excited about music. This brings people to its retail stores.

Price. Fletcher has retained customers through a "loss leader" product offering and by using their music classes as a method to "up-sell" their product line. Pricing is differentiated between the first-time buyer and the repeat purchaser. For example, Fletcher sells the least expensive home organ model at a loss. However, after some free lessons encourage the buyers to "trade up" to more elaborate models that have the advantage of very high profit margins. The average retail selling price allows a 60 percent profit margin on organs and 40 percent on pianos.

Fletcher Music rarely sells one organ to a customer. Bob Fletcher states that customers buy "an average of three, which means that though a lot of people may buy just one, there are others who buy five- or 10, or even 15. And when they buy, they buy up." The firm often sells people their first organ at or below cost and then follows up the sale with the kind of customer service that encourages higher price model. Bob finds that "Our results prove that they are not merely satisfied with the product; they are flat-out delighted with the experience they are having with the product."

Location and Channel of Distribution. Fletcher Music Centers' retailing approach is simple. The focus on one market ("seniors") and mall locations make it easy for target customers to get involved, and provide an experience in which customers make a strong connection between feeling good about themselves and playing music. Bob Fletcher's vision is clearly focused on the firm's retailing approach and the product value.

Fletcher Music Centers are diversifying its channel of distribution. Before 1997, the firm relied on major, high traffic malls for its home organ retail stores. It has since found, through test markets that the mall stores were not penetrating some segments in the "seniors" market. About six stores are currently located in less expensive, freestanding or strip shopping centers. Mr. Riley states, "We are pleased to be reaching and serving new customers in this market, and are very satisfied with the financial results." He also pointed out that Fletcher no longer has the piano retail stores that were located in similar freestanding facilities.

Customer Service. Through market research, surveys show that its customers are interested in the social aspects of the classes as much as in product features

and acquiring knowledge of music. The classes have become a very popular social event for their customers. Over 10,000 people are currently enrolled in classes.

Fletcher's biggest "seller" turns out to be something the firm actually gives away- free music lessons. The free lessons indicate to the customer that the firm is going to make sure that customers are going to get personal value from their purchases. Customers are never going to experience doubt from the purchase of a Fletcher organ, or get frustrated with it, because the customer will learn to play it and enjoy it. A Fletcher music instructor will teach the buyer. All customers have to do is show up for the free lessons.

Generally, Fletcher Music Centers strategy has been to: (1) focus on marketing an experience instead of a product, (2) pay serious attention to the needs of mature customers, and (3) overwhelm the mature customers with service and attention from very satisfied sales people.

MUSIC AND WELLNESS

Fletcher is repositioning the firm in the music market. Besides marketing an experience as it has in the past, Fletcher Music will market wellness. An early 1990s study by the Music Therapy Program at the University of Miami found a rather startling connection between music and wellness. The research showed through blood draws that the Alzheimer patients subjected to "regular doses" of music listening had a dramatically higher quantity of the chemical melatonin in their blood streams. Melatonin is the chemical that people produce to retard aging and combat the onslaught and progress of Alzheimer disease. In the same living environment and with the same aged individuals, similar studies were done with people who were not involved with the music therapy. Their melatonin levels did not change.

A current (new) study is being conducted, using the same medical team that was involved with the Alzheimer project but with a few additional doctors. However, Fletcher provides the research environment and initial funding for this study. Participants are 80 Fletcher Music Center "students" between the ages of 65 and 85 years old. The study is to determine if by participating in wellness keyboard class, older Americans will: (1) score higher on quality of life surveys as well as indicate positive mood changes; (2) become more relaxed, feel better and respond more positively to stress as the course

progresses; and (3) show enhanced immune system function or resistance to disease after music courses.

While the final results are incomplete, Dr. Ted Tims, principal investigator, indicated, "We feel very strongly based on our research with music therapy and Alzheimer's patients that the work we're doing here will suggest that abundant health benefits can be achieved by older people learning to play music in a supportive, socially enjoyable setting." Bob Fletcher however views the current study more broadly. He encourages others, e.g., trade associations, to support music industry research and development (R&D). He believes that the music industry has done very little in this area, particularly in marketing. Fletcher has demonstrated its R&D commitment through the Music Making and Wellness Project.

Fletcher Music realizes the potential market among the well elderly. Bob Fletcher emphasizes the commitment to the program by stating, "We are so convinced of the potential in this area that Fletcher has set sail in a whole new business direction." The organization has begun to transform itself completely, from being "product sellers" to "wellness providers". The purpose is not only going to help customers create a new life-style, but a healthier and happier way of living. The new business is "wellness for the elderly".

While others may look at his repositioning as high risk, Mr. Fletcher, as many entrepreneurs, is willing to advance a vision with facts (customer feedback) and opportunity (customer satisfaction, wellness).

Bob Fletcher observes:

- From the firm's non-scientific experience, hundreds of our customers have told us that their involvement in music has made them feel better, sleep better, and feel better about life in general. Do you suppose elderly people are going to be interested in that- or not?

- If involvement in music by patients, for whom music is therapy, can improve their lives even marginally, what do you suppose can happen for those who can be taught music, who become music makers?
- We are not talking about just marketing the experience of making music any more- as terrific as that is. We are talking about providing wellness, about a new and more rewarding participation in life itself. Is that marketable? The question answers itself.
- The answer is so loud and clear, that Fletcher Music is betting the company on it.

As Mr. Fletcher repositions his company, the segment and target market remain the same ("seniors"), but the positioning will be with even higher customer value (satisfaction), and be with even more (healthy) customers.

Discussion Questions

1. According to Table 1, the Grand Piano products are the only product lines shown that have increased from 1992 to 1998. Should Fletcher Music include these products in their assortment? Why or why not?
2. Besides Florida, Arizona, and North Carolina, what other states should Fletcher have retail stores? Explain.
3. What is a benefit that would motivate Fletcher Music to have retail stores in freestanding locations? What benefit would it be to their "senior" customers?
4. Discuss why Fletcher Music Centers should or should not include e-tailing to their business model.
5. Using a SWOT analysis, briefly discuss your support for or disagreement with Mr. Fletcher's "wellness providers" repositioning.

USING THE SENSATION SEEKING SCALE TO PREDICT SUCCESS OF LONGITUDINAL STUDIES

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ABSTRACT

It has long been established in the literature that recognizing individual differences in the Need for Cognition personality construct is useful in understanding how consumers process advertisements and how they purchase products. On the other hand, the Need for Affect personality construct has received far less attention in the literature. Holbrook and O'Shaughnessy (1984) explain that choices can be based as much on affective-emotional factors as on rational-factual inputs. Zuckerman's (1979) Sensation Seeking Scale is one method of measuring Need for Affect. Sensation seeking refers to behaviors that involve risk seeking, exciting, and thrilling activities that are different from every day life events.

Longitudinal studies can be very costly and time-consuming. One of the biggest obstacles to publishing a longitudinal study is the fact that many subjects become bored with the study and leave it before its completion. The purpose of the present study is to determine whether or not there is a correlation between a subject's Sensation Seeking Scale Score and his or her leaving a longitudinal study before its completion.

Lastovicka and Joachimsthaler (1988) suggest that many prior articles on personality-behavior relationships have committed a Type II error in which little or no personality-behavior relationship is detected when in fact relationships actually exist. Personality indicates individual consistency over time and should be more detectable in repeated behaviors than to single acts (Lastovicka and Joachimsthaler 1988). The Type II errors come about because researchers have traditionally used single-time indicators of behavior.

The Sensation Seeking Scale measures an individual's "need for varied, novel, and complex sensations and experiences and the willingness to take physical and social risks for the sake of such experiences," (Zuckerman 1979, p. 10). The global construct of sensation seeking is related to the broad personality factor of independence (Birenbaum and Montag 1986). The Form V of the Sensation Seeking Scale, a self-report 40-item questionnaire, has shown that high scorers are different from low scorers in a variety of behaviors including risk taking, drug use, and sexual preferences (Ridgeway, Hare, Waters, and Russell 1984). A total sensation seeking score is computed based on the sum of four factor scores: thrill and adventure seeking; experience seeking; disinhibition; and boredom susceptibility. Kish and Busse (1968) report that sensation seeking is positively related to educational attainment, intelligence level, and perceptual, spatial, and numerical aptitudes, and is negatively related to age.

In the present paper, Zuckerman's (1979) Sensation Seeking Scale is used to predict whether or not subjects will continue to participate in longitudinal studies after the study is no longer new. Study 1 compares the Sensation Seeking Scale scores of subjects who remained in a longitudinal study until the completion of the study with Sensation Seeking Scale scores of subjects who left a longitudinal study before the completion of the study. Study 2 compares Sensation Seeking Scale scores of students with regular class attendance with the Sensation Seeking Scale scores of students who regularly skip class.

Findings of Study 1 and Study 2 both suggest that the higher the Sensation Seeking Score, the more likely a subject is to leave a longitudinal study before completion. Males in both studies scored higher on the Sensation Seeking Scale than females. Thus, the findings of the present paper suggest that researchers may want to begin using this scale as a screening device when selecting subjects for longitudinal studies.

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THE APPLICATION OF THE SOCO SCALE IN A SMALL PERSONAL SELLING CLASS: A SECOND LOOK

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ABSTRACT

Continuing a long-term study, the author again applied the Sales Orientation/ Customer Orientation (SOCO) Scale to a small midwestern Personal Selling class. Results of independent t tests are presented, and then compared to results from the 1999 study. Limitations and suggestions for further study are then described.

INTRODUCTION

The author began a long-term study of students in his yearly Personal Selling class after coming across the article by Martin, Kimball and Bush (1998), in which the Sales Orientation/Customer Orientation Scale was used in an academic setting to assess the outcomes of a Personal Selling course. Robert Saxe and Barton Weitz developed the 24-item Sales Orientation/Customer Orientation (SOCO) Scale in 1982. The SOCO Scale was designed to measure the degree to which a salesperson takes on "sales-oriented" selling behavior or "customer-oriented" selling behavior (Saxe and Weitz 1982). The scale has been used in studies of professional salespeople in different situational and industrial settings, including the pharmaceutical industry (Chakrabarty, Brown and Widing 1998; Gillis et al. 1998), the evaluation of salespeople by organizational buyers (Williams and Attaway 1996; Williams 1998), and the retailing channel in Romania (Chelariu, Brashear and Boles 1998).

The author was (and continues to be) concerned about the orientation (customer and ethical) of his marketing students. They seemed to be very focused on extrinsic rewards, based on his experiences with them as he got to know them. Their focus also seemed centered on themselves, especially with regard to enjoying the outdoors lifestyle offered by the university's geographical location. Therefore, he first used the instrument in his Fall 1999 Personal Selling class of 13 students at a midwestern university. The objective was to, first, see what their orientation was towards personal selling as a career, and then to see whether they became more customer-

oriented by the end of the course. The mean total score improved eight points, from 165 to 173.154. However, this improvement was not significant. Students' scores improved for 19 out of the 24 items; however, only four improvements were significantly different. The effort to match students anonymously did not work well, with only four out of thirteen pairings possible (Totten 2001).

METHODOLOGY

As the Fall 2000 semester approached, the author once again used the SOCO Scale with instructions as modified by Martin, Kimball and Bush (1998). They included the phrase "*or, if you have no sales experience, the proportion of customers with whom you believe it would be appropriate to act*" (1998, p. 11). This change was done to reflect the likelihood that some students might not have had any sales experience prior to the class.

The context of the study was again the Personal Selling course, a required course for the marketing emphasis of the Business Administration major at a state university in the midwestern U.S. The class was larger than in the past, with 28 students enrolled. The class was offered at night and a number of international students had switched to marketing from computer information systems. These reasons may have accounted for the increase in enrollment, which had been around fifteen in the past. The class was evenly divided in terms of gender, with fourteen women and fourteen men. Most of the students were seniors, and several had had sales experience in their work histories.

TABLE 1
Comparison of Pretest and Posttest Scores for the Two Studies

<i>Pretest</i>					
Year	Low Score	High Score	Mean Score	Standard Deviation	N
Fall 1999	137	202	165.000	19.53	13
Fall 2000	109	201	165.111	20.53	27
<i>Posttest</i>					
Year	Low Score	High Score	Mean Score	Standard Deviation	N
Fall 1999	146	199	173.154	19.07	12
Fall 2000	120	199	165.333	22.58	24

The students were first asked to complete the survey on the first day of class in September 2000. They were told that the survey was designed to measure their attitudes toward selling. Implementing a suggestion by Martin, Kimball and Bush to match pre and post measures with individual students through the use of a random identification method (1998, p. 12), the author had students draw slips of paper on which the letters A through BB had been written. One student was asked to write down on a sheet of paper each student's name by the letter each had selected. Afterwards, the sheet of paper was tucked into an envelope and sealed by the student, to be opened for the post-test. The author did not know who had drawn which letter, having stepped out of the room while the student wrote down the names. The post-course administration of the survey took place on the last class day (in December) after all course work had been completed. Students were told that the survey was the same as the one they had completed back in September. The gender of each student was indicated on the posttest survey at this time.

RESULTS

Twenty-eight students took the pre-course survey while 24 took the post-course survey. One student did not turn in the pre-course survey, thus leaving 27 responses to be analyzed. Four students left early or missed the last class, and failed to turn in the surveys as requested by the author. Following the

lead of Martin, Kimball and Bush, the reliability of the SOCO instrument was assessed for both administrations by examining the internal consistency of scale items (1998, p. 12). Pre-course and post-course coefficient alphas of .9016 (n=27) and .8910 (n=24), respectively, indicate an acceptable degree of internal consistency, based on Nunnally (1978).

Total scores on the twenty-four items for the pre-course ranged from 109 to 201 (out of a maximum high score of 216). The mean score was 165.111, with a standard deviation of 20.53. Total scores for the post-course survey ranged from 120 to 199, with a mean equal to 165.333 and a standard deviation of 22.58. There was no significant difference between the two total scores, as was found in the 1999 study. A comparison of the total scores from the two studies is shown in Table 1 above.

Several disturbing points seem to be apparent in Table 1, even though the differences are not statistically significant. Students' scores on both the pretest and the posttest were lower in the 2000 class versus those in the 1999 class. There was no improvement in average total score over the course of the 2000 semester. The distributions are further spread out for the 2000 class versus the 1999 class. Were the 2000 students that different from the 1999 students? Was the author less effective as an instructor in the 2000 class? What role did the one-night-a-week format play in their scores, if any?

TABLE 2
Pre and Post Mean Scores on the SOCO Scale Items

	Pre	Post
1. I try to give customers an accurate expectation of what the product will do for them.	7.74	8.21 ^a
2. I try to get customers to discuss their needs with me.	7.52	7.92
3. If I am not sure a product is right for a customer, I will still apply pressure to get him to buy.*	6.85	6.71
4. I imply to a customer that something is beyond my control when it is not.*	6.74	6.13
5. I try to influence a customer by information rather than by pressure.	7.93	7.83
6. I try to sell as much as I can, rather than to satisfy a customer.*	6.93	6.42
7. I spend more time trying to persuade a customer to buy than I do trying to discover his needs.*	6.93	6.54
8. I try to help customers achieve their goals.	7.78	7.88
9. I answer a customer's questions about products as correctly as I can.	8.30	8.08
10. I pretend to agree with customers to please them.*	4.74	5.13
11. I treat a customer as a rival.*	8.26	7.67 ^b
12. I try to figure out what a customer's needs are.	7.56	8.00
13. A good salesperson has to have the customer's best interest in mind.	7.67	8.21 ^b
14. I try to bring a customer with a problem together with a product that helps him solve that problem.	7.52	7.92
15. I am willing to disagree with a customer in order to help him make a better decision.	6.52	6.88
16. I offer the product of mine that is best suited to the customer's problem.	7.74	7.83
17. It is necessary to stretch the truth in describing a product to a customer.*	6.26	5.71
18. I begin the sales talk for a product before exploring a customer's needs with him.*	6.44	6.04
19. I try to sell a customer all I can convince him to buy, even if I think it is more than a wise customer would buy.*	6.67	6.54
20. I paint too rosy a picture of my products, to make them sound as good as possible.*	5.96	6.54
21. I try to achieve my goals by satisfying customers.	7.93	7.88
22. I decide what products to offer on the basis of what I can convince customers to buy, not on the basis of what will satisfy them in the long run.*	7.07	6.75
23. I try to find out what kind of product would be most helpful to a customer.	7.70	7.83
24. I keep alert for weaknesses in a customer's personality so I can use them to put pressure on him to buy.*	6.82	6.75

*Reverse scored; ^aSignificant at $p < .05$; ^bSignificant at $p < .10$.

Means were calculated for the pre-course and post-course surveys, and are shown in Table 2. One-tailed independent t tests were conducted on the twenty-four items to determine any significant

differences in pre- versus post-course means. The underlying hypothesis was that mean scores should improve, i.e., increase; therefore, one-tailed tests were used instead of two-tailed tests. Only three

significant differences ($p < .10$) were found, as indicated in Table 2. Students' scores improved significantly for "giving customers an accurate expectation" of product performance and for "having the customer's best interest in mind." Unfortunately, students' scores dropped for the reverse-scored item, "I treat a customer as a rival." On a negative note, mean post-course scores were lower than mean pre-course scores for 12 of the 21 non-significant items.

In the 1999 study, four significant and positive differences ($p < .10$) were found. Students' scores improved significantly for "giving customers an accurate expectation" of product performance, getting "customers to discuss their needs", "still apply pressure to get him to buy" (reverse scored), and "sell as much as I can" (reverse scored). Mean post-course scores were higher than mean pre-course scores for 15 of the 20 non-significant items, indicating some recognition of the importance of customer-oriented selling behavior.

The only common significant finding for both studies involved the first item, "giving customers an accurate expectation of what the product will do for them." It is disturbing that students in the 2000 class showed less positive improvement in customer orientation than did their 1999 counterparts. Did I as the professor discourage them somehow over the course of the semester? How much an impact did the night class format have on their learning, if any? What other factors might have accounted for these falling mean scores?

LIMITATIONS & FURTHER STUDY

Concern has been expressed about the small samples and the limited use of the SOCO Scale with students versus salespeople. Obviously, small sample sizes affect what types of statistical analyses one can do with the data. However, it is important to conduct research on small samples, not just on large samples. Martin, Kimball and Bush (1998) worked with a pretest sample of 32 students and a posttest sample of 27 students. There is always the danger of misusing marketing research scales that have been developed (see Martin, Kimball and Bush 1998, p. 11). Given the coefficient alphas of .9016 ($n=27$) and .8910 ($n=24$) found for this study (and alphas in the lower eighties for the 1999 study), an acceptable degree of internal consistency has been indicated. The scale appears to be performing as intended, for student samples as well as for salesperson samples.

Results of paired t-tests based on successfully matching 23 students will be reported in a subsequent paper. The next stage of the study was begun in September with the pretest survey of twenty students in the author's Fall 2001 Personal Selling class. Further research will involve combining the three years of data into one dataset for further analysis and interpretation. Perhaps the impact of night versus day classes can somehow be assessed as well.

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EXTENDING QUALITY ASSESSMENT BEYOND THE CLASSROOM: THE CAMPUS COMPUTER LAB SCALE

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ABSTRACT

Computers have assumed an increasingly important role in the educational process, and consequently, institutions of higher learning have sought to enhance the quality of computer access they provide on their campuses. Based on a study of student computer users at a large state university, this paper reports the purification of a psychometric scale designed to assess the service quality of campus computer labs. The scale consists of eight indicators, and is intended to be used to monitor lab quality over time and assist in the planning of specific actions for quality improvement.

INTRODUCTION

Public higher education is facing mounting pressures to deliver improved value in all its activities (Heck & Johnsrud 2000; Wellman 2001). Actions by parents, students and legislatures are demanding that additional attention be placed upon the performance of the faculty, the curriculum, and any university-provided services that contribute to the college experience (Brennan & Shah 2000; Evanbeck & Kahn 2001; Underwood 2000). And, where there is increased scrutiny, there is the need for objective assessment, benchmarking, and planning for ongoing improvement (Watson & Pitt 1998).

All of these activities require the development of appropriate metrics that can serve to assess services, and recent literature has provided measurement instruments for such on-campus services as library resources (White & Abels 1995), career services (Engelland et al. 2000), dining services (Stevens 1995), and academic advising (Abernathy and Engelland 2001). The methodology and instruments proposed can be utilized as part of an ongoing program for improvement in the university experience.

One area where little assessment work has been reported is concerned with the campus computer labs that are provided for student use. These labs serve a large number each day, as students drop by to type papers, perform statistical analysis, access library and Internet sources, or check e-mail communications. However, anecdotal evidence indicates that many students are not pleased with the service quality of the computer labs provided on their campuses. Appropriate assessment instruments are needed so that institutions can evaluate the quality of the services they provide and make plans to

overcome any deficiencies (Watson & Pitt 1998). Accordingly, this study reports the purification of an instrument intended for measuring student satisfaction with lab service quality.

SERVICE QUALITY ASSESSMENT

Multi-item scales are generally superior to single-item measures for attitudinal measurement. The three principal deficiencies of single item scales that can be overcome through the use of multi-item scales include inconsistency over time, imprecision, and narrow domain representation (Spector 1992). Accordingly, it is not surprising that the literature has regarded service quality to be a construct that represents a broad domain requiring measurement with multi-item scales.

Very little information is available on the subject of student evaluation of computer lab service. Our literature search failed to locate any refereed journal articles relating to computer lab service quality or the development of a measurement instrument for this purpose. There is, however, a large stream of literature dealing with the assessment of service quality, beginning with SERVQUAL (Parasuraman et al. 1988). The SERVQUAL scale contains five factors, but empirical studies have shown that these dimensions may not be generic for all situations (Carman 1990) or even for the same type of service when different cultures are represented in the sample (Kettinger et al. 1995). SERVQUAL is designed to deduct reported perceptions from reported expectations as a computational approach, but this has not been universally adopted (Cronin & Taylor 1994). For purposes of this study, we do not wish to join the debate regarding the superiority of perception-only or gap-scored measures (Van Dyke et al. 1999, Kettinger & Lee 1999). We note, however, that despite

the fact that SERVQUAL gap-measures continue to be used (Jiang et al. 2000), expectations are hard to measure separately from perceptions (Carman 1990), and retrospective accounts of expectations may not be reliable (Golden 1992). Accordingly, the measurement approach adopted here is based upon measuring performance perceptions only.

METHODOLOGY

Development of the Item Pool

As suggested by DeVellis (1991), a large item pool was generated. Candidate items for the pool incorporated suggestions from students, the initial SERVQUAL scale (Parasuraman et al. 1988), a revised SERVQUAL scale (Engelland et al. 2000), and items selected from Swanson and Phillips' (1998) computer lab customer satisfaction survey. In developing the items, five guidelines were followed based upon Spector (1992), in which (1) each item expresses one and only one idea, (2) both positively and negatively worded items are developed, (3) colloquialisms, expressions and jargon are avoided, (4) the reading level of the respondents is considered, and (5) the use of negatives to reverse the wording of an item are avoided.

A total of 50 items were developed to tap into various facets of computer lab service quality, including physical rooms, hardware, software, hours of operation, availability of computers, lab assistants, printing, computing safety, and privacy (see Table 1). Faculty members who had made lab reservations for class use within the past two months were recruited to serve as expert judges for a face validity test (DeVellis 1991, Bearden & Netemeyer 1999, Hardesty & Bearden 2001). Consistent with Hardesty & Bearden (2001), we employed the preferred "sumscore" method of using expert judges' opinions and then selected items based on the combined score for all judges per item. This reduced the item pool to 42 items.

Sample Characteristics

The setting for the study was a college of business associated with a large US public university. The college provides two large computer labs for student use, and these were selected as the focus of the study. Data were collected via a web-based survey made available to all students with a business major. Demographic-related questions and a single item general satisfaction scale (1 to 10) were included with the survey

instrument. Students were contacted by e-mail twice and provided with a link to the on-line survey instrument. Students were promised anonymity, and no attempt was made to identify any of the respondents through cookies or other tracking devices. E-mail requests were completed to 2446 students and 278 participated, representing 11.0 percent of the population.

Returns were inspected individually for completeness, and 21 cases were eliminated because of excessive missing values, leaving 258 responses. Statistics for the mean, standard deviation, skewness, and standard error were reviewed before and after purging of these 21 cases. The differences in these statistics were minor only, and therefore the purging did not lead to any significant changes in the results. Respondent characteristics are summarized in Table 2.

Data Analysis

Box and whisker plots were obtained for all items, resulting in the decision to eliminate three items based on high skewness and unbalanced distributions, as recommended by Clark and Watson (1995). In addition, three reverse-coded items were discarded because of problems with polarity (Herche and Engelland 1996). Consistent with Gerbing and Anderson (1988), an exploratory factor analysis was performed on the remaining items to gain insights into the factor structure. The scree plot showed a definite elbow after the first factor extracted, and the "mineigen one" rule concurred, indicating a one-factor solution (Hair et al. 1992). In addition, the factor analysis revealed significant loadings on the first factor for a majority of the items. Accordingly, the decision was made to pursue a unidimensional scale.

In order to reduce redundancy, a purging was made using a combination of inspection of the item list to preserve the breadth of the domain, and inspection of corrected item to total correlations. The result was the elimination of most items with inter-item correlations higher than .70. The final scale was composed of eight parsimonious items (Table 1), with inter-item correlations ranging from .15 to .41. The mean inter-item correlation of the final scale was .31, which concurs with the guidelines of Clark and Watson (1995). Internal consistency reliability as measured by coefficient α was .744. An α level of .70 is considered respectable (DeVellis 1991) and recommended for preliminary research (Nunnally 1978).

TABLE 1
Results of Item Purification

Item	Result
The computer lab has appealing physical facilities	deleted for face validity
Lighting in the labs is good	deleted for skewed distribution
The chairs in the labs are comfortable	deleted to reduce redundancy
The computer lab has up-to-date equipment	retained
The computers in the labs are fast enough	deleted to reduce redundancy
The computers are well maintained	deleted to reduce redundancy
Internet access is readily available	deleted to reduce redundancy
Internet connections are fast enough	retained
The floppy drives work well	deleted to reduce redundancy
The CD-ROMs work well	deleted for face validity
The computer mice work well	retained
The computers have the software that I need	deleted to reduce redundancy
The software is up to date	deleted to reduce redundancy
The variety of software is good	deleted to reduce redundancy
The computers sometimes lock up while I work on them	deleted to reduce redundancy
The software is easy to use	deleted for skewed distribution
It does not take long to log in to the system	deleted for face validity
The software is dependable	retained
The lab has convenient opening hours for students	retained
I have not found the lab closed when I needed it	deleted for reversed wording
I frequently have to wait for a computer to be available	deleted for reversed wording
I don't have to wait long for a computer to be available	deleted to reduce redundancy
The labs have enough computers	retained
Lab assistants are well dressed and neat appearing	deleted for face validity
When lab assistants promise to do something by a certain time, they do it	deleted to reduce redundancy
Lab assistants show a sincere interest in solving my problems	deleted to reduce redundancy
Lab assistants are dependable	deleted to reduce redundancy
Lab assistants are not always present in the lab	deleted for reversed wording
Lab assistants help when they promise to do so	deleted to reduce redundancy
Lab assistants serve students promptly	deleted to reduce redundancy
Lab assistants are always eager to provide assistance	deleted to reduce redundancy
I can find help when I need it	retained
I trust the lab assistants	deleted for face validity
Lab assistants explain the problems	deleted for face validity
Lab assistants are polite	deleted to reduce redundancy
Lab assistants have the knowledge to answer my questions	deleted to reduce redundancy
Lab assistants give students personal attention	deleted for face validity
Lab assistants know the needs of the students	deleted for face validity
Lab assistants have the students' best interest at heart	deleted to reduce redundancy
Lab assistants provide the right information the first	deleted to reduce redundancy
Lab assistants are knowledgeable about hardware problems	deleted to reduce redundancy
Lab assistants are knowledgeable about software problems	deleted to reduce redundancy
Lab assistants show respect for students	deleted to reduce redundancy
The quality of printouts is good	deleted for skewed distribution
I don't have to wait long for my documents to be printed	deleted to reduce redundancy
I have enough free prints to meet my printing needs for the semester	retained
My documents are printed promptly	deleted to reduce redundancy
The computers in the lab have good protection against viruses	deleted to reduce redundancy
My private information is safe in the lab	deleted to reduce redundancy
It is safe to use the lab computers for private transactions	deleted to reduce redundancy

TABLE 2
Respondent Characteristics

Mean Age	22.2 years (Std. Dev. 2.8)	Classification – Fr.	8.4%
Gender – Male	54.4%	So.	8.8%
- Female	45.6%	Jr.	20.8%
Own PC at home – Yes	82.6%	Sr.	44.2%
- No	17.4%	Grad. Student	17.5%

Since a sufficiently high coefficient α is a necessary, but not sufficient condition for unidimensionality, a confirmatory factor analysis was performed (Kumar & Dillon 1987). Indices of fit were examined, including (1) an RMSEA of .031, which falls within the .05 guideline (Jöreskog 1993); (2) a Goodness of Fit Index of .976, which exceeds the .90 guideline (Jöreskog & Sörbom 1984); (3) an Adjusted Goodness of Fit Index of .957, which exceeds the .90 guideline (Jöreskog & Sörbom 1984); (4) a Normed Fit Index of .925, which exceeds the .90 guideline (Bentler 1992); and (5) a Bentler Comparative Fit Index of .985, which exceeds the .90 guideline of Bentler (1992). The results provide strong evidence for unidimensionality.

Since no established scales for this construct were found in the literature, convergent validity could not be established by comparing the new scale with an established measure. However, convergent validity can be shown by two scales loading on the same factor (DeVellis 1991). The overall satisfaction item, which can be considered a single item scale, loaded on the same factor as all items in the new scale. No attempt was made to establish discriminant validity for this exploratory research, and due to the limited theoretical foundation, no predictions from the theory could be formed to test nomological validity.

Development of norms is the final step in Churchill's paradigm of measure development (Churchill 1979). Accordingly, the results of the instrument are reported for future comparisons to other populations of interest. When placed on a 5-point scale, the sum of the scores on the eight items divided by 8 returned a mean value of 2.99, a standard deviation of .697, a range between a minimum of 1 and a maximum of 4.75, and a median value of 3. Sixty-eight percent of the scores fall between 2.3 and 3.7, 95 percent of the scores between 1.6 and 4.4, and 99 percent of the scores between 1.00 and 4.75.

DISCUSSION

On the whole, the proposed eight-item scale appears to be a good representation of students' understanding of computer lab service quality at one college of business. Of course, different circumstances may exist in different labs at different universities, such as hours of operation, available equipment and printing policies. These differences could necessitate some modifications to the scale items. A follow-up survey is planned for all students at the focal university in order to explore the commonalities and differences among all computer labs on campus. Validity of the proposed measure should be further explored. One approach to do this is to begin the survey instrument with a single item service satisfaction measure, followed by an open-ended item "Please list the issues you considered when deciding on your overall service satisfaction level." The answers can be reviewed based on their relation to items on the list.

The web-based method of data collection employed here can generate a substantial number of responses within a short period of time and is encouraged in future computer lab research. Furthermore, students who use computer labs are certain to be familiar with the use of web browsers, and should have no difficulty using the questionnaire in this form. Computer lab administrative staff could consider using a pop-up message requesting participation in the survey, appearing at regular intervals or connected to the log-on process. Use of the eight-item scale is recommended to increase participation, but inclusion of other scale items could be considered, especially if problem areas are suspected.

It is hoped that this instrument has the potential to serve as a cost-effective gauge of student service quality satisfaction. Results of the survey may be used to trigger action when the scores fall below the norm or below a target score selected by the institution. Low scores on individual scale items can be used to identify areas to be targeted, avoiding allocating resources to areas where students are satisfied while their real concerns are not addressed.

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THE IMPORTANCE OF WEB MARKETING FOR ELECTRONIC COMMERCE

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ABSTRACT

Setting up and maintaining a Web site requires the combined efforts of all resources available, because a Web site is not a stand-alone marketing tool. The suggested framework in this paper helps to determine what questions should be answered in order to balance the available resources for an effective Web presence. Specific issues in Web marketing are discussed. As a result, a company is forced to stay up-to-date with current developments, and it has to experiment with emerging technologies. Furthermore, brand awareness needs to be created by offering additional service that the customers nowadays anticipate. Problems for the company can arise when the Web presence is not appropriately customized to customer's expectations. Either within the US or outside, the Web site needs to be tailored to the market and the target groups, which can easily be done. If a company fails to know customer wants and needs and is abreast of current developments, the loss of the e-commerce business is predictable.

INTRODUCTION

Electronic commerce can be defined as a process of buying and selling products, services, and information over the Internet, Intranets, Extranets, and e-mail. Electronic commerce is not only focusing on selling and purchasing, but also on communicating and addressing issues to improve a businesses' performance. The business-to-business market differs from the business to consumer market and has more similarities with electronic data interchange (EDI) and electronic funds transfer (EFT). Electronic commerce has the benefit to speed up the sales process, because the data is immediately processed by data processing software. However, electronic commerce is not only limited to build an online shop. The company involved in electronic commerce needs to market the site, and the success of an e-commerce site depends heavily on how the company presents itself with the tools available nowadays.

Electronic-Commerce, the process of buying and selling over the Internet, has been developing enormously fast in the recent past. It is predicted that it will continue to rise, simply because most of the population has not been online yet. Although no precise numbers are available, the following data provides an idea about the market yet to develop. About 64 million people have been online in the U.S. and in Canada in 1998 (about 22% of the population), and 25% of these users have already purchased products online. 42% of the U.S. households have computers, and this expected to increase to 60% by

the year 2000 due to declining computer prices (Maes 1999).

The purpose of this study is to characterize electronic commerce and determine the factors influence a company's performance on the Web. Therefore, current literature from various sources is reviewed. More specifically, a comparison between traditional and electronic business transactions is conducted. The main advantages and disadvantages are explained after a further distinction between two major electronic commerce markets. Furthermore, the impact on Web marketing is displayed, focusing on specific issues that have been identified in the literature. Also, a critical reflection on special issues that have a negative effect on e-commerce will be presented. Finally, recently emerging topics are characterized to provide an outlook to developments in the near future.

ELECTRONIC COMMERCE STRUCTURES AND MARKETS

Electronic Commerce vs. EDI/EFT

Electronic commerce has its roots in the exchange of business data and documents in a standardized form, which started some decades ago. This principle of data exchange has been used in private networks since the 1960s/1970s and is called electronic data interchange (EDI). EDI was used with proprietary and closed networks that only had a limited number of users and a fixed set of rules. Larger companies used it to achieve greater

efficiencies by being able to place orders electronically with established suppliers. At the same time, banks have also been using networks for electronic funds transfer (EFT), which mainly occurred between them and other banks or financial organizations. EFT has allowed them to optimize electronic payment transmission, resulting in a very efficient and secure system in which identities of all participants were known with certainty (Kosiur 1997; Cosgrave 1999).

In contrast to EDI and EFT, the Internet can be characterized as an open network with no real common rules that an uncountable number of users with an unknown identity can use at the same time. Users in the Internet have to deal with a conflict of standards and systems, lack of security, and low user friendliness. After the tremendous growth of the Internet in the beginning of the 1990s, the World Wide Web (WWW) increased in popularity due to its user friendly and open standards. Basically, the World Wide Web laid the foundation for electronic commerce (Cosgrave 1999).

Electronic commerce can basically be defined as a process of buying and selling of products, services, and information over the Internet, Intranets, Extranets, and electronic mail. (Kosiur 1997; Cosgrave 1999; Garner 1999). Electronic commerce is not only focusing on selling and purchasing, but also on communicating through an online service and addressing issues to improve businesses' performances by using advanced information technology (Wang 1999).

Business-to-Consumer

Although electronic commerce first focused on the later characterized business-to-business market only, the end-consumer market has been of increasing interest for companies. One reason is that more and more people having access to computers, and become more computer literate.

Compared to a company's traditional business transactions, it must be noted that demographics for electronic commerce customer may differ from their original customer base. The Internet and the WWW are still not reaching all consumers, and the market mainly consists of well-educated individuals whose median age is in the mid-30s. Compared to the median US income of \$37,000, these people's median income is much higher (between \$50,000 and \$60,000) (Kosiur 1997). E-commerce is most strongly represented in the retail industry. The future impact of e-commerce on the

retailing business is difficult to estimate, and predicted sales figures vary from \$27 billion to \$76 billion for the year 2002 due to different definitions of revenue, methodologies, and degrees of industry bias (Fellman 1999). However, it can be predicted that the total numbers of online shoppers is steadily increasing and more prevalent in certain retail areas. Also, more women have recently started shopping online and are even dominant in certain retail areas, as shown in appendix 1 (McNatt 1999). The increasing amount of women has an impact on an increasing number of Web sales in categories that were qualified as not being able to sell goods over the Internet, such as groceries and furniture (Mullaney 1999). This is one of the latest trends and will be discussed later.

Business-to-Business

The business-to-business market differs from the business-to-consumer market and has more similarities with EDI and EFT, because companies build closed networks with other business partners (Cosgrave 1999). User characteristics and behavior is different from the consumer market, because buyers for businesses usually have to deal with time-constraints when completing a task, and therefore spend less time to surf the Internet. Their primary goal is to place an order, so the relevant information needs to be easily accessible (Kosiur 1997).

ELECTRONIC COMMERCE AND THE IMPACT OF WEB MARKETING

A Web Site as a marketing Tool

One of the main questions within a corporation regarding the Web presence and e-commerce opportunities is the responsibility for organization and support of the Web site. Since Web sites were first explored and developed by IT professionals, they were considered as a low-cost medium for corporate information such as press releases, investor relations publications, and technical literature. Web sites, however, have developed into a valuable marketing tool that can attract new businesses, interact with customers, and bring service and convenience to existing consumers. They are also the foundation for conducting business on the WWW. Therefore, a Web site needs to be managed professionally in order to be a useful tool for the corporation. Oliva (Oliva 1998) suggests a framework of three balanced approaches that need to be considered when a Web site is developed. They are:

- Balanced resource allocation, i.e. the attempt to Stabilize;
- Content resources: low budget vs. expensive Web appearances;
- Response resources: slow, minimum, low cost responses vs. fast, comprehensive, expensive responses to the customer;
- Technical resources: balancing the technical considerations to maintain system security;
- Balanced strategic focus, i.e. the balance which functions should be centralized and which should be delegated to specific sub-sites;
- Balanced management control, i.e. a balance of control to maintain corporate identity as well as encouraging risk-taking and experiments.

The success of an e-commerce site depends heavily on how the company presents itself on the Web site. It is not enough to set up a page with information and e-commerce opportunities. The company needs to combine marketing efforts also on the Web to satisfy the customers wants and needs and make him or her a loyal customer. Olivia summarizes key issues in Web marketing as follows (Oliva 1998):

- Site mission: How does the Web site supports commerce over the Internet?
- Brand strategy: How flexible, well understood, and strong is the brand management system and the corporate identity?
- Audience empathy: Does the company understand how the target group accesses the Web site and the e-commerce facilities?
- Technical quality and security: Does the technology function properly and stable?
- Globalization: How does the company handle different markets, customer bases, and business strategies?
- Innovation, experimentation, and learning: Does the company engage in experiments and monitoring the Web site?

Web marketing is a dynamic process, and it is important to notice that criteria for the state-of-the-art Web presence change very fast. Therefore, companies are advised to try to keep up with current trends by constantly experimenting with new tools, benchmarking with top sites or competitor sites, sharing information, and learning new methods.

In the following paragraphs two major aspects in Web marketing are discussed since they have a big impact on a company's Web site and e-commerce success: advertising and brand management.

Advertising

Internet advertising is an important tool that has to be considered in the Web marketing approach. In the early years of Internet advertising, traditional methods have just been copied, because there were no previous experiences available for the Web marketer. However, this has not always been proven to be successful. Hoque and Lohse (Hoque 1999), for example, have examined how advertisements are perceived in traditional paper yellow pages and online directories. They have found out that different patterns of perception exists; for example, advertisements in online directories are more likely to be chosen when they are closer to the beginning of the page, while this was not the case in paper-based yellow pages. They also found out that display advertisements have a positive impact on the reader in paper-based yellow pages, while they have a negative impact in online directories.

With the increasing usage of the WWW, other methods have been evolved in recent years. Some of the most popular methods to advertise on the Web have been e-mail, sponsorships, interstitials (pop-up ads), and banner ads. While the success of bulk e-mails has been considered doubtful because it has caused some legal problems due to lawsuits on unsolicited mail (spam mail), banner ads are considered to be more successful, although they just have a low average click-through rate between 1% and 4%. Currently, Web advertising consists of 10% interstitials, 30% sponsorship, and 60% banners ads (Oleck 1999). However, even the exposure to banner ads increases advertising awareness, brand awareness, product attribute communication, and purchase intent, according to a study conducted by the Internet Advertising Bureau (IAB) and Millward Brown Interactive in 1997 with more than 16,000 survey respondents (Internet Advertising Bureau 1997).

Furthermore, Internet advertising has some advantages over traditional advertising vehicles, as Schlosser and Shavitt (Schlosser 1999) have found out in their research study. Their study revealed that Internet advertising is more informative than entertaining, and fewer survey participants felt insulted, offended, or misled by Internet advertising compared to sample of subjects who have examined general advertising. However, it was also found out that only a small group of participants uses Internet advertising to make purchase decisions.

Another concept, e-commercials, is e-mail targeted to specific audiences, which will be sent out

with a streaming video and/or audio commercial attached. The attached multimedia files are highly compressed, usually 30 seconds long, and are enhanced with links to a vendor's site or e-mail address. Hits from e-commercials can be tracked down in order to measure their success (Rosa 1999).

Although e-commercials are expected to increase in the near future, and e-mail and banner ads are still the preferred advertising vehicles in general, large retailers on the World Wide Web (e-tailers) announced that they prefer traditional advertising campaigns right before the holiday season. BuyItNow.com, for example, is focusing on advertising on cable or network television as well as print ads and billboards, since it has discovered that offline ads generate 90% of their customers (Corral 1999).

Except the holiday season between Thanksgiving and Christmas, where according to Maes (Maes 1999) almost half of the revenue in e-commerce has been generated in the past, TV and newspaper ads will probably be less likely throughout the whole year. New developments such as e-commercials have still to prove to be an effective advertising tool. Therefore, it is predicted that sponsorships and interstitials will rise to 40% and 20% respectively by the year 2003, while banner ads decline to 40% (Oleck 1999).

Brand Management

Many companies just focus on the amount of traffic they can get on their site and determine the success by counting the number of visitors or transactions. As indicated earlier in this paper, it is not only important to sell a product, service, or information, but also to convert customers into loyal customers. One method to increase customer loyalty is to create and increase brand awareness.

Although research has found that banner ads, as mentioned previously, contribute to increasing brand awareness, it can be stated that the WWW has not often been used intentionally to create or expand on brand awareness. Brand awareness can be defined as targeting the market with messages or actions to create a predisposition to buy a brand. In traditional marketing companies have usually considered print or broadcast media targeted at a relatively big mass within a demographic group to create brand awareness. It has also been found that a company's location, appearance, product presentation, etc also influence customers and their attitude towards a brand (Bortman 1998). Customers on the Web,

however, have not necessarily visited a company's physical store (if it exists), have not contacted the company, or have not had experience with the product yet, but they already might have brand preferences derived from various other sources such as newsgroups, mailing-lists, or newsmagazines on the Internet (Gehman 1999). Also, Gehman suggests that the environment of the Web site has more influence on a brand preference than infrastructure (such as a connection to a backbone) or context (such as news headlines, stock quotes, weather).

Bortman (Bortman 1998) additionally suggests that if a company wants to keep a customer after the initial sale over the Web, it needs to provide customized personal service, learn about each customer's wants and needs, and serve as an agent to deliver the desired goods and services in order to increase brand awareness. A one-to-one relationship with the customer needs to be established, and the brand manager of the future should focus on consumer-driven services, providing him or her with solutions across traditional business sections or divisions. The company really needs to add value, and customers expect this service more and more. For example, a company is not just selling airline tickets anymore, but provides the customer also with additional information or tickets when seasonal events occur, matching his or her hobbies and preferences.

However, in the past companies have often failed to incorporate cross-functional teams, and have just focused on duplicating their traditional business model on the Web. This model is predicted to fail, especially in large companies with multiple divisions. Bortman gives an example of a large computer manufacturer's Web page and the failure to provide a good and convenient service. In the example provided, a customer orders a computer and has to leave the Web site for computer to another Web site for printers. The second site is maintained by a totally different division, which requires a second order besides the first one. As a result, creating brand awareness can only be achieved through strong internal structures and cross-functional teams providing superior and valuable service to the customer.

CURRENT TRENDS IN E-COMMERCE AND WEB MARKETING

New Retail Areas

In the past, some products and services were qualified as not being salable over the Internet, such

as apparel, arts, furniture, car parts, and groceries. This has changed recently and evolved into a trend for several reasons. First, more women are online today than several years ago. This has an influence on the retail areas where women make most of the purchasing decisions, such as groceries and furniture. Second, companies have taken actions to convince online buyers that they receive good quality products when they order online. This has been the case with some arts and crafts shops that use well-known experts who screen the products for quality before they can be sold over the Internet. Third, the clothing industry developed applications such as "personal model" or "swimsuit finder" where an online buyer can choose a body shape that represents him- or herself to observe how certain clothes might look like without actually trying them on. Fourth, some businesses discovered that they have an advantage by selling online. For example, furniture stores have discovered that "real" furniture shopping is considered to be very inconvenient for shoppers. And last, venture capitalists are risky at the moment and are looking for new ideas. Their money gives entrepreneurs the opportunity to even pursue more risky businesses (Mullaney 1999).

Software Agents

With increasing shopping opportunities on the WWW, online shopper become more and more confused, resulting into the development of new applications such as software agents. A software agent is an application that carries out activities like a human agent by supporting a buyer in an online transaction. Within the buying process, a software agent can be used for different tasks, such as a purchasing rules agent, merchandise search agent, negotiation agent, distributed inventory control agent, or accounts payable agent. This collection of agents is called Electronic Commerce Support System (ECSS). An agent functions continuously and independently from a certain environment. A merchandise search agent, for example, searches the Internet for suppliers to order goods from. The software agent, however, is business related and identifies suppliers that match certain needs. A software agent can work towards specific goals by performing basic operational tasks and problem solving. It also supports the buyer in his or her decision-making process, makes decisions in negotiations and bargaining processes, and is even able to learn within certain boundaries. As a result, a software agent helps the businesses coping with the huge amount of information that is available and coordinates processes (Wang 1999). A software agent can, for example, be applied to search profiles and

preferences to find customers who are interested in specific products. This can result into a trend called reversed advertising, i.e. buyers advertise what they want, and vendors try to match the criteria (Maes 1999).

From a customer's viewpoint, a software agent is an important tool to find the cheapest price available. However, it can be considered a threat for businesses that offer commodities and compete only on price without offering additional service. Customers will not be very loyal, because they can switch to another vendor (found by the software agent) who offers the same product for a cheaper price. According to Maes (Maes 1999), this also makes prices fall.

New E-Commerce Models

Gillmor et al.(Gillmor 1999) predict that a change in the electronic commerce will occur in the future. Until now, e-commerce companies focused more on selling commodity items such as books and videotapes, tried to beat the competition on either price or selection or both, and eliminated any personal contact between a customer and an employee. A company operating on low prices usually has low margins, resulting in low profit on the sold goods themselves; additional revenue is then generated by re-marketing customer information or through advertising on the Web sites. With a strategy of low prices, however, a company does not reach high-margin and high-involvement buyers who expect customer service and personal attention. Establishing a one-to-one relationship to high-margin customer was difficult, if not impossible, until the recent past when more sophisticated tools such as Palm Pilots, Web Cell phones, NetMeeting, and Web TV became available to a broader mass. Establishing a one-to-one relationship with a customer is not only beneficial to build brand awareness, as mentioned earlier, but is also crucial for the future existence of the company because it can really identify the customer's wants and needs and can keep in touch with the latest changes. Gillmor also states that companies, which have not yet positioned themselves as a low price vendor, have the best chances to follow this suggested approach.

Areas for Future Study

E-commerce and Web marketing are relatively new areas in the business environment. The main difficulty with them is the fast pace e-commerce and Web marketing standards are changing. Standards and tools are outdated within a

few years, because new applications and tools are developed and marketed daily due to the rapid hardware development.

Future research has the task to apply traditional methods and approaches in marketing as well as in business in general to the new World Wide Web environment. Also, little empirical research has been done in various areas that have been discussed in this paper: the effect of new advertising approaches such as e-commercials on e-commerce customers, the effect of reported customer complaints on future e-commerce transactions, influencing factors in brand name creation, the effect of foreign language sites on the willingness to buy online, etc. The results of such studies are important values for the e-commerce industry. It would help to further foster e-commerce because traditional methods are not always applicable.

CONCLUSION

New issues related to the Internet and e-commerce evolve at a rapid speed, and new technologies and applications are developed at a daily rate. The success of today can be a failure tomorrow, and a threat can develop instantly into an opportunity. Companies need to closely monitor the marketplace in order to be ready when applications make a big impact on the industry. The focus on the marketing concept and therefore on wants and needs of the customer is essential. Competition is harsh on the Internet and increasing. A company does not have as much power anymore due to software agents that makes a comparison of prices easy. The solution is to offer a real additional value to the customer by offering anticipated service. However, this can only be achieved if the company stays in close contact with customers.

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Appendix 1: Online Shoppers

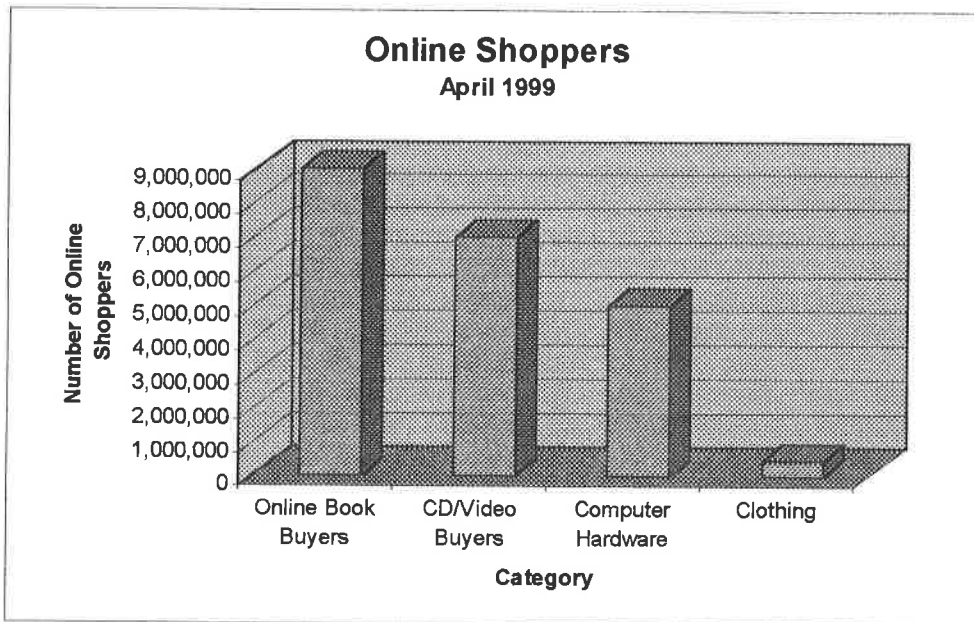


Diagram 1: Total Numbers of Online Shoppers April 1999

Source : McNatt, R. (1999). "Who's Driving E-commerce?" *Business Week*.3637. 07/12/99. Page 8.
Data Source: CommerceNet/Nielsen Media Research

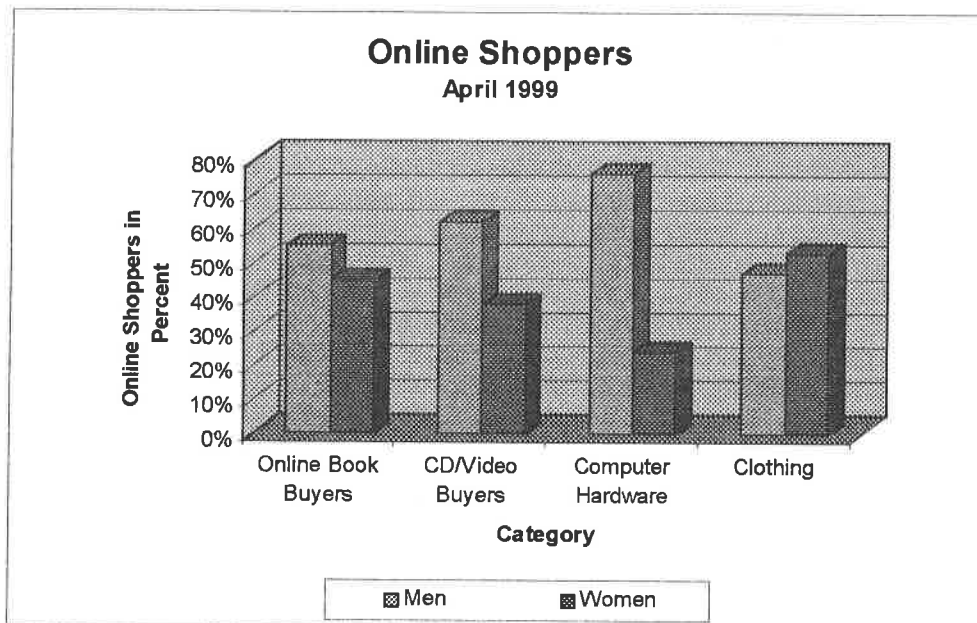


Diagram 2: Percentage of Male and Female Online Shoppers April 1999

Source: McNatt, R. (1999). "Who's Driving E-commerce?" *Business Week*.3637. 07/12/99. Page 8.
Data Source: CommerceNet/Nielsen Media Research

Appendix 2: Traditional vs. Electronic Business Transactions

Sales Cycle Step	Traditional Media (Multiple Media Employed)	Electronic Commerce (Single Medium Employed)
Acquire product information	Magazines, flyers, online catalogs	Web pages
Request item	Printed forms, letters	e-mail
Get order approved		
Check catalogs, prices	Catalogs	Online catalogs
Check product availability and confirm price	Phone, fax	
Generate order	Printed form	E-mail, Web pages
Send order (buyer); Receive order (supplier)	Fax, mail	E-mail, EDI
Prioritize order		
Check inventory at warehouse	Printed form, phone, fax	Online databases, Web pages
Schedule delivery	Printed form	E-mail, online database
Generate invoice	Printed form	Online database
Receive product	Shipper	
Confirm receipt	Printed form	E-mail
Send invoice (supplier); Receive invoice (buyer)	Mail	E-mail, EDI
Schedule payment	Printed form	EDI, online database
Send payment (buyer); Receive payment (supplier)	Mail	EDI, EFT

Table 1: Traditional vs. Electronic Business Transactions

Source: Kosiur, D. (1997). Understanding Electronic Commerce, Microsoft Press. Page. 9

CPA COMMENTS ON THE EFFECTIVENESS OF WEB SITES

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ABSTRACT

Comments were solicited from CPAs on their satisfaction with their firms' web sites. There is clearly no consensus, but the comments highlight the surprise, frustration, disappointment, freedom, and prestige that these professional service providers felt from having their own web site.

INTRODUCTION

In recent years, more CPA firms have established a presence on the Internet. Initially this was little more than fun and experimentation. If new clients were obtained, or the firm's image was enhanced, all the better. As time passed however, there came greater and higher expectations of value for the business. Measuring the change that has transpired was the overall purpose of this study.

THE LONGITUDINAL STUDY

Questionnaires were sent by email to CPA firms in the spring of 2000 following the same format as an earlier study in the spring of 1996 (Elfrink Bachmann and Robideaux, 1997). In the current study, 444 CPAs were contacted, with 77 responding, resulting in a 17.3% response rate. A far cry from the earlier study's 48% response rate, but a reflection of how routine email and the Internet has become.

The firms were asked a series of questions to determine objectives, effectiveness, and finally, their satisfaction with their web site. With the earlier 1996 data, a comparison was possible, shown in Figure 1.

As shown in the exhibit, satisfaction still remains high, but without the enthusiasm of the earlier study. In order to better understand why firms liked or disliked the effectiveness of their web sites, the questionnaire included an open-ended question prompting the respondent to share comments about their experiences with the web. These qualitative comments add a depth of understanding beyond what the statistical results can illustrate.

RESPONDENT COMMENTS

What do CPAs really believe about their web site? Is it really worth the trouble, or is it still unproven? There is clearly no consensus on the value of having a web presence, but the comments themselves may be illuminating to those with or without their own web site. They highlight the surprise, frustration, disappointment, freedom, and prestige that these professional service providers felt from having their own web site.

The survey had asked respondents whether they used the internet web site for advertising, gaining local or distant customers, serving present customers, to enhance image of the firm, data transfer, or recruiting. The comments generally addressed these topics. The comments are in the respondents' own words with only minor editorial changes. Comments that may have given clues to respondents' identities have been deleted. We'll start with the bad reviews, then the mixed reviews, and finally, the good news about web sites.

Bad News About Web Sites

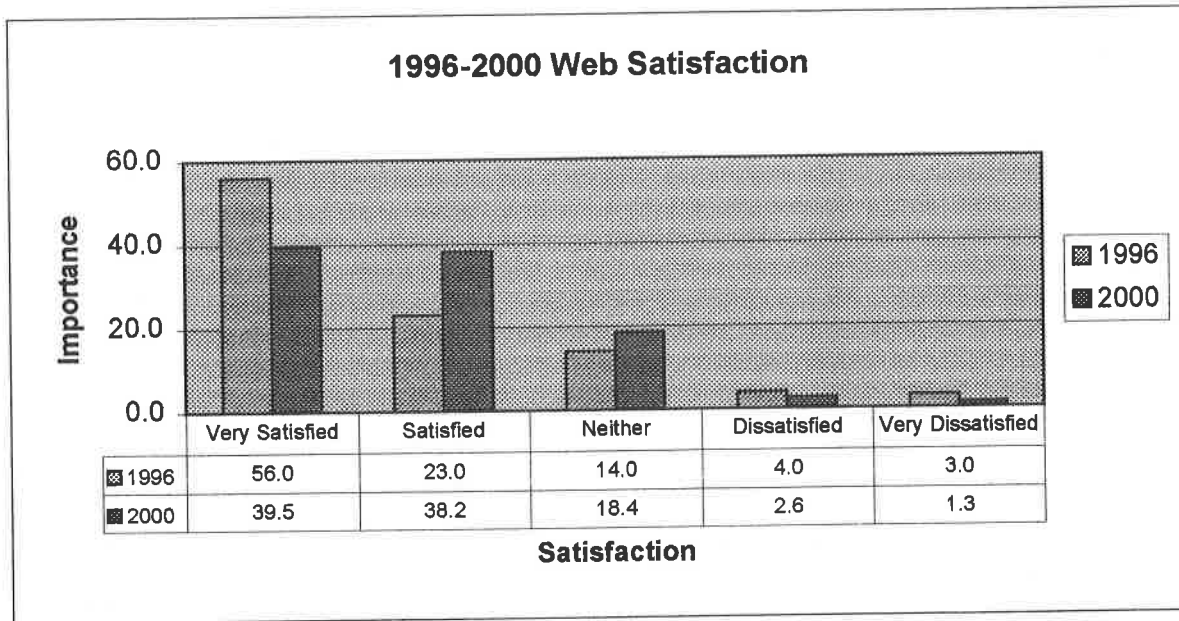
Most negative comments were relatively short and gave few details. Some respondents fault themselves as much as the web.

1 — The most response we get is from advertisers or companies selling something.

2 — Actually there isn't much to our web site. We are in the process of improving our presence on our web site this summer.

3 — I know that is the thing of the future, but it isn't here yet.

FIGURE 1



4 — Surprised — got 0 business. Ego trip for me.

5 — It is more a novelty than serious advertising.

6 — Being solely my fault, I have not devoted any attention to my web site. I think the designer did a fair job but I am not satisfied. However, the situation is in my lap and someday I may have to “fix” things.

7 — My daughter, a recent graduate of _____ University set it up for us so the cost was modest. We have received virtually no referrals from the web site. A few of the clients have seen it and complimented us for it, particularly the high tech type companies. In this business you get business from referrals from attorneys, banks and other clients. I think that it is over-rated as source of business.

Mixed Reviews About Web Sites

In this section, we see that respondents are conflicted. They understand how the web is supposed to be helpful, and they remain hopeful that it will happen for them, but remain unconvinced. Maybe if they change it a little?

1 — It is more important to not be without a web site, than it is to actually have one.

2 — We are completely revising it now to be totally focused on recruiting and hiring.

3 — We advertised it in the telephone directory and were the only ones with a website for a number of years. However the telephone directory did not print the tilde as a tilde and for two years we never knew whether people couldn't find it or didn't know what is was all about.

I still see relatively little value in maintaining a web site for advertising purposes. However, I do see a great future in web-centric client use systems maintained by the CPA and accessible to the CPA for write-up, compilations and reviews.

4 — I am semi-retired and really don't want to attract new clients. I only serve three large families of out-of-town clients with corporate, tax and estate work. My husband is a computer engineer & VP of an Internet company. He set up and “maintains” my website. I really only use it for data transfer.

5 — My web site has attracted new, local clients. However, on the downside it also attracts individuals looking for free tax, business advice. Also, individuals who are temporarily living out of the country. I prefer to work with local clients and find it more difficult to discuss tax situations through email. My practice is now at the level I feel I can maintain and I plan to discontinue my web site. While it attracts new clients, my current clients contact me directly with a phone call with questions.

6 — Our current problem with our web-site is that we're not hands-on enough, we need to update more and take a more active role in our web site design, development and information. We are in the process of outfitting our offices with DSL in order to better prepare ourselves for a world where the phone may become the second option for communication.

7 — Primarily use web site as an electronic firm brochure.

The Good News About Web Sites

The majority of comments received were positive. Some of the comments address general satisfaction, while others cite specific characteristics.

1 — I've been surprised at the quality of the clients from the web site. The longer I have the site the more opportunities I see in its use. Initially, it was about getting my name out. Now our focus is on getting information to our clients and using the web site as a resource. For example, every quarter we get lots of phone calls regarding "where do I send my quarterly estimate." We eventually hope to have the web site give all this generic information. Hoping that the routine phone calls can be as quickly served by going to our web site. We used the site this tax season for our new client forms and our checklist. That was very helpful to our new clients and saved us time.

The users for the web site keep expanding — the same for e-mail. This coming year we will most likely e-mail drafts of complex tax returns before the client comes in to pick up the return. That way they can review the return before they see me. It allows the client to be better prepared and hopefully cuts down on our time.

2 — Should have done this sooner. My clients use the secure portion of my site to review their F/S at any time from anywhere. Additionally, clients transfer large volumes of data at a time convenient to them. This improves operating efficiency, keeps my staff happy, and puts a smile on my face.

3 — I am often featured in the media. My name and my firm's name often appear in newspapers, magazines, and web sites. I am also occasionally on radio and television and I write articles and books. As a result, many web surfers and people searching for my skills find me and my firms and eventually my web site. This brings me a lot of prospective clients.

I have received client referrals from people who never talked to me, but who have referred friends to me due to their own research over the Internet and WWW.

4 — The web site has permitted our specialized services to be noticed worldwide.

The web site is viewed weekly by people in 5 to 7 foreign countries.

5 — The Net is so effective for us that I am able to respond to this from the ship *M/S Excellence*, today just outside Copenhagen, Denmark. I consult with a practice from the ship via email. For the practice, we get more responses via my personal web site than from the business web site, which is fine with us as long as they find us. I get several thousand hits a day on another site, which has links to my personal site at the bottom of each of more than 100 pages.

How do we feel about the Net and our presence there? Fantastic! Retired, but still consulting via email from a life at sea ☺

6 — I provided timely information on my specialty. Very few other sites do that. I get a very few large engagements, and many questions that I answer at no charge.

7 — Just by having the web site to put on advertising makes us appear to be forward thinking. People are impressed. They were especially impressed because we were about the first CPA firm in our area of expertise with e-mail and a web site. We also were the first to have a domain name.

8 — We've reduced our yellow-page size and have included the web address for people to get more information on the firm. Still trying to determine how effective this is. Clients and prospects are impressed that we have our own domain name (when looking at a business card or letter head). The domain name appears to be more impressive than the existence of the web site. These comments are from people who have not even looked at our site. We have received good reactions from clients who have looked at the web site (that it looks great). However, we are wanting to develop items on the web page that will get clients, prospects, and friends to return often.

9 — Online documents are a reality thanks to web site technology. I've recently installed this service to better serve my Clients, and they love it.

10 — The main reason for the web site was to show the public we are technologically up to date as we started an IS consulting business. Another reason was for recruiting purposes as most students use the internet to look for jobs and check out the companies who will be interviewing them.

11 — As we learn and grow, we are able to implement more on our site. Now we are working on sound and animation. What's good about the internet is that it can change whenever you want it to. It's not like a brochure that is static once it's printed. Your web site can evolve as you do.

12 — Useful in recruiting out-of-area candidates.

13 — We do not really expect to get new business over the net. People who surf the net do not generally meet our client profile. Rather, prospects might review our site prior to engaging our firm. Further, people seeking employment frequently find us through the web.

14 — We are in the process of redesigning the web site. There will be three different sites, one for the general public, one for customers (with richer content) and one for employees. Content will be updated on a bi-weekly basis or more often if needed. The site will also be advertised to clients and the location will be on every piece of material produced by the company.

15 — The main reason we decided to develop our web site was for employee recruiting purposes. We recruit at different schools, some of which are several hours away. Since we are local firm, most of the students had never heard of us. The web site has allowed us to educate potential employees about the firm, making the recruiting process a little easier.

16 — We are in the process of launching the second version of our web site. We are the second largest CPA and consulting firm headquartered in our state with 10 offices and 350+ employees. Over the course of the past three years our firm has increased in size and service offerings, and the old site no longer reflected our capabilities. We had three main objectives in developing our site. Our number one

objective was to assist in the recruitment of quality employees. Our new site has current job postings, an on-line application, and a benefits description for prospective employees. The other two objectives were to enhance the overall image of the firm and to provide a tool for faster dissemination of information to our clients/prospects/referrals (newsletters, tax updates, etc.). We have not begun to track usage statistics of our site because we are in the process of completing final revisions. It was designed by an external design company and we plan to maintain the site internally.

17 — If we more aggressively pursued all of the powerful uses of a web site, I am sure that it would pay off via a vis additional clients and increases in revenue!

18 — It has gotten our business a lot of exposure we would not have otherwise received. It gave our business a boost we didn't expect. We get more new clients from our web site than from any other source.

19 — It make us look "with it" just to have a basic presence so we can put same on our business cards and stationary, etc. I have spent, say \$1,500, on the actual web page content over 3 years and it is well worth this nominal investment. People pay way too much for not much more.

20 — Our web site provides information and articles of interest to our clients, referral sources and when on campus for recruiting.

SUMMARY

There are several themes that run through these discussions. Recruiting, a firm's image, and attracting clients are just a few. Many firms have been surprised by the success of establishing a web site. Some have been surprised by the lack of success. But most of the comments are self-evident. The readers will likely see several that match their own experiences and challenges, or offer guidance and suggestions for their own site.

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SALES TAX ON INTERNET SALES: THE BRICKS AND CLICKS DILEMMA

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ABSTRACT

The issue of whether or not to tax Internet sales will not go away because there are so many constituents who are impacted by this issue. Congress has twice placed a moratorium on taxing Internet access and sales, including a two-year extension bill passed in November 2001. The impact of whether or not to tax Internet access and sales is vast. One impact would be the possible decline in Internet sales and that impact on our already weakened national economy. A second area of concern is the impact on state revenues by not allowing the states to impose a sales tax on these purchases. A third issue that must be addressed is the appropriateness of one company receiving a government sanctioned marketing benefit over another. Each of these topics is discussed in length in the full article.

The opportunity for these cyber companies to grow and prosper depends on them being able to offer advantages to their customers. Many of these advantages are obvious while others are not. Among the obvious advantages are the ability of these companies to offer customers easy access via the Internet (shop in your underwear, shop at midnight, purchase items while maintaining anonymity). In order to achieve these conveniences, however, most companies have to charge a shipping fee to have the goods delivered to your door. To compensate for the added freight charges one marketing tool used by these cyber companies is that they don't charge sales tax. If these companies lose the ability to compete on price (by covering the freight charges with the absence of a sales tax) there may be a limit to the ability of these companies to grow.

Many states are losing an astronomical amount of sales revenue from not being able to collect sales taxes from these Internet sales. Most states do require companies with Nexus to collect and remit the sales tax on goods sold either through a traditional location, a catalog company, or on the Internet. Nexus means sufficient contacts or connections with the taxing jurisdiction. Many companies however, try to avoid Nexus by using extreme measures. Some of these measures include forming different companies (one with bricks and mortar and one on the Internet); using different board members for their bricks and mortar and Internet companies; even changing their Internet company name from the one customer recognize. All this just to avoid the collection of the sales tax. In states with a sales and use tax, the taxpayer has a legal obligation to remit any sales taxes not paid on their purchases (referred to as a use tax) to their state revenue department. This creates additional problems for state governments. States are trying to encourage compliance with the use tax laws and determine how to pay for the additional cost of enforcement. Congress has stated that the sales tax moratorium can be revisited at any time that the states come together and agree on some form of sales tax simplification act.

Finally, the appropriateness of the federal government providing a marketing advantage for these cyber stores at the expense of our traditional bricks and mortar locations needs to be addressed. Once again Congress has indicated that the tax moratorium is temporary and is in place so as not to limit the growth of the Internet. The National Retail Federation has provided some very detailed criteria to Congress that should be considered when deciding whether or not to continue the tax moratorium. The full paper addresses each of the above issues in detail.

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ANOMIE AND DISASTER IN CORPORATE CULTURE: THE IMPACT OF MERGERS AND ACQUISITIONS ON THE ETHICAL CLIMATE OF MARKET ORGANIZATIONS

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ABSTRACT

This paper explores the application of two socio-cultural phenomena, disaster theory and the theory of anomie, to the context of corporate culture and ethical climate within a firm. Mergers and acquisitions contribute to a period of corporate anomia, where deviant behaviors such as unethical and illegal activities may occur.

INTRODUCTION

This paper explores the application of two socio-cultural phenomena, disaster theory and the theory of social anomie, to the study of corporate culture and more specifically to the ethical climate within the firm. During periods of corporate anomia, resulting from mergers, acquisition, and downsizing, behaviors which deviate from the corporate cultural norms are likely to occur. Ethical climate, which is a subset of the larger corporate culture, may also change due to the nature of anomie and disaster's effects. If this change is negative, members are likely to engage in deviant behaviors in the form of illegal and unethical activities, thereby exposing both the employee and the organization to increased vulnerability, unproductive work patterns, and the potential for financial loss.

Culture is primarily made up of the norms and sanctions of a society, which includes both the larger societal structure as well as institutions within the culture. Societal norms provide the boundaries within which social institutions guide their behavior as to what is acceptable and unacceptable activity. Norms provide the parameters within which its members are to conform as well as the bases for sanctioning behaviors outside their realm. These cultural values are ubiquitous and are acquired, or learned, over time by its members rather than being an innate predisposition to act in a certain way. In addition to the parameters for behavior, there are certain elements of culturally defined goals, or legitimate objectives prescribed for all its members to attain who are within that culture. Within this second element, the culture determines the

acceptable means and modes of behavior for reaching these goals (Merton 1949).

The concept of anomie has been defined in sociological terms as a condition of normlessness or the suspension of rules and behavioral guidelines which creates a moral vacuum (Coser 1964). Anomie is a state of flux or transition that exists in a society or group when old normative structure has been interrupted and before new normative structure has been established. In order for anomie to occur, there is a presupposed condition that norms and rules previously existed, and that some sort of social crisis disrupts that state of being, leaving the group members unsure of what is expected of them (Cloward 1959; Merton 1957). As a result, the culture's equilibrium is disturbed and the regulating norms of tradition are destroyed. Sociological theory continues to assert that during periods of anomie, the tendency for individuals to engage in deviant behaviors increases dramatically (Cloward 1959; Coser 1964; Durkheim 1951). For the purpose of this paper, anomie is defined as a *condition of norm breakdown; a lack of clarity in norms and rules within a culture, or subculture.*

Related to the concept of anomie in sociological literature is that of disaster, which has been described as an event with a distinct beginning and a distinct end that disrupts the normal functioning of a community and leaves a tremendous amount of damage (Erikson 1976). Disaster affects the typical everyday life and norms of society for at least a brief period of time. The degree of disruption is affected by the suddenness of the event, its unfamiliarity, and the unexpectedness by the

members of the community. In this paper, disaster is defined as *an event that significantly disrupts a culture and leaves damage to at least some part of the entity in its wake.*

The concept of societal culture has been extended to the study of business organizations for several decades. Concern with workplace cultures, organizations, and work-group norms began as far back as the late 1930s and emanated from the anthropological and sociological disciplines (Barnard 1939). Organizations were considered cultural phenomena and were considered worthy of study from a cultural perspective (Smircich 1983b). Organizational culture has been defined as roles, norms, codes of conduct, and values within and held by the members of an organization (Barnard 1939; Schein 1990; Deshpande, Farley, and Webster 1993). The development of an organizational culture is similar to that of the larger societal culture in that it occurs somewhat slowly and over time.

One aspect of organizational culture which has been addressed by business ethics literature, is the ethical climate of an organization. Ethical climate is a subset of the larger organizational culture and differs from cultural norms in that climate is *perceived* by its members. Norms of a culture are prescribed guidelines within which its members act and are based on actual experiences. Ethical climate on the other hand has been defined as the shared *perceptions* that workers hold concerning ethical procedures and practices occurring within an organization (Thorne 1993). Ethical climate may or may not be what is actually happening in the organization.

As the concepts of anomie and disaster have been applied to the societal culture in general, this paper explores the application of these same concepts to the culture of organizations and to the subset of organizational culture, ethical climate. The event which occurs in many organizations and seen as disastrous by at least some of its members, is a corporate acquisition. When organizations merge, and particularly when one is acquired by another, there is a period of time where the former normative structure is suspended and the new norms have not yet been established. This process, when formally conducted, has been defined in organizational literature as the "unfreezing process", when the old culture is purposefully interrupted (Warrick 1994). When the unfreezing process is used positively, it can be a change agent for the new management to

move the newly formed organization forward. However, if this process occurs informally, becomes wrought with rumor, or is viewed negatively by the firm's members, the potential for corporate anomia exists. The likelihood of anomia is of particular concern with regard to the ethical climate of an organization, since this is the perception of what is occurring, not necessarily what is actually happening, and is where deviant behaviors would reside in the form of unethical or illegal activity.

SOCIOLOGICAL THEORIES

The Theory of Anomie

A Historical View of Anomie. The concept of anomie, or anomia, has existed since the 1600's, however it has been more widely used since the work of a French theorist, Emile Durkheim, resurrected the term in the late 1800's. Durkheim used the concept to study the social stratification problems in the French Republic where he had witnessed a marked increase in suicide. He theorized that "an abrupt and unforeseen growth or diminution of an individual's power and wealth tended to produce anomie" (cf. Coser 1964, p. 520). Additionally, during periods of sudden depression, sudden prosperity, or rapid technological change, the regulatory functions of the collective order tend to break down (Cloward 1959). Durkheim viewed the collective order as the external regulating force which defined and ordered the goals to which men should orient their behavior. When the collective order is disrupted, de-regulation or anomie occurs, and traditional rules lose their authority.

Anomie and Deviance. Robert Merton (1949), another sociologist, defined anomie as a breakdown in the cultural structure, occurring when there is an acute disparity between the cultural norms or goals and a group member's capacity to act in accordance with them. When individuals are unable to perform within the confines of the prescribed norm or are unable to reach a certain goal, they are likely to engage in illegitimate means, or deviancy. This is particularly the case when a society has an emphasis on success but the means to attain success is not equitably available to every individual (Cloward 1959). Due to the perception of this disparity between the goal or norm and the individual's ability, there are certain role adaptations that are likely to occur: conformity, innovation, ritualism, retreatism, and rebellion (Merton 1949). Both Merton and Durkheim found evidence of

deviant behaviors as reactions to the state of anomie; Durkheim's research uncovered the abnormal incidence of suicide and Merton's research addressed deviancy in the form of theft and (juvenile) delinquency.

Other sociologists have addressed the role of group support in deviance and conformity. Cohen (1963) uses the concept of cognitive and moral dependence to suggest that people's knowledge, beliefs, and values depend upon other people's knowledge, beliefs, and values. He proposes that culture is not a homogenous cache of ideas that are shared uniformly by all within a society, but are more uniform within a given subculture of that society. Deviance is the occurrence of individuals committing acts that are possibly non-conforming to the larger culture, but are sanctioned by those in one's immediate reference group (Cohen 1963). It requires the opportunity to act, however "opportunity is not a sufficient explanation for the commission of criminal activities" (Cloward 1959, p. 169). Criminal sociologists have addressed deviant behavior in business organizations as illegal activities such as embezzlement or burglary.

The Theory of Disaster

Early definitions of disaster in the sociological literature, and the more popular in common speech, referred to disaster as an acute event that disrupts the natural flow of everyday life and leaves behind some sense of destruction (Erikson 1976). Later, the type of event was broadened to include chronic conditions as well, defined as those that gather force slowly and inconspicuously. Even though the condition develops over time an individual may feel the inability to do anything to avoid the situation.

Disaster is a collective phenomenon, in that it affects entities such as a culture, subculture, institution, or group of people, rather than one individual. Similar events that would impact an individual's life might be considered tragedies. Social researchers suggest that disaster produces an aftermath of trauma, which displays conditions such as confusion, despair, and hopelessness. Both acute events and chronic conditions can produce the susceptibility to rage and depression, a sense of helplessness, the inability to concentrate, the loss of various motor skills, a retreat into dependency, and a general loss of ego functions. In his book, *Everything in its Path*, Erikson researched the Buffalo Creek

flood of 1972 in Appalachia, and describes some of the ways in which individuals in that disaster and others cope with the situation. Erikson suggests that the individual going through the disaster and its immediate aftermath defends oneself by retreating within, reducing the exposure of the senses to external stimuli and removing the ego so that there is less of self to be implicated in the insanity of the situation. Similar descriptions of retreat have been noted in disaster research by other sociologists, calling the condition "psychic numbing" or the "disaster syndrome". Those that survive a disaster often contemplate why they have been spared while others were not and come to regret their own survival. The situation becomes a reminder to the survivor of just how vulnerable one really is and serves as a signal of how he or she has gained from the misfortune of fellow human beings. The human mind begins to assign the law of probability to the situation and each death seems to pare down the odds of survival and enhances one's own chance of demise. Given that both anomie and disaster are considered to be collective phenomena rather than individualistic, these concepts are appropriate for application to corporate culture and the general ethical climate of the firm.

ORGANIZATIONAL CULTURE

The Development of Organizational Culture

Definitions of Organizational Culture. Deshpande and Webster (1989) use literature from the sociological, anthropological, and organizational behavior disciplines to develop their definition of the concept of organizational culture; "the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with the norms for behavior in the organization" (p. 4). Cummings and Worley (1990) define organizational culture as the values, beliefs, and expectations shared by members of the organization; the assumptions people make about how they, and others, both inside and outside the organization, are treated. Deshpande and Webster (1989) define a marketing concept of organizational culture as the "fundamental set of beliefs and values that put the customer in the center of the firm's thinking about strategy and operations" (p. 12). While the scope of the study of organizational culture is outside the confines of this paper, the various definitions of organizational culture can be summarized into the following: "organizational culture is a system of shared beliefs, meanings,

assumptions, and underlying values" (Schein 1990; Kopelman, Brief, and Guzzo 1990; Smircich 1983). This definition is closely related to that of societal culture, described earlier in this paper.

Methods of Norm and Development and Organizational Socialization. As in the societal definition of culture as a learned, rather than indigenous concept, the same holds true for organizational culture. Louis (1990) refers to the processes of learning the new organizational culture as acculturation, the transition to new roles, whether they involve moves between cities or moves between work settings. Individuals are acculturated into organizational work settings in a variety of ways. One method of acculturation is through formal training groups (Schein 1990) where leaders present scenarios of conflict and tension to newcomers, who then make decisions about the appropriate behavior required. The training group develops a consensus of the correct response, which serves as an organizational norm.

Thompson and Luthans (1990) suggest a behavioral concept of organizational culture and explanation of how the individual is socialized. As an individual enters a company, management makes suggestions as to what is expected; when the individual completes certain tasks, he or she is evaluated, and the behavior is either reinforced, or reprimanded. The outcome of the evaluation serves to further determine the way in which the employee will behave in the future. Behavior then leads to cultural development because the employee has learned how to cope with experiences by defining a range of appropriate behaviors. However, the employee does not always receive a clear signal of the specific behaviors that are actually expected. While most organizational norms and values prescribe that the employee always "do the right thing", there is also the potential for management to establish unattainable goals with little or no ethical guidance, thereby resulting in a conflict for the employee, and potential for unethical activity to occur (Cohen 1993).

Methods of Organizational Change. Organizational cultures are dynamic phenomena, and are likely to be manipulated, modified, or transformed in order to increase their effectiveness. They are also likely to find themselves in the midst of a change due to merger or acquisition. The management of this change was considered to be a critical business issue for the 1990s (Warrick 1994).

The classic model for how change mechanisms should take place is offered by Lewin as a three-step process: (1) unfreezing old behaviors, values, and attitudes; (2) moving, by making changes, and (3) refreezing new behaviors, values, and attitudes (cf. Warrick 1994). While this model might be too parsimonious for contemporary and dynamic environments, it does represent the underlying theme of most organizational change.

The Impact of Mergers, Acquisitions, and Downsizing Activities. Merger and acquisition are terms that denote various meanings, and are likely to be understood on a continuum of impact on both individuals and organizations. The very language used to describe the activity can impact the perception of the situation; mergers imply a joint activity, a marriage of two organizations in a partnership arrangement, while acquisition, at best implies the dominance of one party over another. The relationship of the size and the financial position of parties on either side of the merger or acquisition further define the frame of reference that members of one organization use to judge the other party. In one situation, Mirvis and Sales (1990) describe the tactics used to position one company in view of its new partner; management of the acquired company decided that they must increase profitability, emphasizing that good results were mandatory in the new organization. New ownership sometimes causes acquired companies to wander as they search for meaning, and as financial results decline, the acquiring "buyer" may apply increasingly closer scrutiny, substantiating the need to move in its own executives.

In addition to structural and ownership changes, the rules and regulations of organizations change in corporate acquisitions; in the study of one company, descriptions of the changes were described as extreme conflict situations, as those in wrestling or war strategy (Mirvis and Sales 1990). Mergers and acquisitions are also apt to disturb the power structures within an organization, resulting in the creation of new interdependencies (Kotter 1985). In an acquisition, the more financially powerful company begins to dominate the strategic, operational, and reporting relationships, creating an air of cultural superiority and thus, a cultural dependency of the acquired organization (Cohen 1993; Mirvis and Sales 1990).

Cultural disintegration and a decline in confidence may begin to develop due to dissention,

contest, and opposition of the new ownership and control. Cherished traditions are no longer valued by the new management, rivalries between division heads, and inconsistencies in management style contribute to the demise of the previous culture (Walter 1985). Culture is at the risk of disintegration when the values of the former organization and the values of the incoming organization divide top management (Mirvis and Sales 1990; Walter 1985). Researchers have found evidence of cultural disintegration in their study of an acquisition, described in the following characteristics; managers and supervisors were applying greater pressure on people, were less responsive to other's inputs, and were motivating employees by fear (Mirvis and Sales 1990).

The Role of Ethics in an Organization

Culture and Ethical Climate. Organizational behavior literature has addressed the concept of "climate" as differing from the larger culture. While culture is a set of shared values and assumptions, organizational climate is defined as "the members' perceptions about the extent to which the organization is fulfilling their expectations" (Deshpande and Webster 1989, p. 5). A subset of the overall climate of the firm is the construct of ethical climate, characterized by the perceptions of what is ethically correct behavior, and how the firm handles the ethical issues it faces daily (Thorne 1993; Victor and Cullen 1988). Ethical climate has been characterized as having two primary dimensions, the ethical criterion, made up of levels of moral development from egoism to principled, and the second, the locus of analysis (Barnett and Vaicys 2000; Victor and Cullen 1988). The locus of analysis deals with the level of analysis, from an individual, to the organization, and finally the larger social system (Fritzsche 2000; Victor and Cullen 1988).

Ethical decision-making models have addressed the various components that affect the ethical behavior of individuals. Several of these models were synthesized into a comprehensive model of ethical decision-making by Ferrell, Gresham, and Fraedrich (1989), identifying individual factors of cognitive moral development and moral philosophy, and organizational characteristics of opportunity, organizational culture, and individual moderators, as components of ethical decisions. The organizational elements include significant others (referent groups), programs and

policies, codes of ethics, structure of the organization, rewards, and sanctions for inappropriate behavior. Several empirical studies have found that organizational factors are better predictors of (un)ethical behaviors than are individual factors, suggesting that the ethical or unethical behaviors of the employee are strongly influenced by the corporation and its value system (Thorne 1993; Vardi 2001).

Ethical climate has also been found to be the key element in determining the employee's psychological work climate (Babin, Boles, and Robin 2000), which in turn, plays a fundamental role in explaining motivational and behavioral work constructs in an organization. The employee's psychological work climate, like ethical climate, is comprised of his or her own perceptions and may or may not match the organization's assessment of what is transpiring (James and James 1989). Ethical climate has also been found to be of greater importance than the larger organizational climate in explaining variance in employee's behavior, and has a more immediate impact on both misconduct and good behavior (Vardi 2000).

CORPORATE ANOMIE

A Proposed Theoretical Concept of Corporate Anomie

Hunt (1991) suggests that much of research does not include hypotheses which have been derived from theory due to the lack of bridge laws. The following statements address the basic tenets of the theories that have been used in this paper, and the guiding hypotheses that bridge the gap between those tenets and the specific research propositions.

Summarized Theories and Concepts:

Theory of Anomie:

During periods of cultural anomie, defined as a "condition of normlessness or suspension of rules," deviant behaviors such as illegitimate means, are likely to increase (Durkheim 1951; Merton 1957).

Theory of Disaster:

During periods of disaster, defined as "a perversion of the natural processes of life; an event with a distinct beginning and end," emotions of hopelessness, confusion, psychic numbing and loss of self occur (Erikson 1976).

Organizational Culture:

Corporations exhibit individual cultures similar to the larger social culture, with shared meanings, learned values, and norms (Schein 1990).

Ethical Climate:

Ethical climate is a subset of the larger organizational culture and is defined as the norms and values, or what the individual perceives to be ethically correct behavior in the organization (Victor and Cullen 1987).

Ethical Decision-Making Models:

Components of organizational culture are better predictors of ethical/unethical behavior than are individual moral philosophies (Ferrell and Skinner 1988; Ferrell, Gresham, and Fraedrich 1989, Thorne 1993, Vardi 2000).

Guiding Hypotheses. Corporate Culture is a sub-culture, affected by the same theories as the larger societal culture; thus theories that impact societal culture can also be applied to the culture of the corporation. Mergers, acquisitions, and resulting downsizing activities contribute to a period of corporate vulnerability, prior to the emergence of new norms and expectations in the newly-formed firm. The period of unfreezing, as defined by the organizational change models, is a period when old norms are dismembered, thereby creating a climate of corporate anomie.

Downsizing activities disrupt the organizational culture temporarily, and create impending personal financial disaster through layoffs. Both disaster and survivor syndrome can be defined in the corporate culture respectively, as the potential loss of livelihood and the feelings of remorse and guilt felt when fellow "family" members have been cast off through downsizing.

The theory of ethical decision making suggests that organizational factors have a significant impact on the decision to behave ethically or unethically in an organization. The unethical behavior of significant others, increased levels of opportunity, the perception of an unethical climate, and role stress and ambiguity are all contributors to increased unethical behavior. Comparing Merton's (1957) concept of illegitimate gain to Ferrell, Gresham and Fraedrich's (1989) synthesized model of ethical decision-making, Merton's three variables of impact on illegitimate gain, correspond to various facets of the Ferrell, Gresham and Fraedrich model.

Merton's first variable is that of relative extent of pressure, which corresponds to the "significant others" facet of the ethical-decision model. The second variable, values and internalized prohibitions, corresponds to the facet of "cognitive moral development"; and the third Merton variable, availability of illegitimate means, corresponds to the "opportunity" facet of the Ferrell, Gresham, Fraedrich model.

The theoretical concept of Corporate Anomie and Corporate Deviance suggests that during periods of anomie and disaster, brought on by corporate mergers and downsizing activities, the occurrence of "deviant" behaviors is likely to increase, manifested in either illegal or unethical behaviors.

Research Propositions

Based on the previous research from the sociological, organizational behavior, and ethical decision-making literature, the following research propositions concerning the norms of culture, deviance, and ethics are offered.

Proposition 1: Corporate acquisitions and downsizing activities contribute to a period of corporate anomie by creating periods of perceived normlessness, ambiguity, and vulnerability.

Proposition 2. Corporate anomie contributes to an increase in role ambiguity, role stress, and uncertain relationships with significant others.

Proposition 3. Employees' perceptions of a corporation's ethical climate grow more unethical (negative) during periods immediately following an acquisition or period of downsizing.

Proposition 4. Corporate deviant behaviors, in the form of illegal activities, or unethical behaviors, increase during the period immediately following an acquisition or period of downsizing.

CONCLUSIONS

While this paper by no means has exhausted the literature on the various subjects addressed, those works that are considered to be seminal pieces within each topic category were bases upon which to build this theoretical concept. Further research and empirical evaluation is required to either strengthen or refute the posited relationships. Hunt (1991) suggests that application of theory-building

principles leads to the ability to explain phenomena through positive models. Knowledge of the impact that mergers, acquisitions, and downsizing activities has on the culture, ethical climate, and subsequent behavioral manifestations could contribute to the understanding of the process by which behaviors are influenced throughout a corporation's life cycle; prescriptive measures may be developed to reduce the likelihood of certain behaviors.

Knowledge of this process may also assist researchers in the ability to explain certain behaviors, and further analyze events in business history. For example, the United States witnessed a rampant merger, acquisition, and downsizing trend during the 1980s. An understanding of the impact of these phenomena on ethical decision-making may be able to assist in the determination of whether or not the rise in illegal and unethical behaviors, such

as insider trading, during the same historical period were at least partially due to the condition of corporate anomie.

Empirical evaluation and assessment of the research propositions would enhance our understanding of the impact mergers, acquisitions, and downsizing, as well as other disaster-type phenomena have on the corporation's well-being. An awareness of their potential impact could lead to increased sensitivity to the corporate ethical climate prior to these activities and attention to the vulnerable period directly following the events. The development of special programs to minimize the feelings of disaster felt by employees, and increased attention to formal ethical decision-making policies and reporting mechanisms may reduce the exposure of corporations who find themselves in this potentially vulnerable situation.

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DEWEY'S ETHICS: RECONSIDERING THE AMERICAN PHILOSOPHER

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ABSTRACT

John Dewey's work has enjoyed a central position in the fields of education and public policy. In business ethics, however, Dewey's contributions have received scarce notice. Dewey's views resonate strongly with current thinking in the marketing, especially the marketing ethics literature. This paper provides an overview of Dewey's Ethics, and his contribution to modern marketing practice.

INTRODUCTION

Marketing practitioners and academics have long recognized the significance of ethical conduct and moral reasoning as it impacts the marketing community, our system of free enterprise, and society as a whole. The best-known positive models of marketing ethics (Ferrell and Gresham 1985, Hunt and Vitell 1986, Trevino 1986, Wotruba 1990) have made extensive use of the formal concepts of moral philosophy, including utilitarianism, and deontology. Also, numerous researchers have tapped into well-known moral philosophical systems (e.g., ethical relativism, idealism, and Machiavellianism) in search of reliable and valid measures to depict marketers' ethical norms (Forsyth 1980, Reidenbach and Robin 1988, 1990). Interestingly, researchers' attempts to understand marketers' ethical reasoning return over and over to these same variables and constructs, and it is worth asking, is there anything we have overlooked in our quest to understand and model ethical decision making in marketing?

In recent years, some voices have challenged prevailing notions about the content of our ethical conversations, especially their emphasis on rules as a guide to ethical decision-making. In his book on Virtue Ethics, Solomon (1992) comments on the state of ethical dialogue:

"...it's all very elegant, even brilliant, until one walks into a seminar room with a dozen or so bright, restless managers, waiting to hear what's new and what's relevant to them on the business ethics scene, only to be told "don't lie," "don't steal." (page 114)

While principle-based philosophies such as utilitarianism and deontology have an easy appeal, which have contributed to their popularity (Mayo 1974), others (e.g. Pincoffs 1986) criticize the

standard approaches to ethical reasoning because they leave out what is morally relevant (individual character) and legislate the form of moral reflection (consequences or rights). Driscoll (2001), similarly makes the point that progressive thinking in our field needs to move away from rules to a values-based style of management, to address the more fundamental questions concerning the kind of community that we in the field of business ethics are striving to create.

Throughout his career, in his voluminous writings on ethics, aesthetics, public policy, and education, John Dewey (1859-1952) always maintained his focus squarely on the value of "community," what he termed the "scene of human good" (Dewey 1932, p. 270). He thought that the critical work of philosophy should have consequences in the conduct of our lives and in the culture in which we live (Sleeper 1986). In this paper, I hope to show that Dewey's views have special relevance to the concerns of managers today, and particularly, that Dewey's ethics anticipate today's moves in the direction of a "societal" view of ethical-decision making.

Although Dewey is today often regarded as a pragmatist, he preferred to call himself an "instrumentalist." For Dewey, the ethical dilemma was an opportunity to identify appropriate means for arriving at ends held desirable on reflection, and this "experiment" was deemed workable to the extent that it somehow solved a problem for individuals, organizations, and communities, setting the stage for the next experiment, for further progress toward the betterment of societies. Dewey's conception has within it certain dynamism inasmuch as he did not believe that any end, however desirable, was conclusively final. Ethics, for Dewey, was an unending quest for solutions and continuous

improvement. This dynamism, this penchant for solving problems and moving forward makes his ethics especially amenable to the dilemmas facing marketers today, to the extent that their organizations and the societies that nurture them are "going concerns."

Many of the business and marketing ethics issues of today, as highlighted in our marketing texts, have been anticipated by Dewey. He has questioned the theory of sales-orientation by firms striving to overcome consumer resistance, industries' waste of natural resources, exploitation of the environment, and the effects of predatory pricing. Non-marketing issues like executive compensation, stock fraud, unfair and dangerous labor practices, especially as these involve children, and distributional inequities in society also were the subject of Dewey's commentary. Even the "modern" Societal Marketing Concept is nothing particularly new. Such quality-of-life issues as improving the "wisdom and good taste of consumers and goods" and raising standards for recreation (i.e., entertainment), as contrasted with commercialized standards (Dewey 1932), reveal an active, progressive American philosopher, engaged with the problems of business and society.

In the next section, the basic precepts of Dewey's ethics are presented. It is hoped the discussion will demonstrate that Dewey strove, successfully, to reconcile competing modes of ethical reasoning, and offered them to us in a unified whole. Finally, a discussion of the implications for Dewey's unifying conception is presented.

Dewey's Moral Philosophy

In addition to its dynamism, a defining characteristic of Dewey's moral philosophy is the idea of "conduct." Pragmatists in general hold that the meaning of a word or concept lies in its practical consequences, as opposed to the European tradition that looks to the origins of ideas to find their meaning (Hickman 1996). In Dewey's conception, these desired, practical consequences are the very aim of conduct. "Conduct" implies not merely a succession of disconnected acts; each act carries forward an underlying intent, leading up to further acts and to fulfillment (Dewey, 1932, p. 168). The emphasis on purposive, goal-oriented behavior is what makes Dewey's ethics both pragmatic and fundamentally teleological.

In his writing on ethics and moral philosophy, Dewey sought an organic ideal; he felt that the separations found in other theories are

artificial and serve to conceal the fundamentally organic nature of the moral situation (Rucker 1970). Considered apart, utilitarianism, teleology generally, and duty-based theories lose the fullness of their meaning. For example, Dewey believed that the pursuit of duty for its own sake effectively makes a fetish of duty and ignores the greater good which could be realized if the claim of duty are recognized as part of the scene of human good. He regarded the good, the right, and virtue and vice to be the three independent variables of moral philosophy. These represent respectively, teleological theories such as utilitarianism or egoism, duty-based theories such as deontology, and a third affectively based theory of approbation and condemnation. Each of these, despite conceptual shortcomings, is a useful variable of moral philosophy. Further, the three variables cannot be reduced to a singly factor; they remain simply three standpoints from which the single act situation can be viewed as moral (Rucker 1970). As a group, they provide a system of ethical checks and balances, each addressing the others' deficiencies.

Dewey's Teleology

Clearly, Dewey's starting point is in teleology. He believed an ethos without goals and desiring is unimaginable: humans intrinsically respond to a variety of goods, and through their conduct, choose among and reach for them. Reflection is required however, so that goals may be enduring, that happiness is a *genuine* good. Dewey was cautious to demarcate among the goods that individuals seek. The business of reflection is in determining the true good; ferreting out the transient pleasures, hedonistic pleasures, the pleasures of the aesthete – disinterested in practical affairs – and the pleasures inspired by materialistic concerns of wealth and success. Dewey sees these as endemic to our economic system. The need is to identify ideal values as opposed to material ones; "goods" which, when they present themselves to imagination, are approved by reflection after wide examination of their relations (1932, p. 212).

Dewey's position is vague here, and necessarily so. Although many since Dewey's time have discussed the idea of specific and enduring "terminal values" (Rokeach 1979), Dewey would argue today (as then) that no eternal list of "goods" and approvable-upon-reflection ends can be identified because purposes are and ought to be shaped in terms of the changing conditions of concrete situations as they arise. The idea of terminal values denies ethical reasoning of its dynamism, that it is informed by, but not bound by, rules and

injunctions. The overall impression of Dewey's views about "the good" is that his primary interest lies in the harmonious relation between individuals and community, between organizations and society. At the core of this is reflection, which centers on the goods that approve themselves to the thoughtful, or "morally wise" person:

"...wisdom is the ability to foresee consequences in such a way that we form ends which grow into one another and reinforce one another. Moral folly is the surrender of the greater good for the lesser" (1932, p. 210).

Essentially, then, the essence of Dewey's teleology is a union of purposeful desire and thought (Eddy 1988), combined with reflection and moral wisdom in pursuit of the greater good. Only that which is desirable will inspire thought as to achievement. Dewey's views about conduct, reflection, and the search for suitable goods point directly to his unease with nonconsequential, deontological theories.

Dewey on Deontology

Theories of duty, justice, and rights are typically understood to be the nucleus of deontological theories, and they are derived (most famously by Kant) from the dictates of reason, without appeal to extrinsic properties, as is characteristic of teleological theories. Dewey observes, however, that "reason," in the deontological scheme, is not so much an "intelligent insight into complete and remote consequences of desire" as it is a constraining factor opposed to desire and its exercise through a series of prohibitions (1932, p. 217). Further, without resort to consequential analysis, justice is an empty, formal concept because the requirements of duty and justice are unknowable without considering characteristics of specific situations and potential effects on all concerned (Eddy 1988).

Dewey's integrative theory nevertheless finds deontological theory to be worth retaining, in so far as it can be combined with his teleology. He acknowledges, for example that he may be able to agree with the idea that it is the will which counts morally, not the consequences, but only if "will" is construed as

"an active tendency to foresee consequences, to form resolute purposes, and to use all efforts...to produce the intended consequences" (1932, p. 175).

Similarly, Dewey reformulates the role of laws in the lives of individuals and society. Against the individualistic derivation of laws in Kantian deontology, Dewey argues that laws are in effect, the "standing claims" of society – not of individuals in their "isolated severalty" (1932, p. 225). In his interpretation, the ultimate function of laws is to expand the conception of the good. As Dewey concludes, this conception "preserves Right (deontology) from being arbitrary and formal and Good (teleology) from being narrow and private."

Dewey's 3-Part Model of Ethical Reasoning

Dewey argues that formal theories of duty and utilitarianism overemphasize the intellectual factor in human nature: they are legalistic and overly stringent. As a needed third leg for this stool, Dewey has identified "Theories of Approbation and Condemnation," which suggest that individuals recognize *intuitively* the significance of reward and punishment, and praise and blame. The intuitive character of such theories stems from their affective aspect: Dewey suggests that every foreseen consequence stimulates an *unmediated* response – whether one of liking or disliking, good or evil, desirable or to be avoided, approvable or damnable. This internal "running commentary" would seem not to preclude, but to complement intellectual and rational deliberation in moral judgment. Without the affective motive, Dewey argues that rational reflection "would be as barren of influence as the mathematical speculations of a disembodied angel" (1932, p. 274).

For Dewey, the challenge for an ethic of virtue is to make explicit the bases upon which humans intuitively assign approval and resentment in order to achieve consistency in thought; so that reason and reflection may counterbalance the powerful effect of mere reaction. The role of reflection, then, in an ethic of virtue, is to discover what *should* be valued so that approbation follows acts worth approving. Dewey notes that reflection, even growth in maturity, consists in not giving way to intuitive tendencies, but in remaking them through consideration of ensuing consequences if they are acted upon (1939, p. 30). The development of approbation and condemnation in Dewey's work bears a marked similarity to today's discussions of Virtue Ethics (Pincoffs 1986; Maitland 1997).

The Way Forward

If we truly believe the old saw that marketing delivers a standard of living to society, it

should serve well to look straight into the face of the Deweyan conception, which placed societal focus at the very center of ethical deliberation. Dewey's ethics may find a natural audience among those in top management who are charged with leading and inspiring their organizations. Dewey's ethics did not tie the hands of future generations with injunctions because, like an organization's ethics code, it is not possible to anticipate every contingency. What is right and appropriate, what is good on reflection will depend broadly on the organization's circumstances, and Dewey's ethics in this way provides the broad fundamental values by which leaders set the agenda for their firms. His perpetual and ubiquitous concern with "community" and the harmonious relation of the individual to the whole are especially well-considered values in light of today's marketing imperatives: building satisfying and enduring relationships with customers, suppliers, and communities, on a background of trust and mutual interest.

At the level of empirical validation and testing, it may be the case that a Dewey-based model of ethical reasoning does not immediately "fit the data," and this may be attributable either to the predominant currents in marketing ethics training, or to measurement issues. For example, Exemplar Theory (Goldman 1993) suggests that individuals learn to provide the kind and quality of responses that they believe an idealized other person – not respondents themselves, but an "exemplar" – would offer in response to questions in an ethical scenario. Possibly researchers will discover that respondents

are mirroring the ethical norms therefore that are "trained into" them.

It may be objected by some that the specific ethical problems Dewey addressed in his time – and his response to them – are outdated today. It is here offered that conditions and circumstances in Dewey's time have much in common with the world's emerging economies of today. On this subject, De George (1986) sounds more than a little "Deweyan" in his outlook as he suggests that the support of "just background institutions" (e.g., consumerist movements, labor organizations, and government regulatory agencies) by First-World business organizations entering foreign markets is a moral imperative. DeGeorge argues, in Deweyan fashion, from the position that societal interests have to be at the center of business thinking: that commercial enterprise must resist the temptation to roll over these important institutions that operate to improve standards of living (as they have in the U.S. and Western economies) and that these institutions function as a counter weight to restrain the influence of vested and narrow self-interests.

In summary of Dewey's work, the contribution of his ethical formulation arises in its recognition that human nature is a compound of purposes and desires; that human conduct is indelibly stamped by laws and society, and the approval and sympathy of others. Moral problems themselves are transient, but Dewey reminds us that these elements in the human environment are and have always been at the core of human experience: the "framework of moral conceptions is as permanent as life itself."

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ETHICAL DISASTER RECOVERY MODEL FOR MARKETING

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ABSTRACT

Crisis management deals with potential disasters such as product tampering, fire, earthquake, and computer virus. Businesses that have crisis or contingency plans tend to respond more efficiently when problems occur than businesses that lack such planning. While unexpected crisis contingencies can disturb routine operations, crisis planning is being viewed as much more important since the September 11, 2001 terrorist attack on the United States. Chandler and Wallace (2001) found that 85 percent of companies attending a disaster recovery preparedness conference reported a crisis recovery plan. However, approximately one-third of all companies and organizations do not address ethical disasters in their crisis recovery planning efforts.

Ethical disaster recovery planning relates to the ability or readiness to manage an ethical crisis related to: 1) ethical misconduct disasters, 2) ethical misconduct, threats, or risks, 3) specific stakeholder ethical criticisms. Ethical disaster plans and recovery cover maintaining business operations throughout a crisis and communicating with the public, employees, and other relevant stakeholders about the nature of the crisis and the company's response to the problem. Communication is especially important to minimize panic and damaging rumors: it also demonstrates the company is aware of the problem and plans to respond. The most important benefit of an ethical disaster recovery plan is that the process of developing the plan has the potential to prevent the ethical disaster.

The process of ethical disaster recovery planning involves an assessment of an organization's values, development of an ethics program, an ethics audit, and the ability to have contingency plans for ethical disaster recovery. Values are beliefs that are enduring and focus on specific principles to attain a desired standard of behavior. The ethics resource center has identified honesty, trust, and respect as three of the most widely communicated values in business organizations. Every organization should not only develop a set of values, but communicate and live those values in the work place. Ethics programs provide an institutional approach to creating an ethical climate as a key component of the organization's culture. Ethics training involves communicating values, codes of ethics, enforcement of standards, and continuous improvement efforts. In most organizations an ethics officer provides oversight of ethics training and implementation of ethical standards.

An ethics audit is important on a regular basis to develop a systematic evaluation of an organization's ethics program. An ethics audit should: 1) obtain views of stakeholders, 2) determine overall effectiveness of the ethics program, 3) assess control mechanisms, and 4) understand ethical performance in key risk areas. If an ethical disaster or crisis occurs, then there should be an ability or readiness to manage any type of misconduct. The ethical disaster recovery plan should anticipate potential misconduct, risk, or threats as well as what type of misconduct disasters could occur. An ethical disaster recovery plan should always include inputs from specific stakeholders to determine their concerns and recommendations for responding to a crisis.

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THE USAGE OF THE EMAIL MESSAGE/INTERNET SURVEYS COMPARED WITH OTHER METHODS OF COLLECTING DATA

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ABSTRACT

Many techniques are used to collect information from defined populations of interest in survey research. Some of these techniques are compared and contrasted in this article. The basis of the article concerns the use of the latest survey technique, the Internet in surveys during 2001. The lessons learned from using an Email message with a link to a survey website will also be presented.

INTRODUCTION

For 2001, the State of Illinois contracted with Mediacall Marketing and Advertising of Macomb, Illinois to develop a Marketing Plan for the Illinois Skills Match (ISM) website. In order to more effectively develop the ISM website, research was needed on different target groups. Mediacall subcontracted with one of the authors to perform this research. Four target groups were ultimately surveyed.

All the persons in these groups were familiar with ISM but had different relationships with it. An effective and efficient means of collecting information from them was needed. Many different possibilities were available. An examination of Table 1 indicates the characteristics of different survey techniques. Five popular techniques are compared in this table. One of these was a method relatively new to the authors – the use of the Internet as a survey tool. This paper presents an overview of the Internet method, a comparison of it with four other survey methods and a discussion of the application to the ISM study.

COMPARING THE DIFFERENT RESEARCH METHODS

Table 1 compares five techniques of collecting survey data: in-home personal interview, mail, central telephone, group self-administered and the email message/Internet survey. A review of the different techniques is based on a number of

characteristics as shown in the table. This type of review is not new. Churchill and Iacobucci discuss the characteristics of various data collection techniques in Chapter 7 of their Marketing Research text (2002). In addition, Zikmund and d'Amico, in their principles of marketing text, identify seven characteristics of five different data collection techniques (2001, 137). With the inception of the Internet, an additional technique to collecting data has been created. Surveys and comparisons are now being made comparing the Internet to using mail, telephone, and personal interview and self-administered surveys. Researchers continue to increase the effectiveness and use of the Internet for the collection of surveys and data.

The personal interview surveys were the primary administration method for many years. However, its popularity has declined since persons are not at home as much as in the past. Also, the Internet has developed and technology has advanced. The advantages of personal interview surveys are feedback, rapport, quality control, and adaptability (Duboff and Spaeth, 259). Two disadvantages of the personal interview are its slowness and cost. The telephone interviews' speed of collection is fast but not as fast as the Internet. The flexibility of questioning is moderately flexible but not as flexible as the Internet (Zikmund and d'Amico, 2001, 137). E-Mails can be sent virtually anywhere for minimal cost. Some of the advantages of the Internet are no long distance charges, phone lines to staff, or interviewer keying errors to correct. (www.wirthlin.com).

TABLE 1
COMPARISONS OF FIVE DIFFERENT DATA COLLECTION
TECHNIQUES

CHARACTERISTIC	In Home Personal Interview	Mail	Central Telephone	Group Self Administered	Email/Internet
Speed of Collection	3	2	1	1	1
Geographic Flexibility	3	2	1	3	1
Respondent Cooperation: Contact	50%	95%	60%	95%	2
Respondent Cooperation: Response rates	90%	30%	80%	95%	Varies
Versatility of questions					
Structure: Flexibility	1	2	3	1	2
Sensitive	3	1	2	1	1
Disguise	2	3	1	1	1
Questionnaire length: Flexibility	1	2	3	1	2
Least Respondent misunderstanding	1	3	2	1	3
Least interviewer bias	3	1	2	1	1
Most Supervision of interviewers	2	3	1	2	3
Easiest to follow up	3	1	2	1	1
Most confidentiality	1/4	1/4	1/4	1/4	1 / 4
Most anonymity of respondents	3	1	2	2	1
Least cost	3	2	1	1	2
Need list of names?	2	1	1-3	3	1
Easiest to Enter data	2	3	1	1-3	1
Highest quality of information	1/4	1/4	1/4	1/4	1/4

The lower the number (1, 2, 3), the better the technique is for the respective characteristic.
Source: Thistlethwaite, Paul and Dan Cernusca (1999), Research Design Dynamics, Macomb, IL, WIU, 88.

The method used by the authors involved the use of an email message with a link to a survey on the Internet. The email message was free. However the cost of the Internet package was somewhat expensive (\$5000 plus a \$2000 annual service contract).

Over 90% of managers and executives at large U.S. companies in a 1996 CASRO study were familiar with the Internet. Over 30% had participated in an Internet survey. One in six (17%) said they used data collected from Internet surveys for marketing and planning. Over six in 10 said they expected to conduct or purchase more internet-based research in the next five years (www.wirthlin.com).

The Internet is radically changing marketing research. "Market researchers must quickly grasp the Internet to take full advantage of its strategic benefits" (Duboff and Spaeth, 260).

A number of design approaches are available to the business researcher wanting to conduct web surveys. One must have spatial qualities in order to effectively create surveys for the computer screen. "The primary advantage of the web-based survey is its capacity to directly populate a database with a high level of accuracy." (Brown and Kandies). "Using the Internet, the speed with which a questionnaire can be created, distributed to respondents, and the data returned is much quicker than printing, mailing, and data keying." (McDaniel and Gates, 1999, 190). Compared to mail surveys, it would appear that Internet surveys would be cheaper. Printing, mailing, keying, and interviewer costs are eliminated. The costs of adding respondents are typically low. "Consequently, studies with large numbers of respondents can be done at substantial savings compared to mail or telephone surveys." (McDaniel and Gates, 1999, 191).

Speed is a very vital characteristic when weighing the benefits of on-line research. Having almost immediate, continuous feedback with customers and consumers, providing key information on awareness, attitudes, and intention on an overnight basis or real-time consumer segmentation are important benefits. "Consider the value such resources would add to a person's ability to maneuver in today's competitive marketplace!" (Duboff and Spaeth, 260). Compare this speed to mail surveys that can take up to three months to mail out, receive the questionnaires and compile the results.

A potential benefit of Internet survey research is the ease with which an Internet survey can be quickly modified. Early returned surveys may suggest that additional questions should be asked. Changing or adding questions after the deployment of a mail survey would be nearly impossible. It would be difficult "with a telephone survey, but can be achieved in a matter of minutes with some Internet survey systems." (Watt, 1997). But one must be careful since responses coming in with the new survey would not be totally compatible with earlier ones causing potential analysis problems. There is no doubt that usage of the Internet is increasing at a rapid rate. "As more individuals and companies become acquainted and comfortable with this medium, more and more applications to survey research will likely follow." (www.wirthlin.com). Almost every type of research done conventionally can now be effectively researched using the Internet. For example, studies could include tracking customer satisfaction, focus groups, package testing, and copy testing. (www.quirks.com).

THE EMAIL/INTERNET AND MAIL SURVEYS FOR ISM

During 2001, four surveys were conducted concerning ISM. Three of these used the email message/Internet survey approach while one used the mail survey approach. Table 2 summarizes the number of respondents contacted for the particular method, the number returned and the response rate. The mail survey had a lower than expected response rate while two of the three-email/internet surveys had excellent response rates. A 30% response rate is considered the standard for mail surveys. One of the response rates for an email/internet survey was similar to the mail survey's response rate.

**TABLE 2
RESPONSE RATES FOR THE ISM STUDIES
SUMMER 2001**

	<i>Method</i>	<i>Number Surveyed</i>	<i>Number Returned</i>	<i>Response Rate</i>
IEC Members	Mail	1880	337	18%
ISM Employers	Email/Internet	1072	214	20%
Certified Persons: IETC Staff	Email/Internet	800	380	47%
Certified Persons: Partners	Email/Internet	500	180	37%

Mail Survey

The target group for the mail survey was represented by persons in organizations in Illinois who had agreed to serve on Illinois Employer Council. The IEC is a voluntary organization split into units throughout the state. Each of these units works directly with one of the 56 Illinois Employment Training Centers (IETC's). Of the 3200 persons on the IEC in 2001, 1880 were selected to participate in a survey concerning the satisfaction with the ISM website. A two-page survey was introduced by a cover letter. A postage-paid return envelope accompanied the survey. Two follow-up postcards and a second questionnaire were mailed during the following four weeks. Less than 20% responded to the survey. In addition, the total time needed to collect the information was more than a month. The information had to be entered into an SPSS file for analysis. It is a time consuming and cumbersome process. Since many of the IEC members did not have email addresses, the mail survey was utilized.

Email/Internet Survey of ISM Employers

A survey of Illinois Employers who had registered job openings with ISM was also conducted. A listing of the email addresses had to be obtained. A research assistant went to Chicago for the day to download over 1300 names and email addresses. These had to be word processed manually and verified at least twice since accuracy of addresses was necessary. Sending out the email messages to 1300 persons is a relatively easy task. In addition, the message can be sent a number of times in a short period of time. The ISM employers were contacted four times over a 7-day period. In addition, when the responses were collected, they went automatically into an ACCESS file that could be imported into SPSS.

Having the respondents go to a web site to take the survey was a problem for several of the employers. Many do NOT have Internet capability at the office. Consequently, beginning with the first follow-up, a WORD attachment was included with the email message. One must be careful that the WORD document matches the Internet survey EXACTLY. Unfortunately, it did not. This caused a few problems with data analysis. Another consideration in doing an Internet survey is the time that it takes to enter the survey into the Internet questionnaire survey package. Inquisite was used for the survey. This is a \$5000 package with a \$2000 annual service contract. Be careful of the expenses

of this "inexpensive" method. After the survey was created using WORD, it had to be entered into the Inquisite package. This additional "word processing" took about 7 hours to enter, verify, test, adjust, test, adjust and finally make it ready to deploy for the respondents.

This Email/Internet survey had a response rate similar to the mail survey. The lack of access to the Internet caused many problems. In addition, for those who wanted to use the WORD file, it may have printed differently than intended. The person then had to FAX it back or mail the questionnaire at his/her own expense. The Internet method may not be as easy, efficient and reliable as we are led to believe.

Mail Survey of Certified Persons

Two other Email/Internet surveys were conducted. Both of these surveys were directed at persons who either work for the Illinois Department of Employment Security (IDES) or who partner with them at the IETC's. The IDES personnel were either administrators or staff persons who worked with job seekers and/or employers needing employees. The partners work for other state or federal agencies such as the Illinois Department of Human Services or Green Thumb. They are located throughout the state most likely in the same buildings as the IETC personnel. A good mailing list and an interest in the survey helps to increase the response rate. In addition, most of the partners and IDES staff had easy access to the Internet but not all. A Word Perfect document had to be created and attached for these persons. The resulting response rates of 47% for the IDES staff and 37% for the partners were good response rates for the survey.

CONCLUSIONS

The choice of a survey technique as indicated in the last characteristic in Table 1 could either range from being appropriate to inappropriate. The best technique is the one that obtains the needed information in an effective manner. The Internet method is relatively new and has many advantages. But one must also recognize that the technique also has its disadvantages. The advantages encompass professionalism, speed of obtaining information, ease of follow-up, no need for data entry, ability to use Inquisite's statistical package, ease of transferring the data to SPSS, ability to ask open-ended and closed-ended questions. The disadvantages included the 7 hours needed to enter the questionnaire into Inquisite, the lack of Internet accessibility of some respondents,

the need to attach a WORD or Word Perfect file to the Email message, the need to find email addresses and perhaps enter them for emailing, the cost of a survey package and the annual updates, the need to learn the Internet package, and the realization that it may not do exactly what you want. In summary, the

experience using the email/Internet approach was very valuable. These authors would recommend the use of the Email/Internet survey technique as a viable method of conducting survey research. Hopefully, this article has provided some additional insights into its use.

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ADDICTS AND ALCOHOLICS AS “CONSUMERS” OF PUBLICLY-FUNDED, ADDICTION RECOVERY PROGRAMS

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ABSTRACT

Adopting a “consumer behavior” view of the addicts and alcoholics in publicly funded treatment programs, this research seeks to identify the resiliencies clients rely on to successfully “consume” program services. The results imply that (A) each program may call on a different combination of resiliencies and (B) these combinations appear to be stable over time.

INTRODUCTION

Social interventions have been defined as: “deliberate attempts by professionals to change the characteristics of individuals or groups, or to influence the pattern of relationships between individuals and/or groups” (Kelman & Warwick, 1978, p. 4). In recent United States history, there have been a number of publicly funded social interventions designed to address problems of interest to the society as a whole. Examples include public education, the War on Poverty, numerous Federal employment training programs, preventative immunization, prevention of teenage pregnancy, and substance abuse treatment. The research presented here uses substance abuse treatment as a general model of publicly funded social interventions for the purpose of developing a marketing oriented strategy to improve program outcomes.

Social interventions can be viewed from a process perspective to include four basic steps:

- A. Applicant recruiting.
- B. Applicant Screening and Selection.
- C. The “treatment” or “activity” involved in the intervention.
- D. “Graduation” or post intervention evaluation.

Figure One in the Appendix outlines the process involved in the “transition” intervention for addicts and alcoholics from “detoxification” (a period of enforced abstinence from their drug of choice) to sober living.

With more than 700,000 individuals seeking treatment for alcohol dependency every day in the United States (NIAAA, 1997) and hundreds of thousands seeking treatment for other forms of chemical dependency each year (U.S. Bureau of the Census, 2000), addiction recovery represents a significant societal investment. For those who lack the individual resources, employer support, or social networks to address their addiction, publicly funded programs are often the only available resource to encourage sobriety and recovery. The Federal government and the various State governments spend tens of billions of dollars each year supporting addiction recovery programs. The weakening economy, the drive to reduce or streamline government, increasing emphasis on outcomes assessment in government programs, and the shift from welfare to workfare as a core policy of both the Federal and State governments, have placed additional demands for publicly-funded programs to improve outcomes over time.

The search for outcomes improvement has been ongoing for decades. In the 1980’s, improvement centered on finding the ‘silver bullet’, the treatment that would help all addicts. This in effect, involves trying to improve outcomes by working on Step C (the treatment or activity) in the intervention process. Parloff (1980) identified 250 therapies for treating addictive behaviors. Miller and Hester (1986) found over 250 controlled studies in the alcoholism treatment area alone. However, Miller (1989) concluded “no one treatment was superior for all individuals, that treatment does not work as well as we’d like it to, and it does not work at all for a significant number of clients.”

By the early 1990's, substance abuse treatment had coalesced around three main intervention strategies: cognitive-behavioral therapy, motivational enhancement therapy, and Alcoholics Anonymous/Narcotics Anonymous 12-step programs. Recognizing the importance of the therapeutic alliance between the client and the therapist, Project MATCH (Matching Alcoholism treatment to client heterogeneity) tried to measure the importance of the relationship between the client and the therapy. In effect, this strategy would improve outcomes by doing a better job at Step B (Applicant Screening and Selection).

Summarizing the outcomes of Project MATCH, Fuller and Hiller-Sturmhofel (1999) concluded that the results "provide only limited support for the hypothesis that patients can be matched with optimal treatments based on patient characteristics." It is important to note that most of the matching characteristics were either measures of the severity of the client's addiction, measures of their apparent "readiness" to enter recovery, or externally observable behaviors (i.e. anger management skills).

For decades, the drive to improve program outcomes has stalled with a typical drug intervention program experiencing 30-40% success in their particular stage of the recovery process.

A MARKETING STRATEGY FOR PROGRAM IMPROVEMENT

A marketer, tasked with improving the outcomes from a transitional substance abuse treatment intervention, might look at the problem from a different light. If the outcome measure is the ratio between the number of successful graduates and the number of total clients, the marketer might seek ways to:

1. Understand what makes "consumers" of the intervention services successful.
2. Understand what sets the successful clients apart from the unsuccessful ones.
3. "Recruit" more successful clients in the future by communicating in ways that draw clients to the program who mirror the resiliencies of the successful clients of today.

To begin, the marketer would need to develop a theory of consumer behavior appropriate to

the services being consumed and develop a way of measuring the factors that contribute to successful consumption of program services.

Consumer behavior modeling is essentially the examination of human behavior under the influence of external stimuli and internal attributes, memories, and experiences. The Engel, Kollat, and Blackwell (1973) model (EKB) assumes that the consumer is a rational, logical, utility maximizing problem solver choosing among available alternatives. Unfortunately, this assumption is violated in almost every sense in many social intervention programs aimed at those requiring public support, minimizing the usefulness of the EKB model in this arena.

Miller and Jackson (1985), building on Prochaska and DiClemente (1982), theorize that change in humans comes about as a result of the cyclical process outlined in Figure Two in the Appendix. This Stage Model for Change in Humans has four features that are of note to the investigation of addiction recovery.

1. It is easier for people to generate intentions to change than to actually change.
2. Initiating change and maintaining the changes are distinctly separate activities.
3. Recidivism is highly probable.
4. The potential for permanent change exists.

The question left unanswered by the descriptive Stage Model is **why** do some people make the change and sustain change while others do not.

It is purported here that the clients come to the recovery program with certain internal strengths (called resiliencies) that determine to a great extent their potential for success in the program. The research challenges are to measure resiliency consistently, to measure success in a meaningful manner, and determine:

- A. Which resiliencies contribute to the successful consumption of program resources.
- B. Whether the resiliency models are generalized or program specific.
- C. Whether the "success" model for a given program is stable enough to allow for effective marketing communications.

A stable model, one that evolves slowly, would enable a communications campaign to voluntarily draw clients with the "right" resiliencies eventually improve outcomes.

DEFINING AND MEASURING RESILIENCY

Drs. Steven and Sybil Wolin (1993) defined seven component resiliencies from their work with adult survivors of troubled families. Adult survivors used one or more of these resiliencies to grow up to lead productive lives without carrying the pathology of the family forward. These resiliencies include both behavioral habits (BH) and mental traits (MT).

INSIGHT	Asking yourself tough questions and giving honest answers. (MT)
INDEPENDENCE	Relating to others out of freely chosen, rational beliefs. (BH)
RELATIONSHIP	The ability to form and keep mutually gratifying relationships. (BH)
INITIATIVE	Generating projects that stretch the self, promoting growth. (BH)
CREATIVITY	Imposing order, beauty, and purpose on the chaos and pain of life. (BH)
HUMOR	Finding the comic in the tragic. (MT)
MORALITY	Informed conscience joining yourself to the self-hood of humanity. (MT)

Rudd (1996) studied the use of psychometric tests in a social intervention environment. Decades of research have gone into a number of simple paper and pencil, self-administered tests that measure a myriad of human behaviors and attributes. The final test battery chosen for the research reported here includes three instruments that take approximately three hours to complete in total. Selected scales from The California Psychological Inventory (a 462 question true and false instrument) and the Measures of Psycho-social Development (a 112 question, five point, Likert-scale instrument) are used to triangulate the measures of Insight, Independence, Relationships, Initiative, Creativity, and Morality. The Situational Humor Response Questionnaire (a twenty one item, multiple choice instrument) from Martin and Lefcourt (1984) is the only scale found

purporting to measure the PRODUCTION of humor rather than one's reaction to humor.

All three instruments feature raw scores that are or can be standardized to a mean of 50 with a standard deviation of 10. This allows the results to be analyzed using regression techniques with component resiliencies as the independent variables. Figure Three in the Appendix summarizes the key points about the test battery.

MEASURING SUCCESS

Success in social interventions often includes a laundry list of items with no sense of the relative importance of the each item. The list usually includes some items measuring the client's effort, the client's intent on exit, the client's end state, and the environmental factors thought to impact probable success (such as support from a family or other group). Success is often defined by how many of these criteria the client has completed or "checked off" during his or her stay in the program. Success often becomes an informal norm about how many check marks is sufficient to represent a successful intervention.

The list approach is used because it is easy to obtain the list of critical items. The check off approach is used because it is very difficult to get group agreement on the relative weighting behind the different items in a multi-dimensional matrix of success factors.

In all three studies reported here, an approach, called analytical hierarchy processing, or expert choice modeling, was used to convert the checklist into a quantitative metric ranging from 0 to 100.

All programs had a checklist of items, which they had been using to measure program success. In all cases, this list closely coincided with those factors that their primary funding sources were requiring them to report. Program managers and administrators were given an opportunity to add other factors, not on their current list, that they viewed as measures of program success. Analytical hierarchy processing (AHP) involves asking only for comparisons of two items at a time...a process that individuals can easily deal. The AHP software effectively "spaces" the factors to accommodate of all evaluators' viewpoints (Dyer and Forman, 1991).

This yields a set of weights that reflect the importance of the components and sub-components resulting in a measure of success that ranges from 0 to 100.

Table 1 compares measures of success developed for the three programs showing the weights assigned to each component and or sub-component via the Analytical Hierarchy Process using Expert Choice Software™.

Those evaluating the clients' success continue to use the checklist as an evaluation tool and are not told what the relative value of each item is until after the data collection has been completed. This prevents a bias in evaluation from developing during the research.

This article reports on three studies of recovering addicts and alcoholics in the last five years using component resiliency as the independent variable and a program specific measure of success developed using AHP as the dependent variable. Differences in measures of success among three programs that have the same goal lends face validity to the concept that the program should be the unit of analysis in addiction recovery instead of the patient.

While the measures of success appear to be program specific, the characteristics of the clientele for these three addiction recovery programs are strikingly similar with the exception of their ethnicity. Table 2 compares client characteristics through the first year of each study. Note that the success rates for these three programs are at the high end of the typical range for similar programs.

TABLE 1

Measures of Success for Three Studies of Adult, Male Recovering Alcoholics and Addicts

Category	Blacks , Washington, DC 1994-1995*	Native Americans Minneapolis, MN 1995-1996**	Multi-Cultural Minneapolis, MN 1998-99***
Progress in Twelve Step Program	.278	.091	.322
Progress toward financial stability	.085	.251	.048
Financial Condition at Exit for Program	.140	.202	Not Identified as a separate measure.
Sponsor Relationship	.180	.098	.160
Quality of post program living situation	.307	.199	.220
Adherence to the Red Road	Not Applicable	.159	Not Applicable
Directly addressing non-addiction issues hindering recovery.	Not identified as a separate measure.	Not identified as a separate measure.	.097
Directly addressing that issues that drive the addiction	Not identified as a separate measure.	Not identified as a separate measure.	.153
Maximum total success score	1.00x100=100	1.00x100=100	1.00x100=100

* Rudd (1996) ** Rudd(1997)***Rudd(1999)

TABLE 2

Comparing The Samples in Three Studies of Adult Males in Addiction Recovery Programs

Category	Blacks Washington, DC 1994-1995*	Native Americans Minneapolis, MN 1995-1996**	Multi-Cultural Minneapolis, MN 1998-1999***
Number of Beds	39	20	28
Total Clients	82	66	118
Clients Tested (% of population)	53(63%)	15(23%)	71(60%)
Successful Completions (% of population)	44(53%)	28(40%)	50 (42%)
Average Length of Stay in Days	63	30	46
Age Distribution			
19-30	7	24	25
31-40	34	31	55
41-50	21	14	33
51-60	9	1	4
Highest Education Level Attained			
<7	0	0	3
7-8-9	2	3	16
10-11-12	48	13	84
13-14 (Associate)	19	1	18
15-16 (College)	6	0	4
17+ (Graduate)	1	0	0

* Rudd (1996) ** Rudd (1997)***Rudd(1999)

RESEARCH METHODOLOGY

All three transition programs draw their clients from detoxification programs or drug court assignments. All three programs have a short period at the beginning where the client is acclimating to the surroundings and has few other demands on their time. During this acclimation period, clients volunteer to take the test battery identifying themselves only by the last four numbers of their social security number. To minimize researcher bias, tests scorers have no link to individual clients. Client success measures are gleaned from the program files and from one-on-one interviews with program counselors at the end of their stay in the program. The case files also allow the gathering of key demographics about the clients (race, marital status, education, etc). Finally, SPSS™ statistical software is used to analyze the distribution of client attributes

The regression models are first built using scores from the Situational Humor Response Questionnaire (SHRQ) and scores from selected

and resiliencies and to perform linear regression modeling.

REGRESSION MODELING FROM THE FIRST YEAR OF EACH PROGRAM

In all models, the Measure of Success is regressed on the resiliency factors in combination. Resiliencies remain in the model if the regression coefficient is significant at the .10 or better. All studies involve two operational assumptions. If a client were flat-lined, i.e. had virtually no strength in any of the seven component resiliencies, it is reasonable to assume that the success would be close to zero. This assumption forces the regression model through the origin ... i.e. does not allow negative success at zero resiliency. The second is that the models are built using only clients who lasted long enough (more than two weeks in the program) for the program to have an effect. scales in the California Psychological Inventory (CPI). The process is repeated using the SHRQ and scales from the Measures of Psychosocial

Development (MPD). This allows for internal triangulation of the models. Table 3 details the regression models from the study of adult, Black males in Washington, DC.

This program was operated by a not-for-profit agency under contract to the Washington, DC department of Social Services. Ninety-six percent (96%) of the clients were Black and 4% were Caucasian. The research involved three different transition houses (two for those with addiction problems only and one for those with a dual diagnosis of drug problems and mental health issues). The model indicated that two resiliencies (Humor and Morality) could explain up to 84% of the variation in success.

Treatment focused on the Alcoholics Anonymous and Narcotics Anonymous 12 step

program as the treatment modality. While the spiritual nature of the 12-step approach was recognized, the program relied more on the strength of the 'fellowship of recovering addicts' as its main theme. The importance of linking to others (the Morality resiliency) did not surprise the program operators. However, the strength of the Humor resiliency was a surprise. While dark, satiric humor is a part of the everyday interaction in the transition houses, program operators viewed humor as more of a mechanism for coping with the various personalities in the house than as a key to successful program completion.

Table 4 summarizes the modeling results from the Native American Male Study in Minneapolis. The model may explain up to approximately 89% of the variation in success.

TABLE 3

Regression Models for 53 Adult, Black Males in Washington, DC. (1994-1995)

Iteration Name	Measure of Success = B1(CR1) + . . . + B (CR)		
CPI/SHRQ	+ .68* HUMOR (.10)**		+ .76*MORALITY (.02)
MPD-P/SHRQ	+ .91*HUMOR (.01)	- .52*INITIATIVE (.09)	+ .84*MORALITY (.01)
Iteration Name	R ²	R ² Adj.	SEE
CPI/SHRQ	84.3%	83.4%	24.9
MPD-P/SHRQ	82.8%	82.1%	26.0

Note 1: ** Represents Statistical Significance of the Regression Coefficients.
 Note 2: R² = percentage of variation in success explained by these factors.
 R²Adj. = R² adjusted for the number of factors in the model.
 SEE = Standard Error of the Estimate

TABLE 4

Regression Models for 15 Adult, Native American Males in Minneapolis, MN (1995-1996)

Iteration Name	Measure of Success = B1(CR1) + . . . + B (CR)			
CPI/SHRQ	2.57*RELATIONSHIP (.01)	- 3.25*INITIATIVE (.037)	+2.87*CREATIVITY (.079)	
MPD-P/SHRQ	3.45*INSIGHT1 (.075)	- 4.87*INSIGHT2 (.020)	+2.47*CREATIVITY (.064)	+1.55*MORALITY (.072)
Iteration Name	R ²	R ² Adj.	SEE	
CPI/SHRQ	88.7%	85.6%	26.8	
MPD-P/SHRQ	94.9%	91.6%	20.0	

Note: INSIGHT1 is a measure of the consistency of a client's identity where as INSIGHT2 is a measure of how meaningful or significant their lives have been. In short, these clients know who they are, but do not think much of what they have been.

This program was operated by a Native American sponsored social service agency. Most of the clients had County or tribal funding support. Treatment focused on a modified version of the 12-step approach overlaid with a strong focus on adhering to the "Red Road". This latter element sought to reawaken or strengthen the client's belief in and acceptance of their respective Native American cultural heritage. The complexity of the model was not surprising since models in earlier studies had shown similar instability at low sample counts (below 50). The lack of importance of adherence to the "Red Road", which was given only a 15.9% weighting in the Measures of Success for this program, was disappointing to the program director.

Table 5 summarizes the regression models linking resiliency and success for the combination of blacks and whites tested during the first year of a

study conducted by a non-denominational, Christian social agency. Most of the clients had either County or State support with only a small group of private pay clients. The model shows that Humor, Initiative, and Morality may explain 76% to 79% of the variation in client success. The positive contribution from the Morality and Initiative resiliencies would appear to have face validity in a program that focuses on the client taking personal responsibility for their own actions AND actively participating in the groups' effort to understand and live with their individual addictions.

With three studies for comparison, it now appears that individual programs do draw on different sets of component resiliencies. Table 6 compares the Resiliency Models for the three studies side by side. Three programs, three distinct resiliency profiles explaining approximately the same percentage of client success (75% to 95%).

TABLE 5
Regression Models for 71 Adult Males, Black, Caucasian, and Other, in Minneapolis, MN

Iteration Name (IN)	Measure of Success = B1(CR1) + +Bn(CRn)		
CPI/SHRQ	1.564 * MORALITY (.000)**		
MPD-P/SHRQ	.67*HUMOR (.032)	+	.75*INITIATIVE (.021)
Iteration Name	R ²	R ² Adj.	SEE
CPI/SHRQ	79.1%	78.8%	34.5
MPD-P/SHRQ	76.0%	75.0%	36.5

TABLE 6
Contribution to Success in Recovering Addicts and Alcoholics

COMPONENT RESILIENCY	Blacks, Washington, DC 1994-1995		Native Americans Minneapolis, MN 1995-1996		Blacks and Whites Minneapolis, MN 1998-1999	
	CPI*	MPD**	CPI	MPD	CPI	MPD
INSIGHT				+ 3.48		
INDEPENDENCE						
RELATIONSHIP			+ 2.57			
INITIATIVE		-.52	- 3.25			+.75
MORALITY	+.76	+.84		+ 1.55	+1.564	
HUMOR(SHRQ***)	+.68	+.91				+.67
CREATIVITY			+ 2.87	+ 2.47		

*Using Scales from the California Psychological Inventory with the ***Situational Humor Response Questionnaire (SHRQ).

** Using scales from the Measures of Psychosocial Development with the SHRQ

Obviously there are limitations to extrapolating from three modest sized pilot studies. Especially since the three studies were conducted amidst all the chaos and turmoil that normally accompanies not-for-profit, social intervention programs. However, it appears that the three, first-year results may support the contentions that:

- A. Significant differences in the keys to success do appear by program.
- B. A manageable number of component resiliencies may hold the key to success for a program.
- C. For a marketing or communications approach to outcomes improvement to be successful, i.e. to draw high-potential clients to the program based on an understanding of resiliencies that contribute to success, the regression models should be stable over time.

STABILITY OF THE RESILIENCY MODEL OVER TIME

To address the issue of model stability, the Multi-Cultural Study in Minneapolis was extended and data collection continues as of September, 2001. Complete data on clients that started and finished the program is available up through February, 2001...stretching the database to 33 months. Regression analysis in one year time periods (5/98-4/99 through 11/99-10/00), all the periods for which a full year's data is currently available, shows a slow evolution of the model as outlined in Table 7.

There are three possible explanations for the slight drift in the resiliencies contributing to success in the program.

A. A slight increase in the ratio of Caucasian clients to minority clients. Analysis shows that while both Black and Caucasian clients' success depends on Initiative, Black clients' success tended to depend more on Humor and Morality while Caucasian clients' success tended to depend more on Relationships.

B. Instability in the counselor ranks (significant turnover during years two and three of the study) which may have required program participants to take a more active role in program execution at some times.

C. Encouraged by early results of the study, the program operators appear to have made two subtle changes in their approach by:

- 1. Relying on a Primary Care program housed at the same facility and operated under the same philosophy for a higher percentage of their Transition clients.

Anecdotal evidence suggests that clients from their own Primary Care Program tended to fare better than outside referrals.

- 2. Adhering even more strongly to the underlying belief in the power of the spiritual component of the program.

Even with these changes, either imposed by the situation or chosen by the operators, the drift of the model is slow enough that it would not prevent the application of marketing communications strategies to the Client Recruiting step in the intervention process and encourage self-matching.

TABLE 7

Significant Resiliencies in the Success Regression Models

Category	5/98-4/99	5/99-4/00	11/99-10/00
Significant Resiliencies	Initiative Humor Morality	Initiative Humor Relationships Creativity	Initiative Humor Creativity
R ² Range	75%-78%	74% - 78%	74% - 76%

CONCLUSIONS AND RECOMMENDATIONS

The AA/NA style twelve step program, the basis of all the studies presented here, has been shown to be an effective intervention. Where outcome differences between the therapeutic methods were in evidence in Project MATCH, "they tended to favor the Twelve Step Facilitation Process" and "[continuous abstinence for outpatients] endured throughout the 12 months of follow" making the Twelve Step Facilitation Process "favorable to other well tested approaches for the treatment of alcohol problems" (Glaser, et al (1999)).

Resiliency Modeling to support an informed self-matching strategy, may offer an opportunity to improve outcomes as more "high potential" clients CHOOSE to be involved with a program that they see as fitting to their resiliency profile. The informed self-match has been shown to have some impact on outcomes in alcohol treatment (Donovan & Mattson, 1995).

A major researcher into the myriad of drug treatment methodologies appears to support some consideration of a marketing approach to informed self-matching in addiction programs. Miller (1993) comments that for many treatment programs, "client selection was "susceptible to influence". Miller adds further that the procedures used to "sell" the intervention to potential subjects is an area that is "often unmentioned in proposals or reports" [about alcohol intervention programs].

At this point several additional extensive, rigorous applications of the research methodology are needed to confirm the reliability of the methodology. These could involve replication of the research reported here or the broadening of the test

base into other types of social interventions such as family or spousal violence.

Strong and Rudd (1997) argue for a component resiliency approach to public job training programs. The history of publicly funded attacks on systemic unemployment is littered with the carcasses of past programs (The Great Depression Era Civilian Conservation Corps and Works Projects Administration, the Manpower Development and Training Act of 1962, the Comprehensive Employment Training Act of 1973, the Job Training and Partnership Act of 1982, etc., etc., etc.) As of early 1995, there were 154 federal programs spending over \$13 billion annually on employment assistance (Carnevale, 1995). Mr. Carnevale, Chairman of the National Commission for Employment Policy, reporting on a meta-analysis of existing programs undertaken at Congressional request, suggested that improving workforce preparation would involve, among other elements, empowering and enabling the customer with choice and information.

Strong and Rudd suggest that enlightening potential clients with personal component resiliency information is an appropriate role for community colleges. A strong component resiliency assessment of an employment-training program would be a welcome addition to the testing of the resiliency methodology.

By extending the testing to a wider variety of social interventions, perhaps the resiliency model, which focuses on the strengths an individual brings to the challenge of change, can begin to replace the pathology models, which focus on what is wrong with the individual, as the primary lens through which society views the social intervention arena.

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FIGURE 1
Process Schematic
for
Substance Abuse Intervention

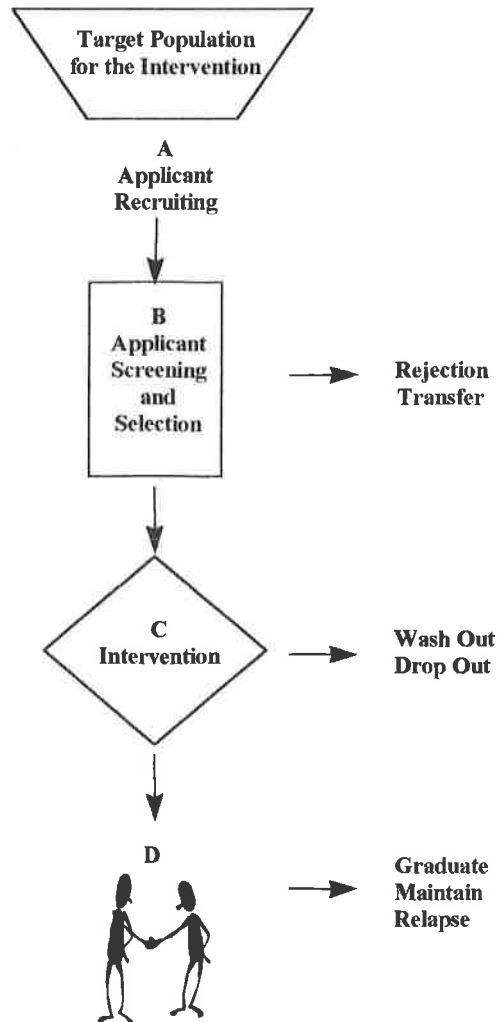
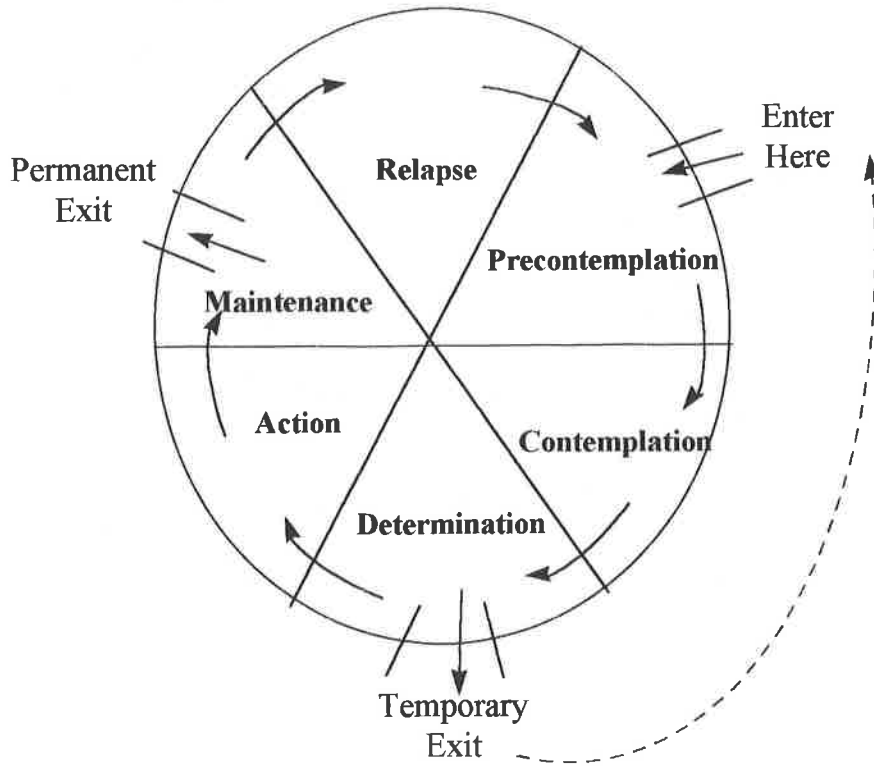


FIGURE 2

The Stage Model of Change In Humans



The stage model of the process of change is adapted from James O. Prochaska and Carlo C. DiClemente (1982), "Transtheoretical therapy: Toward a More Integrative Model of Change." *Psychotherapy: Theory, Research, and Practice*, 19; 276-288. Reprinted from W.R. Miller & K.A. Jackson (1985), *Practical Psychology for Pastors*. Englewood Cliffs, NJ: Prentice-Hall, page 130.

FIGURE 3

**Battery of Psychometric Tests used in the Study of
The Resiliency of the Consumers of Social Intervention Programs**

Category	California Psychological Inventory CPT(1)	Measures of Psychosocial Development MPD(2)		Situational Humor Response Questionnaire SHRQ(3)
Questions - Time	462 - 45 Min.	112 - 20 Min.		21 - 20 Min.
Type of Question	True-False	5-point Likert Scales		Multiple Choice
Insight Scale	Self-acceptance	Identity or Ego Integrity	Identity Confusion	
Independence Scale	Independence	Autonomy	Shame & Doubt	
Relationship Scale	Communality	Intimacy	Isolation	
Initiative Scale	Achievement via Independence or Conformance	Initiative	Guilt	
Morality Scale	Tolerance	Trust	Mistrust	
Humor Scale				SHRQ
Creativity Scale	Flexibility or Intellectual Efficiency	Generativity	Stagnation	
Reliability Coefficient	.52-.74 (Average .72)	.67-.80		.70-.83
Norms	Yes	Yes		Yes

References: 1. Gough, 1987 2. Hawley, 1988 3. Martin & Lefcourt, 1984

SERVICES MARKETING

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ABSTRACT

In this paper we look into the implications of service complexity for the process of differentiating offerings. We also look into the consumer choice behavior and its various drivers like brand name and functional quality and carry a step-by-step analysis on how to build a service brand.

INTRODUCTION

Service Offerings Versus Products

Most physical goods tend to be relatively high in search qualities; these are attributes, which a customer can determine prior to purchasing a product, such as color, style, shape, price, fit, feel, hardness, and smell. Other goods and some services, by contrast may emphasize experience qualities, which can only be discerned after purchase or during consumption, as with taste, wearability, ease of handling, quietness and personal treatment. Finally, there are credence qualities- characteristics that customers find hard to evaluate even after consumption. Examples include surgery, legal services, etc. Services on the other hand emphasize experience qualities, which can only be discerned during consumption, and credence qualities, which customers have to take on faith, since they involve characteristics that are hard to evaluate even after consumption. In addition, more complex services, such as some professional services or financial services, may be "mentally intangible" in that an average customer's understanding of features and benefits may be extremely limited. As a result, it is relatively harder to define the nature of a service product prior to, purchase and evaluate it against competing alternatives. This problem is most acute for first-time users without prior experience of the service in question.

CONSUMER CHOICE BEHAVIOUR IN SERVICES

The Drivers Of Consumer Choice

The drivers of consumer choice in services can be broadly categorized as brand name and functional quality.

Brand Name

The absence of a tangible physical good on which a brand name can be affixed often necessitates assigning greater prominence to the corporate brand name on the various physical products and facilities used to deliver the service (e.g. displaying an airlines logo, and names on airplanes, ground transportation vehicle, baggage handling vehicle, ticketing counter, etc). Thus in the context of marketing of services, the brand equity could reside in the name of the firm itself.

Functional Quality

The perceived service quality concept suggests that the service quality perception is formed by the disconfirmation between expected and experienced service. The consumer expects a service based on marketing communication, word of mouth and image. The actual service experience is based on the actual service process and the outcome of the service. These two dimensions are known as functional quality (how the service process functions) and technical or the outcome quality (what the service process leads to) dimensions. The process consumption of services, that is the involvement of the consumer during the production of the service, implies that even though the outcome might be positive, a poorly perceived process might cause the whole experience to be tainted. In such a scenario the functional quality is much more critical than the technical quality. This functional quality should be separated from the **core service provided** which is influenced by the knowledge and skill of the employees. Since services are very competitive and there is very high level of replication of products, the consumer do not perceive a drastic fall in quality with falling price. For highly intangible service offerings in particular, organization-wide factors, such as the level of functional service quality, may be emphasized when adding value (Gronroos, 1984; Parasuraman et al., 1991). In addition, contributions

from Bharadwaj et al. (1993), and Zeithaml (1988) suggest that extrinsic cues such as image and reputation may be particularly important in adding value in cases where consumer understanding of service offerings is limited. This is likely to be the case, in particular, where service offerings are complex and, as a result, highly “mentally intangible” to the average consumer.

The following section considers the implications of service complexity for the process of differentiation.

Service complexity

The factors that consumers use to evaluate service offerings—that is those, which can be used in differentiating a service may be contingent on the complexity of the service offering in question. For certain more complex or sophisticated financial services offerings in particular, their high intangibility makes it potentially difficult to envisage the use of specific services features as the basis for differentiation. Easingwood (1995) says customers are more likely to purchase a new product if they understand the product. Customer understanding of a new product is helped by previous experience with the product class and by the relative simplicity of the products developed. This is more likely for existing customers of the company who are already familiar with the type of products that the company offers. A major problem for the consumer is identifying cues, which provide an insight into the nature of the service experience. In this respect, a lack of consumer understanding may result in increased reliance on experience and credence qualities of the service offerings. However, this may be less of a problem in the case of more simple services with features and benefits which consumers find relatively easy to understand and evaluate. Intrinsic cues are usually product specific attributes, often tangible in nature. Extrinsic cues are external to the product, with the examples of brand name and advertising being used by the author. An important extrinsic cue is quality as defined by abstract dimensions that can be generalized across offerings, also called higher-level abstraction. When customers are purchasing offerings where search qualities are important in the customers perception of value and, hence, intrinsic attributes have a high predictive value, then customers will tend to rely on those intrinsic attributes. Further when intrinsic cues are scarce (as is arguably the case for more complex services offerings), when it is costly in terms of time and effort to evaluate intrinsic cues, and when the offering is high in experience and credence qualities, then extrinsic attributes will be far

more important in the customer’s assessment of value. Extrinsic attributes can serve as value signals and can substitute for active weighing of benefits and cost and this is likely to be the case, particularly when the incidence of search and credence qualities is high. Relating the above propositions to complex services, it can be argued, therefore, that the extrinsic factors and brand image/reputation elements mentioned above may well be particularly important to the mix of factors which adds value to a complex services offering.

WHAT SHOULD A SERVICE MARKETEEER DO?

By identifying the drivers of consumer choice, a service marketer can identify the factors, which can be leveraged in different service conditions to add value to the consumer and thus differentiate the offering. Issues relating to which elements of the offering to emphasize when adding value may be particularly important in the case of services, as the characteristics of the typical services offering may have major implications. An organization’s ability to compete effectively in a particular market is increasingly seen as being dependent on its capacity to deliver offerings that comprise a competitive bundle of benefits, or value, to the consumer. The process of adding value is in essence differentiating one’s offerings effectively in the eyes of the consumer. One of the means to achieve this is through “Branding”.

Branding- Delivering A Value Proposition

Achieving distinction from competitors is no less important for firms marketing services than for firms marketing goods. A brand can provide information and communicate efficiently, qualify a product or service, or establish differentiation. A truly powerful brand can do all three if necessary. The essential purpose of a brand is to distinguish one company’s offerings from that of other companies. Consisting of names and other distinguishing elements such as slogans and symbols, brands provide customers an efficient mechanism for identifying a particular firm or its products.

BRANDING IN SERVICES

In services marketing **the company brand is the primary brand**; in packaged goods marketing the product brand is the primary brand. The locus of brand impact is different for packaged goods and services because services lack the inherent physical presence that facilitates individual product

packaging, labeling, and display. Thus, in services, the company brand becomes paramount. A service company presents its brand to consumer, customer prospects, employees, and other stake holders through a variety of potential media, including facilities, signs, print and television advertising, delivery trucks, employee uniforms, and more. The core of the presented brand is the company's name, but the accompanying words and symbols, and the visual presentation of these stimuli, play key roles also. The service the company provides, how well it performs the service, and the service's value combine to influence customers' interpretations of the presented brand. Customer's experience-based beliefs are powerful, diminishing the effects of company-controlled communications that contradict actual experience. This is why the service concept, quality, and value are more important than the presented brand for experienced customers.

Customer focus

Services marketing has a very sensitive aspect where the strategy revolves around the customer. The need for customer oriented marketing is that firms have begun to realize that customers' needs are unique. Building a strategic relationship with the customer starts with a simple premise; marketing to individuals rather than accounts; focusing on the process of marketing to individuals. This process driven approach represents a major change in the way companies handle marketing. This approach emphasizes a market segment size of $n = 1$ or the individual. In other words concentrating on the individuals is the path to increased sales. However, embracing this $n = 1$ marketing and sales concept means a fundamental shifts in attitudes. It involves moving from a 'Get the order, no matter what it takes' culture to one that emphasizes providing the best solution to the individual customer.

STEPS FOR BUILDING A SERVICE BRAND

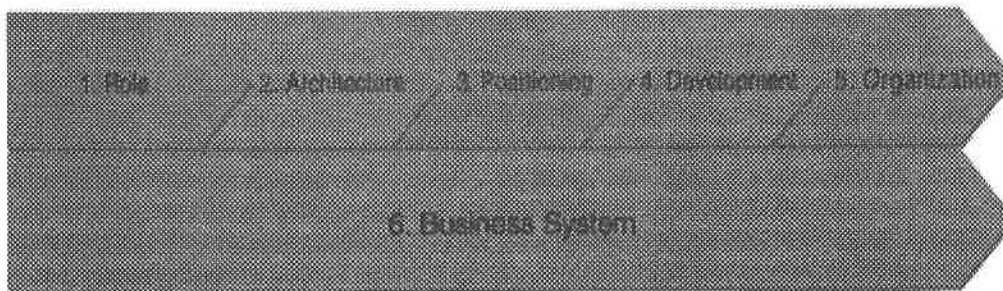
Six Components of Building A Brand

With appropriate senior management commitment, building a relevant and powerful brand for any consumer-focused company, including a bank, is a reasonable goal. According to the consultants Booz·Allen, there **are six components** to successfully branding a company. These steps blueprint the process of developing a concise message or promise that an institution wants to communicate to its customers and for executing a strategy that delivers on that promise. The following figure illustrates the process of building brands. (Source: Branding the Bank, Booz Allen Hamilton, and www.bah.com)

The **first step** in building a branded business is to understand the **role** of the brand in that particular business, including the leverage it can provide across markets and product categories. A brand can provide information and communicate efficiently, qualify a product or service, or establish differentiation. A truly powerful brand can do all three if necessary. To decide what role brands should play, it is important to take a dispassionate look at the current status of the organization and product/service offering—how they are perceived by customers, competitors and employees. In addition, the institution has to understand what these distinct constituencies need to know and believe about the brand. For instance, in General Electric's appliance business, the retail trade is most interested in product quality, marketing support and access to credit. Consumers are interested in product quality, but in addition seek a set of design attributes. GE's brands thus play two roles. Services like Banks need to take a similar approach and determine the role of brands in their retail, institutional and internal markets.

FIGURE 1

The Six Steps To Building A Service Brand



Secondly, brand builders must choose a **brand architecture** consistent with the chosen role and the institution's products, services and market landscape. There are three types of brand architectures: a **single brand**—one brand that covers the entire product range; tiered brands, with a parent brand supported by sub-brands for each product line; or multiple brands, with each product carrying its own brand distinct from the parent. Sony, Home Depot and Visa are examples of single brand architecture. A **tiered brand architecture** is used by companies such as Sears and Nabisco, where individual brands benefit from the corporate brand umbrella (e.g. Craftsman tools by Sears). Procter & Gamble is a company that uses multiple brand architecture, with each of its products—Tide, Pampers, Ivory Soap, etc.—building and supporting its own brand identity.

Which brand architecture to choose depends on business objectives and market conditions? The single brand architecture best applies when customers seek the same attributes across market segments and product lines. The tiered brand architecture allows the institution to build on critical foundation attributes while still tailoring the marketing message to specific segments. Multiple brands are needed when each market segment has distinct needs.

The **third step** in branding a business and developing a brand strategy is to **position the brand to effectively communicate the value proposition**. Critical here are clarity, consistency and relevance. Volvo (safety), Nike (limitless performance) and Wal-Mart (good deals) are examples of companies that have clear brand positions. The clarity is achieved through the consistent use of all marketing levers (e.g., price, product design, image and channel selection) to drive home a single message.

In the **fourth step**, a company must develop the **programs needed to deliver the brand and the brand promise**. This happens through programs or services that convey the brand message to the target audience. Nike's support of grassroots athletic events and Visa's Olympic sponsorship illustrate the type of programs needed to creatively deploy brands. Nike helps amateur athletes perform, while Visa demonstrates its global reach.

Essential for generating brand performance is the **fifth step** in effective branding: *creating or designing an organization to lead and manage a branded business*, one that includes the right **skills and structure** to execute the brand strategy. Citibank, for example, has recently recruited a number of people with brand-building skills,

including William Campbell, formerly the marketer behind many of Philip Morris' successes.

Finally, for a brand to be effective in the marketplace, the **business system must be aligned with the brand promise**. While this may sound like a platitude, in reality this is the most difficult aspect of branding, particularly in a service business. It must start at the very top with a vision and strategy that is embraced and articulated by senior management. Visualizing Virgin Air without Richard Branson or Nike without Phil Knight and the importance of leadership in establishing and driving a brand becomes obvious.

BRANDING IN FINANCIAL SERVICES

Case Study– ICICI Bank

Philosophy:

- *“Trademark customer experience differentiates a bank from competitors offering the same products and services.”*
- Service levels must be better than the expectations that are built through marketing and advertising, and then people will talk about ‘your’ service.
- Touch customers in many ways (insurance, banking, mortgage financing, retirement planning and so forth), and through various channels (branch, online, direct mail, telephone and so forth)
- Catch the Customers Young: Target audience must be youngsters in their twenties with whom it can establish a lifelong relationship. Tap into its vast quantities of information about customers’ habits. **Brand Building Exercise:**
- Ran a campaign in the print media for educating the ordinary investor: Weekly investment articles were published in all major dailies.
- ‘Umbrella’ campaign: Conveyed values of *safety, security, and shield against calamities*, for investors. Used Amitabh Bacchan, the famous film star as their brand ambassador.
- Unified and new group identity for ICICI has been the focus of their branding strategy.
- First financial services company to brand its Bonds offerings :ICICI SAFETY BONDS
- For promoting ICICI Prudential Life Insurance Company Ltd the theme was ‘cover every Indian with joy, hope, freedom, life’. Further they chose children from municipal schools who received endowment policies worth Rs. 20,000 each, from the MD.

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THE NEW SALES REPRESENTATIVE: LEADER AND TECHNOLOGICAL EXPERT IN ELECTRONIC BUSINESS TO BUSINESS MARKETING

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ABSTRACT

The sales representative has long been recognized as the leader in delivering business to business marketing strategy to the customer. With the growth of electronic business every company must decide to eliminate the sales representative or to incorporate the sales representative into the e-business strategy of the company. Sales representatives are likely to emerge as the leader, once again, as the technological changes are incorporated into the firm's strategy.

INTRODUCTION

Despite the massive crash of the dot-com pioneers of electronic-business (e-business), that may seem discouraging for the future of Internet-based businesses, many Chief Information Officers (CIO) accept that e-business is the way of the future. All of the 65 CIO's interviewed by *PC Magazine* (iBiz Stats 2001) believed that companies must upgrade their process toward doing business on the Web. An area seriously affected by the growth of Internet-enabled business is the procurement function of the 390 companies surveyed by Forrester Research (iBiz Stats 2001). As the customer pressures suppliers to provide on-line buying capabilities (Birkner 2001), the role of the sales representative in the supplier's Business-to-Business (B2B) marketing strategies will change (Coupey 2001). This paper addresses the leadership role of the sales representative increasing in scope and importance in the B2B marketing efforts of the firm as the firm moves into the technologically complex e-business world.

DISCUSSION

Sales representatives have long been recognized as playing a key role in delivering the marketing efforts in B2B marketing efforts (Futrell 2000). This leadership role will intensify as more companies move to electronic business (Rackham 2000). Past patterns of sales representative working alone has passed. Now, the sales representative must not only work with a team of people but must lead the sales team in formulating and delivering the sales strategy to a customer account (Futrell 2000). The development of the current sophisticated level of computer and communication technologies presents

the greatest threat to the future viability of a personal sales force that is not prepared for the wide range of electronic customer contact alternatives. After determining the best strategy for giving value to the customer, the sales representative then must form the support team and coordinate all information, resources, and activities needed to support the customer before, during, and after the sale.

The sales leader must not only guide the activities of the sales team, but also must lead the buying center through the decision process, the installation of the product, and the on-going servicing of the product necessary for long-term customer satisfaction. The sales representative provides the customer with expertise in the product area and in the best use of the technologies of e-business that the customer is prepared to use and the selling company can provide (Futrell 2000). The selling process that includes connectivity between the buyer and seller puts extraordinary demands on the salesperson to develop a high level of technological competence in e-business. The demands on the sales representative to develop technological expertise will increase with the growth of e-business (Belton 1999). The sales representative must be capable of applying the appropriate technologies to the problems and situations of the customer today. In addition, the rep must be capable of changing the interaction with the customer in the future as both firms increase the level of sophistication in their use of e-business technology (Atkins 2000; Futrell, 2000, Manning and Reece 2001).

One of the sales representatives' greatest assets is the ability to build long-term relationships and partnerships between the buying and selling

companies. These partnerships now include increasingly complex connectivity between the two companies via the Internet (Champy 2000; Birkner 2001). Much of the exchange of information necessary in the sales process will be done electronically including the digital phone, fax, and the website (What's Your Favorite Tool 2001). The transactions involved in the procurement process will be accomplished by the shared Internet system.

The emerging role of the salesperson as the leader in the electronic B2B marketing strategy includes applying appropriately a wide range of technologies to the particular customer's situation. For example, through the Internet the seller can provide businesses with information about the seller's products and company when and where it is convenient to the buyer. Orders can be placed without the use of middlemen. Supply chains are being linked together creating efficiencies for all the businesses participating, thus forging tighter relationships among the participants. (Turban 2000; Kleindl 2001)

Changes in information technology are at once both threatening and enhancing the ability of a business to develop long-term relationships with its customers. The Internet allows a customer to contact a business any time of the day or night from any location to gather information, to make purchases, or to obtain information on the status of accounts. The sales representative must make sure that the customers are aware of the contact possibilities. When the customer takes advantage of this constant communication, then customer service may be improved, thus offering real additional value to the customer. The sales representative must make sure that the added value is created for the customer. If a company and its sales force fall behind on providing the customer with these contact opportunities, the customer begin buying from a competitor who can provide a higher service level in this area.

The myriad of contact opportunities between a company and its customers presents wonderful relationship building chances for both parties. At the same time, however, the Internet allows buyers to more easily find information on competitive products and services. This presents a challenge to a company's to holding their existing customer base. The chances increase that the customer may find an attractive alternative supplier, due to the ease of searching. This easy access to more valuable information about the range of products available in the market shifts power to the buyers (Kleindl, 2001). Companies may take advantage of this opportunity to

penetrate customer businesses that have previously been loyal to a competitor.

Companies can more easily find new customers and serve existing customers by using databases to develop personal profiles of companies and then target them with customized information that can meet specific needs. The Internet is bringing about a hypercompetitive environment where information technology is used as a vital part of marketing strategy and relationship development (Blundon and Bonde, 1998). The salesperson must take a leadership role to insure the information flow between the seller and buyer is complete and accurate.

IMPLICATIONS

Companies need to anticipate the future technologically based sales function. Since the salespeople will play the role of the leader to a greater extent of both the buying and the selling teams, the salespeople need more developed leadership skills. The extensive management of crucial information systems in the sales process will require increased technological competence from the sales force. Due to the more complex and broader range of tools for building customer relationships will be utilized in the future, a greater range of technical expertise will be necessary for the selling team, and especially the sales representative. Technical specialists will become an integral part of the design of the crucial systems to support the type of relationship chosen by the buyers and sellers.

These conditions imply that changes will occur in the hiring profile of the sales representative. This future salesperson will need to be able to thrive within the demands of leadership. The salesperson will also need to have the ability to apply communication technology appropriately in a wide variety of customer relationships. These factors impact the type, frequency, and content of hiring, training, and developing and managing the entire sales force. The shift of emphasis from face-to-face selling to management of the variety of contacts during the sales process has budgeting and reallocation of resources implications. This shift also may indicate a change in the strategic use of the sales force in the total marketing plan.

CONCLUSIONS

This article describes the pivotal role of the sales representative in electronic B2B marketing. The article is conceptual and is therefore limited by the

lack of empirical research. Development of a model of the changing role of the sales representative is the next step in researching how companies adapt the deployment of the sales force in the e-business world.

The traditional sales approach is based on face-to-face contact of the salesperson with the buyer throughout the sales cycle. In the future the intensity

and frequency of the face-to-face contacts and the technology-based contacts will undergo change and will be adapted specifically to the individual customers' needs and technological capabilities. B2B models will be modified in the future to maximize the opportunities of the interactive communication technologies.

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TEACHING MARKETING TECHNOLOGY AS A DISCRETE COURSE

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ABSTRACT

Incorporating technology in marketing courses is a challenge facing today's marketing educators. This is a case study of how one university approached this issue by adopting a two-credit, Marketing Technology and Applications course. A variety of implementation challenges and their resolution are addressed. Suggestions for future work are noted.

INTRODUCTION

Throughout higher education, it is commonly believed that today's college graduates are expected to be more technologically literate than previous generations of graduates (Lamont and Friedman 1997; Marshall and Michael 2001; Smart et al 1999). Certainly, few disciplines have been more affected by technology than marketing.

In a recent *Marketing Education Article* entitled, "Market Research in the 'Real' World: Are We Teaching Students What They Need to Know?" Achenreimer (2001) interviewed twelve leading research practitioners and concluded that college graduates are expected to be "internet savvy," knowledgeable in analyzing data, and competent in using Word, Excel and Power Point.

Achenreimer's findings and those of other leading marketing academicians highlight the question, "How should marketing software be taught to marketing undergraduates?" Clearly there are several schools of thought in that regard. One school of thought calls for the teaching of marketing software as a dedicated course. A second option would be to infuse relevant marketing software throughout the marketing curriculum. A third option would be to teach marketing software as both a stand-alone course and across the marketing curriculum. A fourth option would be to leave the teaching of technology and software to information technology instructors.

The purpose of this paper is to discuss the teaching of marketing technology as a dedicated course. At the University of Wisconsin-Eau Claire, marketing software has been taught as a stand-alone

2-credit semester course for over 5 years. This paper presents UW-Eau Claire's philosophy and logic for teaching marketing technology as a dedicated course and then goes on to review the mechanics of how the course is taught and what it covers. The paper concludes with several implementation suggestions for other marketing departments that are contemplating teaching a standalone marketing technology course.

BACKGROUND

The course was initially designed to use a partner from the business community. A partnership was struck between the class and a cooperating regional entrepreneurial organization that was willing to provide real world perspective and materials to the class for use within the applications software packages used. The original class was divided into teams of 2 or 3 students and each team was charged with learning and using several software packages to create marketing solutions to actual business problems. For example, we initially partnered with a local upscale restaurant that had decided to market its signature line of salad dressings to the local and regional market. They wished to sell the dressing, which was packaged in glass jars, to both consumers and retailers. They needed a variety of technological help in this endeavor: label design for the glass jars, print advertisement and brochure design, web site creation, contact management tools for the sales force, database marketing assistance, and analysis of survey research data.

By pairing the business' practical needs with available software applications, it was decided (in 1996) to use MS Publisher for the desktop publishing needs of the course (label design, print ad creation,

and brochure layout), HotDog (an early HTML-based program) for web site creation, ACT! for the contact management program, Excel for database management, and SPSS to analyze the data from a simple survey that they planned to send to prospective retailers. In addition, in the initial course offering we asked the students to use PowerPoint to illustrate their solutions in an oral presentation. Thus, students were taught to use six different applications software packages in meeting these very real needs for an actual business.

IMPLEMENTATION CHALLENGES

Any time a totally new course is offered, there are numerous challenges. This course was certainly no exception. This section details the major issues and the way in which the challenges have been met over time.

- *Gaining cooperation.* As noted above, the structure from the very beginning has been built around a model of cooperation between a local or regional entrepreneurial firm and the class. This has meant that the instructor has been required to secure such cooperation several weeks in advance of the beginning of the semester. We have been fortunate to have good success in this regard. Our cooperating partners over six years this course has been taught included the restaurant noted earlier, a startup manufacturer of electrical wiring apparatus, a uniform and mat rental firm, a maple syrup producer, an athletic club, and a medical sales organization. In nearly every case, the cooperating firm has been a business with which the principal instructor has had an existing relationship. This has made cooperation relatively easy to secure.

To date the instructor has "sold" the partnership concept based on developing a mutually beneficial relationship: In return for a company volunteering to work with the class, the class delivers real benefits to the company. Benefits have included developed web sites ready to be published on the Internet; developed ads, labels, brochures; analyzed research data; and ready-to-go databases for future marketing applications. In return for usable applications and data, we ask that the partner assign a key contact individual to the project and for that individual to cooperate by spending one or two periods with the class discussing their target markets; detailing their needs and wants from the class; providing background data and materials like history,

products/services, maps, key contact information, photos of personnel and facilities or processes; and more.

- *Organizational structure issues.* At the initial course meeting, the class is organized into student teams, usually about four students each. Teams are especially helpful when an assignment is quite large and very new to most students, as in the design of a web site for the partner firm or the analysis of survey research data using a series of complicated statistical procedures. However, not all assignments are group-based; in fact more than half of them require students to submit individual work.

The class is built around a series of individual and team assignments, most of which are completed in class in a laboratory setting. Typically the opening minutes of several class sessions are spent explaining the software package needed to complete the assignments. This is done by the instructor launching the software from the teaching station and showing students the relevant components of the application, replete with examples and illustrations, via computer-based projection devices contained in the lab. The series of exercises that require hands-on work with the application are then assigned to individuals. These exercises are designed to build familiarity with the package and to develop the basic skills necessary to accomplish the larger team assignment to be delivered to the partnering firm. When the individual skill building exercises have been completed, students work in groups on the assignment deliverable to the partner.

Because the course is only two semester credits, the number of contact hours per semester is limited to 30. This poses a major pedagogical challenge in that there are insufficient hours to accomplish all that we have on the course agenda. In a quest to provide exercises and hands-on assignments for at least five different software applications, something has had to be sacrificed. We choose examinations as that component. This frees up at least four hours during the semester, enabling students to work with the software in a manner that ensures the assignments and exercises are accomplished. This has worked well, but it may contribute to students having a less-than-complete knowledge of any given package, as the less utilized features never get the level of discussion and study that testing might inspire.

- *Software experience problems.* Initially, there was a serious problem with the instructor's lack of training in the software covered in the course. The instructor volunteering for the assignment had a keen interest in all the applications and a strong desire to learn, but he had no formal training. Thus, his ability to communicate needed principles and troubleshoot student problems in the lab setting of the class was variable, and this resulted in some frustration among students, especially in the early semesters of the experiment. Over time, with several iterations and growing instructor familiarity these pedagogical problems have lessened and student satisfaction has increased. A clear recommendation would be to invest in formal training for the teaching staff in all the applications to be taught. This should be done well in advance of the initial course offering.

Another solution that has been used with success is the guest instructor concept. For example, the changing nature of web authoring software (from HTML based applications like HotDog in the mid 1990's to the advent of WYSIWYG programs like MS FrontPage in more recent years) has been particularly problematic, inasmuch as the evolving applications tend to go through early releases that are difficult to master and somewhat quirky if not downright "buggy." When added to the already tall order of mastering more established applications, our experience has been to delegate the web authoring component to a campus based IT specialist who visits the class on a regular basis and assumes control of the web authoring piece. The delegation of these duties has luckily worked quite well in that we have had a capable specialist on campus who is willing to devote the extra time and effort to this component based on sheer altruism. However, this speaks to the ongoing need to provide the time and resources for training the primary instructors of the class in all applications.

- *Teaching and grading assistance.* Another issue that has surfaced with the passage of time is the need for help in the daily teaching of the class and with grading. As the class evolved into a requirement for all marketing majors, the number of sections taught per semester ballooned from one to three, all taught by the same instructor. With the tripling of the workload came the need for in-class assistance. The lab-based nature of the class meant that the students were usually working on an assignment using a software

package for which they had only the most general knowledge. Our philosophy is that they will learn more by plunging right into the programs with a minimum of background discussion, lecturing, and demonstration. Hence, the teams sit together and assist each other, while the instructor circulates to field questions as they arise.

As enrollments have increased to 40 students per section in a large lab, getting in-class help (from the instructor or a qualified student assistant) is a requirement if students are to get the answers they need with a minimum of delay and frustration. Accordingly, we now have two student assistants assigned to the class every semester. Chosen from past students enrolled in prior semesters, these people are invaluable in helping to field questions in the lab, which is the most important pedagogical strategy we use in teaching the course. Additionally, they assist with the grading of the nearly constant inflow of exercises and assignments, which permits the instructor the luxury of spending time to better prepare for introductory software illustrations and "lectures" as well as the creation of new exercises and grading keys as needed.

- *Lab issues.* Initially, the class was offered with a single section using a general access lab equipped with outdated hardware. In the environment of the mid-1990's, many campuses were just beginning to discover the need to equip more rooms as labs with new equipment. We struggled early on with issues of securing needed lab space and outdated desktop computers. This caused enormous initial frustration among students, as the applications were located in just one lab (which was in heavy use by other classes and relatively unavailable) and the machines there were extremely slow to respond at best, sometimes crashing or freezing up entirely! The software packages were early versions, relatively quirky and unfriendly by today's standards. There were none of the advantages of today's campus intranets, with their always-available latest-edition software running on truly fast desktops.

While the original situation was less than ideal, by 1998 our College of Business had invested in a brand new lab with 45 state-of-the-art workstations, and the beginnings of the campus network could be seen. This past summer saw yet another complete renovation of the lab,

bringing even faster hardware to the students along with the very latest in software.

We have been fortunate to have great support and resources over the past six years. Without it, it would be truly questionable whether the initiative to launch this course could have succeeded. As it was, we struggled at best in the early years, suffering through low student satisfaction that was in part due to the environment in which we found ourselves.

- *Resources/fees.* Despite the ability of the university and the College of Business to secure the needed hardware and software, we were faced with ever increasing resource issues as the renovations continued and newer, upgraded versions of software had to be acquired and site-licensed. Added to that was the need for the student help discussed earlier. In sum, we faced ongoing resource constraints that needed to be

made up in some fashion. Our solution was to charge students a separate fee of \$25 to enroll in the course. These fees have helped greatly to pay for the student help and to upgrade the software applications. The student reaction has been one of acceptance. Anecdotally, complaints about the special fees are rare if not nonexistent. It would appear that this is an excellent device for helping to defray costs in an area where currency of the offering is paramount.

CONCLUSION

This case study describes the approach one university uses to infuse technology into the marketing curriculum. Obviously there are other formats, which could be used to teach this material. What is needed in our discipline is a frank discussion of what works and why. Additionally, empirical evidence to support pedagogical effectiveness would be useful.

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THE IMPERATIVE FOR ATTENTION TO BRAND IN LOGISTICS MANAGEMENT

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ABSTRACT

The extent of literature addressing the importance of brand to logistics-dedicated services is scant, indeed, compared to that of consumer goods. This paper points to the rationale and imperative for attention to brand building in logistics, and provides a model that aims to facilitate conceptualization and operationalization of the process.

INTRODUCTION

Logistics providers generally address one or more of the value-adding, functional activities throughout the supply chain channel that provide time and/or place utility to customers—i.e., those end-users (consumers), or intermediate channel members who purchase a component or a product for industrial use. In contemporary times, logistics functions are said to include inbound and outbound transportation, inventory management, information flows and maintenance, purchasing, order processing, warehousing, materials handling, and protective packaging. If executed successfully, results ultimately (and hopefully) lead to cost savings and customer-want-satisfaction.

Conceptual discussions generally characterize *services*—contrasted with goods—as intangible(s). Logistics services largely fall within this profile. Other conceptual discussions of *services* frequently mention that customers' perceptions of the service itself are synonymous with that of the provider. Failures and successes in service performance are viewed inseparably from that of the service provider. Therefore, as *services* (vs. goods), it is argued that logistics activities bear unique characteristics that *should* have a significant impact on marketing program development.

Service strategy challenges to marketing mix development potentially include: How to position the logistics provider and its functions *distinctively* from rivals. If services are, in fact, “inseparable” from the provider, how do the organization and its activities measure up to the burgeoning competition? What is the organization doing to audit customers' perceptions of those activities? How will the organization make innately intangible functional activities more tangible in the

mind of the buyer? Responding to these challenges, this paper points to the importance of brand auditing and building in logistics management, and provides a model that aims to facilitate conceptualization and operationalization of the process. It is argued that branding principles merit as much consideration by logistics providers as they do in consumer and business-to-business goods sectors—perhaps more, given their service characteristics, and should be a vital consideration in an organization's strategic planning.

BRAND, BUILDING BRAND, AND LOGISTICS

While there is extensive discussion of the importance of brand and brand management relative to that of consumer products, a review of on-line databases of journal resources (e.g., *ABI Inform*, *Transport*, *Business Source Elite*, *Wilson Business Abstracts*) reveals scant attention and application of brand building principles to logistics organizations and their activities. This paper does not attempt to explore why this is, except perhaps to note that as a marketing activity, study of logistics as a field is relatively recent. Yet, there is an irony in this phenomenon—as this is a field where seamlessness is apparently the pinnacle of service utility creation; and, this is a time when services industries dominate U.S. gross domestic product (“Top 10 U.S. Services Exports” 2001). The third party logistics (3PL) service segment alone is valued at over \$56 billion annually (“Ratings of Logistics Firms” 2001). The following are reasons to employ brand within a logistics service strategy arsenal. Inherent in each is the imperative to audit consumer brand perceptions as a regular marketing development activity:

- “A brand [*defined*] is ... a critical component of what a company stands for” (Davis 2000, p. 3). This is an era when operational and cost

effectiveness are necessary but not sufficient elements of strategic positioning. Out performance over rivals is optimized if companies can identify differences that can be preserved (Porter 1996). How true this is in the field of logistics. As economies of scale become more and more challenging to achieve, companies will seek to improve efficiencies wherever they can. One prime area, therefore, for analysis is supply chain management. Rivals in different logistics activities are quickly appearing to duplicate one or more of the activities of their competitors. Customer research should be comparing what the logistics provider stands for. In failing to do so, competitors may claim the same benefits and associations.

- “A brand [defined] is a set of consistent promises. It implies, trust, consistency, and a defined set of expectations” (Davis 2000, p. 31). Research generally supports that strong brands foster closer, more defined relationships between buyer and seller. Many writers refer to the emotional chord that a strong brand rings in the buyer-seller relationship. The brand’s supporting role in this relationship is so important—given the inseparability profile of (logistics) services. Indeed, “if a packaged good’s brand is intimately entwined with its package, then a service brand is intimately entwined with its people” (Duboff 2001, p. 16).

Despite the limited discussion of brand-building as it applies to logistics functions, there are, nevertheless, case studies that are illustrative of its importance (Fotheringham 2000; Parry 2000). Public transit, as one example, competes within a total travel market dominated by private transport. There are many operational variables that have potential implications to trust and consistency. Yet, while the service may be intangible definitionally, case study (Fotheringham 2000) of the Utah Transit Authority (UTA) illustrates how marketing’s research managed to convert customer expectations into “tangibles” by:

- a) Auditing the customer’s psyche—i.e., identifying and quantifying the expectations customers had for bus travel, and the barriers they foresaw in riding the bus;
- b) Establishing an organizational brand essence (identity) and commitment to consistently meet and exceed customer expectations.

UTA marketing research showed congestion, safety, and other concerns caused highly emotional responses in non-riders. Marketing’s

approach, according to the CEO of FJCanN Agency, was to develop a better bridge between UTA and the public. The Agency’s (& UTA’s) objectives were grounded in branding principles, as described above. Deliverables to be operationalized were:

- a) To position UTA as a transportation leader and a public servant (aka “UTA brand identity”).
- b) To create what David Aaker and Erich Joachimsthaler (2000, p. 46) call the brand’s “value proposition” with its public—e.g., reduce congestion, help the environment. Identifying potential customer relevancy was key. As one example, the UTA informed that UTA service meant 74,000 car trips off the road every weekday.
- c) Related to “a” above are other deliverables such as the need for timely information flows, and the need to develop a quality supporting infrastructure that would include light rail service.
- d) To develop a logo(s), promotional pieces, multimodal messages, and taglines that reinforce the organization’s brand identity decisions detailed above.

Admittedly, building brand does not take place overnight. Brand identity evolves as a strategic decision that is managed over time. As with all marketing efforts, success is measured in the future. Brand equity—the perception of the brand in the mind of the buyer—needs to be audited as an ongoing process. Elements of a brand audit might include: What do customers think of when the brand name is mentioned? In the case of UTA, do they think, “transportation leader” and “public servant?” Of what do non-riders think when the brand name is mentioned? Do riders readily name the value-added propositions the organization believes it delivers?

This paper argues that branding principles are imperative to strategic thinking and applicable to any organization dedicated to one or more of the functional activities of logistics. A prerequisite to brand-building, however, is also to first be dedicated to the “doing of” marketing activities, including, but not limited to environmental analysis, competitive analysis, SWOT analysis, and relationship marketing vs. transactional thinking (Potoker 2000). The following section addresses how branding principles help to convert the intangibility of services into tangible assets.

THE BRAND DICHOTOMY: BRAND AS AN INTANGIBLE • TANGIBLE ORGANIZATIONAL ASSET

Brand is generally acknowledged as a component of the Product/Service Strategy of the Marketing Mix. Product/Service Strategy is one of the famous 4 Ps of marketing. The following recalls the elements of each of the four strategies of the Marketing Mix and the utilities (U) they aim to create. Collectively they support the organization's *raison d'être*:

- **PRODUCT/SERVICE STRATEGY** (U=form utility)
Form, accessories, packaging, warranty, **brand**
- **PRICING** (U=ownership utility)
Rebates, geographical terms, buy backs, discounts, financing
- **DISTRIBUTION STRATEGY** (U=time and place utility)
Order taking, materials handling, inbound logistics, outbound logistics, channels of distribution, protective packaging, warehousing, information flows and maintenance
- **PROMOTIONAL STRATEGY** (U=ownership {through sales} and ownership expectations of utility)
Advertising, promotional relations, promotional give-always, direct sales

A strong brand is also generally regarded as an *intangible* organizational asset. As an example, Virgin Airways' brand essence--i.e., the single idea that captures the soul of the brand, resonates in the customer, and (hopefully) distinguishes them from others--is characterized as "iconoclastic" (Aaker and Joachimsthaler, p. 46). For Nike, "essence" is cameoed in a vision of achievement and excellence. Granted, as essence, these cameoed thoughts are intangibles. Yet, this author argues that a strong and distinct brand essence guides the organization to convert intangibles into tangible assets. How can a brand be both an intangible and tangible asset? It can be and (probably) should be. As an example, "iconoclasm" for Virgin Airlines translates into the promotional messages and symbols that reinforces Virgin's essence and core identity. These symbols and messages include the CEO's life style, the Virgin blimp, Virgin's logo, and more ("Keeping Up With Appearances" 1996). Brand decisions influence what the brand promises. If "fun"--then fun must be operationalized. If value-proposition, then cost and

innovation must become deliverables. Yes, a strong brand is in-and-of-itself a strategic marketing management dichotomy where intangibility and tangibility co-exist. And so, therefore, the message to logistics providers dedicated to one or more of its functional areas: There is, indeed, an imperative to develop brand as an asset in the (logistic) services sector.

THE STAR: A MODEL FOR BRAND BUILDING AND BRAND AUDITING

In reviewing the literature (e.g., consumer goods, business-to-business goods, and logistics-related regarding the (tangible) deliverables characterizing strong brands, certain ones surface frequently. Those are conceptualized in the Figure 1, Star Model. As a tool of analysis, five dimensions to consider include:

- A = Auditing Brand Equity
- B = Benchmarking
- CL= [engaging in] Collaborative Logistics
- IT= [excelling in] Information Technology
- OD=[assessing the responsiveness of] Organizational Design
- ST= Story Telling

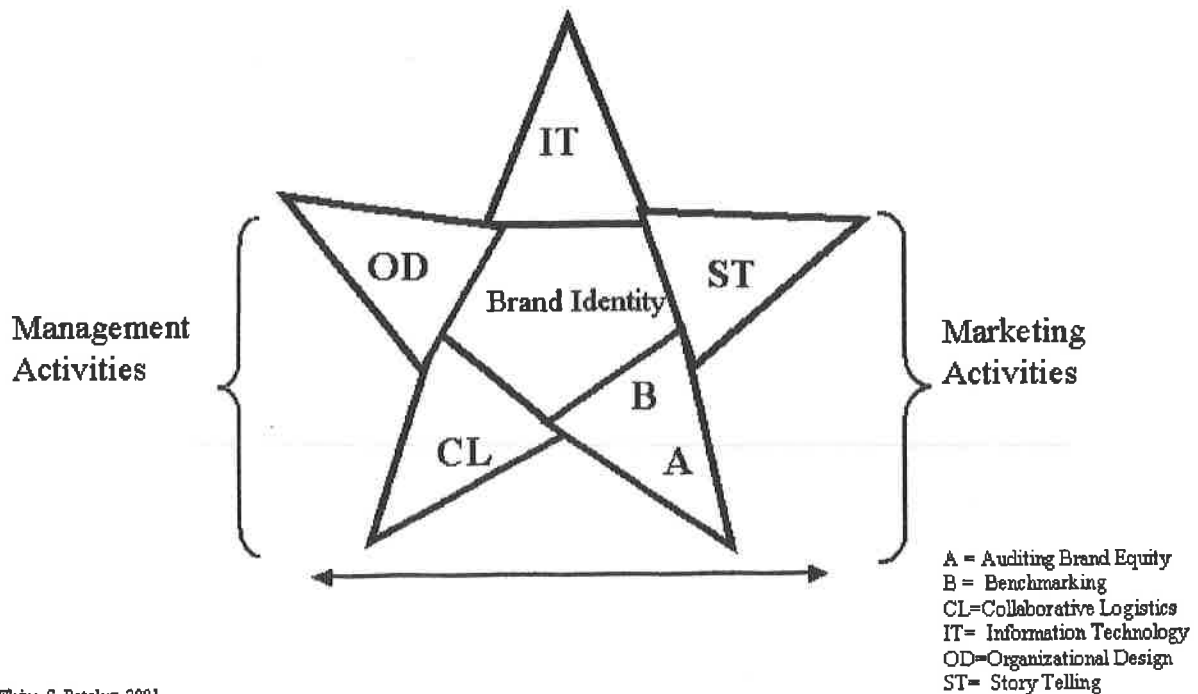
The model's purpose is twofold: a) to conceptualize how brand-building may be operationalized and audited; b) to illustrate that in successful brand-managed companies, brand-building and auditing can also serve to rally the organization around the brand. The entire organization and its supply chain should be engaged in monitoring the tangible elements of its core identity to assure the organization is delivering its brand promises. In short, literature review appears to support that application and auditing of the Star Model elements optimizes performance in the brand building arena.

Referring to Figure 1 and each of the Model's elements:

Technology

Commitment to superiority in information technology (IT) continues to be essential to enhance end-customer value. Customers will continue to define what value-added is. Promises of service and reliability--the value-proposition--translate into the following examples of logistics-related tangibles that aim to position the organization differently from others:

Figure 1: The Star Model: Building and Auditing Brand Activities



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- Deutsch Post operates under the brand name Deutsch Post World Net to reflect its global logistics strategy. Management seeks to position itself to excel in solutions for dispatches of any weight, to include warehousing, packaging, sorting, payment collection and financing. Offering more than a name, however, management claims commitment to develop operations covering all aspects of e-commerce including digital mailing, financial services, online brokerage and logistics. Its partnership with International Business Machines aims to develop logistics offerings and technology targeting Internet retailers (“TPG Launches E-Commerce Suite” 2000).
 - TNT Post Group boasts of an e-commerce suite that targets European automotive, electronics and pharmaceutical industries. While it is said that TNT is going after United Parcel Services, FedEx Corp. and DHL Worldwide Express’s U.S. business, its North American technology goals target high-end customers with specialized needs. TPG, the parent company of TNT, boasts development of an intelligent sourcing and ordering system for global, domestic, and cross-border e-fulfillment (“TPG Launches E-Commerce Suite”).
 - Danzas’ North American unit offers the gamut of the functional activities of logistics. Yet, technology integration helps them offer services such as Cash Forwarding—a trade-financing program. Danzas assumes responsibility for the credit insurance process on a foreign buyer as well as delivery of product (Saccomano May 1998).
- Technology also serves to overcome data gaps and remove inefficiencies from the supply-chain process (Keenan 2000). IT integrates demand and supply and production planning, which in turn, is important to customer-organizational relationships. Yet, by itself, prowess in management of information flows is not sufficient to complete a profile of brand leadership.

Doing Marketing

An organization should also be dedicated to the doing of marketing activities (Potoker 2000). Those include, but are not limited to conducting individual interviews, positioning research—through which organizations distinguish their core identity and value propositions from those of their competitors, and comparative review of promotional messages. Mapping—preparing visuals that profile similarities and differences—is useful to both internal and external customers. The above IT examples demonstrate how the marketing process generates strategic positioning decisions. Finding the right organizational fit and target market is a key marketing research activity—particularly in a fiercely competitive global marketplace. Doing marketing also includes the following activities:

- **Benchmarking (B):** Benchmarking refers to comparative research of best practices within one's field and in other fields. Assessing performance in areas such as asset management, cycle times, IT, materials handling systems, and others is key to strategic positioning, customer relationships, continuous improvement and growth (Rogers, Daugherty, Stank 1995; Stank, Rogers, Daugherty 1994). For those logistics generalists performing a combination of logistics functions, developing a family of brands where each functional area is a brand, in-and-of-itself, appears to be a new frontier for many. An interesting benchmark for development of this concept is literature discussing brand management in the automotive fleet sector. Managing each brand within a fleet requires strategic thinking about the relationships of the brands within the parent company and the promises/benefits that each and/or all offer to the customer ("Truck Brand Managers..." 1998).
- **Story-telling (ST):** Marketing's research and organizational history inspire grounded stories and supporting tag lines that often are key elements of organizational culture. As examples, acknowledged brand leaders from the product sector such as Nike and 3M (Bromiley 1998) are frequently cited examples of organizations whose brand essences are imbedded in the stories and activities of organizational culture. Regarding 3PL providers, FedEx is generally acknowledged as brand leader. FedEx's early tracking technology was a benchmark to many on the operational details of moving packages. Yet, IT is not enough. Marketing's work also plays a role in brand building. Promotional

messages—e.g., advertising, web site, and company stories work to reinforce the promise that goods will be to the world on time. Earlier successful advertising campaigns urged customers to contact FedEx when packages, "absolutely, positively had to be there overnight" (Saccomano January 1998).

Management

A management that supports marketing activities (as a financial line item), rallies the organization around brand identity, and establishes distribution channels that support (and deliver) value propositions is another element of the Star Model. Rallying includes designing the organization to respond to market needs in the following ways:

- **Brand Audits (A):** Measuring brand equity is a collaborative function of both management and marketing, as the process depends upon the doing of the research itself, and a bottom line for measuring brand loyalty (e.g., number of repeated transactions), brand awareness, and the assets or liabilities the customer perceives in the brand. Translating what the research reports into action plans is also key to the Star profile. Consider as an (benchmark) example, British Airways' (BA) "marketplace performance unit," created to measure how the organization is doing relative to BA's standards. The unit's mandate is to represent the customer point of view. Its design makes it completely independent of the functional areas of marketing, selling and operating sides of the business. If data are not available, the unit is mandated to create it. Over 300 key performance areas (i.e., the value-propositions and organizational promises) are measured: e.g., check-in cycle times, cleanliness, punctuality (Prokesch 1995). There are so many human interactions involved in logistics' functional activities. Commitment to gap analysis—analyzing what accounted for the difference between what the buyer expected and what was delivered—is essential to brand-building performance.
- **Organizational Design (OD) and Collaborative Logistics (CL):** are Star Model elements: Management utilizes intranet, extranet, and the Web to enhance the organization's physical design for communication and information sharing throughout the supply chain.
 - Armstrong & Associates (2001) rated Danzas/AEI, number one among the North American-based 3PL providers. Danzas

counts on a Focused Management Program for its multinational accounts (Saccomano May 1998). Dedicated management teams involve organizational design and communication Considerations—e.g., how can physical world internal designs and virtual worlds attend to all customs, import and export activities?

- Recalling the automotive fleet benchmark example ("Truck Brand Managers" 1998, physical design frequently includes brand teams and platform teams. A brand team manages each brand (product line and/or SBU). Platform teams are cross-functional groups dedicated to integration of functional areas and supply chain members, which include the customer. Integrated logistics will increasingly depend upon innovative and responsive organizational designs (Keenan 2000; Goldsby and Stank 2000), and innovative and creative organizational leadership.

IMPLICATIONS AND CONCLUSIONS

There is a limited discussion of the application of branding principles to the business of logistics. It is obvious that operational efficiencies will be necessary, but not sufficient for dominance in one or more functional areas of logistics over the long haul. This paper posits that commitment to brand building and brand auditing will be vital to guide logistics-dedicated organizations in their journey to differentiate themselves from others. In closing, the author notes that there is a great deal of research that needs to be done regarding the relationship of brand to performance of logistics providers—e.g., whether specific brand-building efforts result in increased profits or stock returns. Other research involves benchmarking of best practices across industries for applications to logistics' activities. This is fertile ground, and territory that is sure to be explored to make seamlessness tangible in the mind of the consumer.

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BUILDING BRAND LOYALTY: THE ROLE OF THE INDIVIDUAL INVESTOR

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ABSTRACT

Building brand loyalty has become more important, yet more difficult to achieve in today's marketplace. This research explores a possible avenue for building brand loyalty that is not directly related to the marketing of the product—attracting investors in the brand's corporate parent.

INTRODUCTION

Since 1987, when the concept of "brand equity" was initiated by the financial valuation of brands, companies have tried to create and maintain the precursor to brand equity, brand loyalty. More and more businesses are recognizing the need to develop and maintain brand loyalty to maintain long-term profitability. Creating and maintaining loyal customers, however, has become increasingly difficult in today's competitive environment. Brand loyalty refers not only to one's tendency to repurchase the same brand time after time, but also to have a psychological commitment or attitudinal bias toward the brand. Thus, the truly brand loyal customer not only buys the brand, but refuses to switch even when a better offer comes along.

Building this brand loyalty has taken numerous forms over time. Early loyalty was built through mass awareness advertising campaigns. More recently, firms have used promotional tools such as coupons, rebates, discounts, bonus packs and gift premiums in an effort to build loyalty. The most recent form of loyalty building has been the loyalty program whereby customers are rewarded for loyalty to a store, brand, etc. The airlines' frequent flyer programs, grocery discount cards, and even co-branded credit cards are efforts to gain customer loyalty. Unfortunately, these programs tend to reward repeat buying behavior, not loyalty. Thus, the behavioral aspect of loyalty is rewarded, but no effort is being made to secure the psychological commitment that serves as the core of the loyal customer.

Garnering true brand loyalty may require developing a relationship with customers that is more than product-based. In a marketplace where products and services are difficult to differentiate, customers

may need an additional point of contact with a company to develop the commitment needed for true brand loyalty. One point of contact that may fulfill this requirement is through company ownership—that is ownership of stock by the individual customer. Vogelheim, Schoenbachler, Gordon, and Gordon (2001) report anecdotal evidence that CEOs and CFOs of publicly traded companies believe that one advantage to individual investors is that these individuals tend to be brand loyal to the products and services produced by companies in which they own stock. The customer who owns stock in a particular company does so because he/she believes in its potential for growth, strong management, and/or products and services. In order to be consistent in behavior, the investor is likely to use the products and services of firms in which he/she owns stock. This unique relationship between shareholder and company may be a viable contact point for firms to build brand loyalty. The research reported here used survey methodology to explore the relationship between shareholder behavior and characteristics and brand loyalty to test if the relationship does indeed exist and what characteristics of shareholder behavior strengthen brand loyalty. The findings of this research may direct marketers to develop shareholder loyalty strategies to help develop brand loyalty rather than focusing so heavily on programs which build repeat purchase behavior rather than true brand loyalty. The findings may be used to further understand the complexity of the concept of brand loyalty and for marketers to possibly develop programs that help build brand loyalty through the investor relations department of the company rather than the marketing department. The customer will ultimately benefit by having potentially more individual investor friendly stock purchase opportunities and more commitment to building individual investor loyalty programs.

Brand Loyalty

During the year 1987, brand equity came out of the marketing arena and into the boardroom as companies were being purchased for enormous multiples and time and again the reason given was "the brand." Grand Metropolitan's purchase of Heublein, the makers of Smirnoff vodka, created the unique situation where the value of the brand could be compared to the private label vodka product. This calculation led to the concept of brand equity. In 1988, the *Economist* magazine declared it the Year of the Brand. The 1990's saw the concept of the brand threatened again when on April 2, 1993, Marlboro cut prices—Marlboro Friday. Many thought brands were dead if one of the most valuable brands in the world had to cut prices. But on the Monday following Marlboro Friday, the stock market value of packaged goods companies fell \$25 billion. The financial community was saying it would reward strong brands and punish weak ones (Light 1997). Since Marlboro Friday, marketers have once again focused heavily on building brand equity. Much of that effort has been through developing and maintaining brand loyalty, a precursor to building equity.

Building brand loyalty, although the focus of much attention, is getting tougher to achieve. Brand proliferation, condensed development and product lifecycles, globalization and media fragmentation today characterize the marketplace. Just as threatening to brand loyalty has been the shift in market power away from manufacturers toward retailers and to the channel itself. Distribution channels have also been radically restructured and now consumers find it easier and faster to find what they need. The next phase, according to Munger (1996) will be a shift from the power of the channel to the power of the consumer. Consumers can proactively navigate their way through interactive channels to find the products and services they need. All of these changes in the marketplace make brand marketing more challenging, but even more critical for enduring profitable growth.

Aaker (1991) identifies brand loyalty as a key determinant of brand choice and brand equity. He notes that the brand loyalty of the customer base is often the core of a brand's equity. If customers are indifferent to the brand and will buy with respect to features, price, etc., there is likely little equity. Baldinger (1996) argues that to be a dominator in the marketplace, a firm needs only product volume. To be a profitable market dominator, a firm needs brand loyalty. Even just a few years ago, many companies

believed that brand loyalty was just something packaged goods people do. Today, even in non-marketing focused businesses like electronics, business-to-business, hotels, airline travel, finance, and even mainframe computers are adopting the principles of brand loyalty management.

Brand loyalty has historically been operationalized as some sequence of behavior. Thus, if a customer purchases Brand A three out of four times, he/she may be considered brand loyal. These types of operationalizations tend to confuse brand loyalty with a close, yet distinct, construct—repeat behavior. Jacoby and Kyner (1973) first defined brand loyalty as having six necessary conditions. These are that brand loyalty is 1) the biased (i.e., nonrandom), 2) behavioral response (i.e., purchase), 3) expressed over time, 4) by some decision-making unit, 5) with respect to one or more alternative brands out of a set of such brands, and 6) is a function of psychological processes. The key differentiation between repeat buying behavior and brand loyalty is the sixth requirement—psychological processes. Light (1997) warns not to confuse repeat behavior with brand loyal behavior. He notes that repeat behavior can be bought through bribes such as price discounts and coupons. Bloemer and Kasper (1994) similarly differentiate between true brand loyalty and spurious brand loyalty. Although the behavioral aspects of the two constructs are the same, true brand loyalty requires psychological commitment while spurious loyalty is a function of inertia.

Marketers today are focusing efforts on building true loyalty through customer relationship management (CRM), loyalty marketing, and relationship marketing—all popular marketing management topics today. These programs, like the simple coupon and discount, tend to work toward buying loyalty rather than winning or earning it. The most popular technique today is the loyalty card or program. Although the first marketer in the category to develop such a program undoubtedly earns some short-term loyalty, once competitors develop similar competitive loyalty programs the category becomes like that of the frequent flyer airline programs—gaining repeat behavior but not true loyalty (Davis 1994).

Much of the research on brand loyalty has been developed from the marketer's view and focused on the value of customer loyalty to the firm and how loyalty should be managed. Less work has been done on the consumer side asking why and how consumers become loyal and remain loyal to brands (Schultz and Bailey 2000). The decline in loyalty is

not limited to packaged goods, either. Areas as diverse as computers, fast food, and long distance services are finding customers leaving the brand to try competitors or even lesser known private label products (Cauldron 1993). Baldinger (1996) classified customers into three categories based on commitment to brands. Approximately 12% of customers fell into the category of high loyal to the average brand, 14% were moderate loyals and 74% were low loyals to the average brand.

The Individual Investor

The statistics regarding brand loyalty suggest that current marketing efforts to encourage loyalty may not be enough to develop the psychological commitment to the brand necessary to establish true loyalty. Given the importance of brand loyalty to long-term success, identifying factors that may build brand loyalty is key. Vogelheim, Schoenbachler, Gordon, and Gordon (2001) identify one possible approach to building brand loyalty that falls outside the marketing realm—building loyalty with the company's individual shareholders. In a series of in-depth interviews with CFOs and CEOs of over 60 firms, Vogelheim et. al. found that a number of executives believe that individuals who own stock in a company tend to be brand loyal to that company's brands.

With more and more individuals investing in the stock market, companies may be able to build brand loyalty and build a shareholder at the same time. Although the majority of individuals' investments still go through institutions, (only 41% are held by individuals and non-profits) (NYSE FactBook 2000), more than 48% of households in the US owned stocks as of 1999, a 71% increase over 1989 (Serwer 1999). With the bull market of the 1990's, investment growth through 401(k) plans, and the Internet providing investment information to individuals at the touch of a mouse, individuals have flocked to the market. Organizations have also made efforts to attract individual investors who tend to be more patient and stable than institutions who will drop a stock because of a bad quarter (Galuszka 1997). Companies such as Deibold, McDonald's, Colgate-Palmolive, Abbott Laboratories, Amoco and Intel have participated in efforts specifically designed to attract individuals including DRIP programs, direct purchase programs, and marketing programs targeting existing customers as potential investors (Galuszka 1997; Carlson 1998).

Although the primary motivation of firms attracting individual investors may be stability in stock price, a potential secondary outcome is brand loyalty to the firm's products. Butera (1996) proposed that investors would be predisposed to buy the products of the firms in which they own shares. Vogelheim et. al.'s study found that 15% of executives believe that the potential for cross selling and brand loyalty are individual investors' hidden and most significant value. One manager is quoted as stating, "... value the individual investor because they are longer term in their focus, attach a bond to our product, and demonstrate an ownership in helping us improve" (Vogelheim et. al. 2001, p. 74). Generally, the executives interviewed for the study had only a "gut feeling" for the brand loyalty offered by individual investors. One company reported testing and validating that shareholders in the company will buy more products. The executive reported that after tracking the consumer brand loyalty of its individual investors, it identified a positive impact on revenues in terms of millions of dollars.

Although primarily anecdotal in nature, this review suggests that one approach to developing brand loyalty may be through attracting the individual investor. First, though, the relationship between the individual investor and brand loyalty must be empirically tested and examined to support its existence and to identify variables influencing the strength and longevity of the individual investor-brand loyalty relationship.

Exploratory Research Questions

Based on the preceding brief review of the relevant literature, the following research questions were developed. These questions were designed to explore the relationship between investing in a company's stock and brand loyalty toward its products as well as the relationship between a series of variables and the existence and strength of that brand loyalty.

First, is there a relationship between individuals owning stock in a company and their brand loyalty to brands owned by that company? Second, is there a relationship between users of a brand or product and their tendency to purchase stock in the parent company of those brands/products? Third, is there any relationship between positive and/or negative experiences with a product or brand and stock ownership? Finally, are there differences in the relationship between brand loyalty and stock ownership by type of company?

Method

In order to address the research questions outlined above, a survey instrument was developed and pre-tested which measures individual investor stockholding characteristics and brand preference and loyalty. The survey was sent to a random sample of 3000 members of the American Association of Individual Investors. Of the 3000 surveys sent, 14 were returned undeliverable, 32 were returned incomplete since the investors only used mutual funds, and 568 usable surveys were returned for a response rate of almost 20%.

The survey asked respondents to indicate if they had ever purchased or sold stock because of a favorable or unfavorable experience with a product or service produced by that company. Respondents were also asked to indicate, on a 5-point scale, how likely they were to choose stocks whose products were already used, how likely they were to choose products because of stock ownership, and interest in stock purchase programs based on product or brand usage. In addition, respondents indicated if they owned (and specifically named one) any consumer products stocks, consumer technology stocks, retail

stocks, and consumer services stocks. If they did own stock in a category, they then answered a series of questions indicating preference for products/brands of the company they owned stock in.

Findings

Table 1 summarizes the demographic characteristics of the sample as well as select information about the respondent's stockholding behavior. The sample appears to be representative of the individual investing population—largely male, higher education levels, and higher income levels.

Table 2 provides information that helps answer the first and second research questions: is there a relationship between individuals owning stock in a company and their brand loyalty to brands owned by that company AND is there a relationship between individuals being brand loyal and then buying stock in that company. The findings suggest that individuals who own stock in a company are likely to buy brands and products produced by that company. Similarly, individuals who are regular users of brands are likely to purchase stocks of companies producing those brands.

TABLE 1
SELECT CHARACTERISTICS OF SURVEY SAMPLE

CHARACTERISTIC	VALUE	FREQUENCY	PERCENT
Age	25-35	13	2.8
	36-45	52	11.1
	46-55	106	22.6
	56-65	118	25.1
	Over 65	181	38.5
Years as Investor	Less than 1	10	2.2
	1-5	56	12.1
	6-10	46	9.9
	11-15	58	12.5
	Over 15	293	63.3
Gender	Male	409	87.6
	Female	58	12.4
Education	High school	11	2.3
	Some college	66	14.1
	College grad	135	28.8
	Grad school	257	54.8
Income	Under \$25,000	8	1.8
	25,000-50,000	44	10
	51,000-75,000	88	20
	76,000-100,000	94	21.3
	Over 100,00	207	46.9

When the means are compared, the mean likelihood of buying brands because of stock ownership is significantly higher than the mean likelihood of buying stocks because of loyalty to a brand. Thus, an individual investor is more likely to become brand loyal or use a company's products/brands after buying stock rather than brand loyalty leading to stock purchase. This finding suggests that a potential marketing strategy to develop brand loyalty might include a stock purchase program that invites individual investors into stock ownership and increases their likelihood of brand usage.

The third research question explored whether positive or negative experiences with products or brands had any impact on stock choice. Table 3 summarizes the findings from survey items assessing reactions to experiences. Individual investors (63%) did express a propensity to purchase stocks as a result of a favorable experience with the company or its products/services. Investors were significantly less likely to sell a stock because of a negative experience with the company, its products or services. Thus, positive experiences can drive individual investors to a stock, but they are not as likely to leave because of a bad experience.

The final research question looked at differences in brand loyalty as a function of ownership of stocks in different types of industries including consumer products, consumer technology, retail, and consumer services. Table 4 presents comparisons across these categories. In general, the vast majority of individual investors indicated they had purchased products from consumer products and retail companies they held stock in. Fewer indicated they had purchased from consumer technology and consumer services, but still well over half indicated they had purchased products/brands from companies in these industries when they owned stock. Interestingly when asked if they usually seek out products, less than half indicated they did. When asked if they purchased competitive products, over 85% indicated they did in all industries. Thus, although individual investors tend to have some experience with products/services of companies they invest in, they do not usually seek out those products and they are very willing to purchase competitive offerings, suggesting stockholders are as likely to exhibit repeat purchase behavior as they are to exhibit true brand loyalty.

TABLE 2
RELATIONSHIP BETWEEN BRAND LOYALTY AND STOCK OWNERSHIP

ITEM	MEAN	STD. DEV	
Likelihood of purchasing <u>stock</u> based on products/services used regularly (1=definitely will not, 5=definitely will)	3.23	.7077	
Likelihood of purchasing <u>products/services</u> based on stock owned (1=definitely will not, 5=definitely will)	3.72	.7397	
Comparison of means:	Diff: -.52	t=-14.5	P<.0001

TABLE 3
RELATIONSHIP BETWEEN PRODUCT EXPERIENCE AND STOCK OWNERSHIP

ITEM		FREQUENCY	PERCENT
Purchase stock because of positive product/brand experience	Yes	299	63.3
	No	161	34.1
	Unsure	12	2.5
Sold stock because of negative product/brand experience	Yes	129	27.4
	No	313	66.5
	Unsure	29	6.2

TABLE 4

BRAND LOYALTY ACROSS PRODUCT CATEGORIES

PURCHASE PATTERN	CONSUMER PRODUCTS	CONSUMER TECHNOLOGY	CONSUMER SERVICES	RETAIL
Ever purchased products?	89.7%*	67.8%	72.1%	88.3%
Usually seek out products?	38%	36.4%	36.8%	46%
Will purchase competitor products?	92.2%	85.7%	86.8%	91.8%
Mean number of years stock has been owned	9.1 years	5.4 years	7.3 years	5.3 years

*all percentages refer to respondents indicating "yes" to item

Managerial Implications

The findings from this research have interesting implications for investor relation's managers and marketing managers seeking ways to build and manage brand loyalty. Anecdotal evidence and some proprietary company research suggest stockholders are brand loyal customers. This exploratory study suggests that although individual investors may show some brand preference and repeat purchase behavior, they do not typically exhibit true brand loyalty. The essential elements of brand loyalty imply that truly loyal customers do not purchase competitive offerings and that they usually seek out the preferred brand. Across industries,

individual investors may purchase brands more if they own stock and they may purchase stock because of a good product experience, but they do not exhibit true brand loyalty.

Should marketing managers and investor relation's managers pursue the individual investor? If the primary goal of a stock incentive program is to drive loyalty, the answer is no. If the goal is to increase the likelihood of purchase preference, perhaps such a program can be successful. If the goal is to gain market stability through individual investors with brand sales a secondary benefit, then stock purchase programs may be a valuable part of a marketing or investor relation's strategy.

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RETURN ON SATISFACTION (ROS) AS A STRATEGIC COMPETITIVE ADVANTAGE: AN EXPLORATORY STUDY

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ABSTRACT

In aiming for higher customer satisfaction levels with no regard to profitability, a company runs the risk of self-annihilation. In this paper, we examine the relationship between investments in efforts to build customer satisfaction and the resulting customer satisfaction. Based on conceptual foundations of prior research in Return on Quality, we propose the construct of Return On Satisfaction (ROS). ROS deals with the idea of an optimal level of spending on customer satisfaction leading to maximized profitability.

Conventional wisdom agrees with the notion of incremental customer satisfaction resulting in enhanced profitability. A casual acquaintance with the laws of diminishing return could alert us to the flaw in this reasoning. Unlimited investments in customer satisfaction may not lead to unlimited profitability; there are costs associated with achieving greater heights of customer satisfaction. ROS is the next step.

We test a very preliminary model of the relationship between satisfaction enhancing investments and resultant customer satisfaction. We were unable to isolate the effects of satisfaction enhancing investments on profitability at the expense of other strategic marketing variables that might influence profitability. In order to overcome this limitation, we used data on customer satisfaction and satisfaction enhancing investments from a tuition-driven, private educational institution. Data on various services was obtained from a liberal arts college in the Midwest, but this paper reports findings on one service – library resources. We use data on investments in library services over a period of several years. Corresponding data on student satisfaction with library services was obtained for the same years. From a random sample of 1597 students spread over three years, we found that the preliminary results lend support to the conceptual construct of diminishing returns based ROS.

Principles of Return on Assets (ROA) suggest that in order to increase ROA, a company must increase its operating profit margin or increase the amount of sales generated from each asset dollar. Extending this to ROS, we would like to see higher satisfaction levels per dollar invested in customer satisfaction. ROS encourages managers to focus on the relationship between customer satisfaction and investments related to customer satisfaction. The strategic focus is now on cost and benefit efficiency. A company could always “buy” customer satisfaction, but such a strategy is short-term in its very definition.

We are aware of several limitations with the model in this paper such as the data used is partial and limited to one educational institution. However, future models can examine both satisfaction levels with a variety of campus services and corresponding investments made in improving those services. This model succeeds in establishing the rationale and need for such future endeavors.

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